ENI SPA
Form 6-K
October 03, 2007
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the months of August and September 2007

Eni S.p.A.
(Exact name of Registrant as specified in its charter)

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

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

Form 20-F x   Form 40-F o

(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 o   No x

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

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SIGNATURES

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

Eni S.p.A.

Name: Fabrizio Cosco
Title: Company Secretary

Date: September 30, 2007

ENI INTERIM RESULTS 2007

Net profit confirmed at euro 4.85 billion (down 8%)
Approved an interim dividend for 2007 of euro 0.60 per share

San Donato Milanese, September 21, 2007 - Eni s Board of Directors yesterday approved the consolidated 2007 first half report subject to a limited review by Eni s independent auditors which is currently taking place. Operating profit is confirmed at euro 9,323 million (down 11.6%) and net profit at euro 4,855 million (down 8%) as announced on July 26, 2007[1].

Following the announcement at the second quarter results, Eni s Board of Directors resolved to pay an interim dividend for fiscal year 2007 amounting to euro 0.60 per share[2] (euro 0.60 for the interim dividend 2006) to shares on the register at the ex-dividend date (October 22, 2007), with payments starting on October 25, 2007. Holders of ADRs will receive euro 1.20 per ADR, payable on November 1, 2007 to ADR holders as of October 24, 2007 record date[3]. Eni s independent auditors provided their opinion on the distribution of the interim dividend as required by Article 2433-bis, paragraph 5 of the Italian Civil Code.

Eni s consolidated 2007 first half report and the accounts of the parent company Eni SpA as of June 30, 2007 have been submitted to the Board of Statutory Auditors and to Eni s independent auditors.
Eni s summarized profit and loss account, balance sheet and cash flow statement for the Group and the parent company, Eni SpA, are included as part of this press release.

Other information
On the same meeting, the Board also approved the merger into the parent company Eni SpA of Eni s wholly-owned subsidiary Praoil.

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(1) Eni s Report on the Second Quarter of 2007 is available on the Eni web site at www.eni.it.
(2) Following new Italian tax laws in force from January 1, 2004, dividends do not entitle to a tax credit and are either subject to a withholding tax, or partially cumulated to the receiver s taxable income, depending on the receiver fiscal status.
(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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Data and information herewith set forth are extracted from Eni s report on the first half of 2007 which has been disseminated along with this press release. The report on the first half of 2007 includes the certification rendered by the company CEO and CFO the latter in his quality as manager responsible for the preparation of the company s financial reports 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
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Capital Stock: euro 4,005,358,876 fully paid
Registro Imprese di Roma, c. f. 00484960588
Tel.: +39-0659821 **- Fax:** +39-0659822141

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This press release and Eni s report on Group results for the first half of 2007 are also available on the Eni web site: www.eni.it.

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

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Attachment

Summarized Group accounts[4]

Summarized profit and loss account

(million euro)

2006		First half 2006	First half 2007	Change	% Ch.
86,105	Net sales from operations	44,323	41,688	(2,635)	(5.9)
783	Other income and revenues	372	445	73	19.6
(61,140)	Operating expenses	(31,119)	(29,504)	1,615	5.2
(6,421)	Depreciation, amortization and impairments	(3,034)	(3,306)	(272)	(9.0)
19,327	**Operating profit**	**10,542**	**9,323**	**(1,219)**	**(11.6)**
161	Net financial income (expense)	151	25	(126)	(83.4)
903	Net income from investments	467	491	24	5.1
20,391	**Profit before income taxes**	**11,160**	**9,839**	**(1,321)**	**(11.8)**
(10,568)	Income taxes	(5,547)	(4,673)	874	15.8
9,823	Net profit	5,613	5,166	(447)	(8.0)
	of which:				
9,217	**- net profit pertaining to Eni**	**5,275**	**4,855**	**(420)**	**(8.0)**
606	- net profit of minorities	338	311	(27)	(8.0)

Consolidated balance sheet

(million euro)	Dec. 31, 2006	Jun. 30, 2007	Change
Fixed assets			
Property, plant and equipment, net	44,312	45,999	1,687
Other tangible assets	629	614	(15)
Inventory - compulsory stock	1,827	1,899	72
Intangible assets, net	3,753	3,962	209
Investments, net	4,246	5,209	963
Accounts receivable financing and securities related to operations	557	366	(191)
Net accounts payable in relation to capital expenditure	(1,090)	(1,178)	(88)
	54,234	**56,871**	**2,637**
Working capital, net			
Inventories	4,752	4,936	184
Trade accounts receivable	15,230	13,388	(1,842)
Trade accounts payable	(10,528)	(9,751)	777
Taxes payable and reserve for net deferred income tax liabilities	(5,396)	(6,880)	(1,484)
Reserve for contingencies	(8,614)	(8,208)	406

Other operating assets and liabilities:			
Equity instruments		*2,581*	*2,581*
Other operating assets and liabilities	*(641)*	*(711)*	*(70)*
	(5,197)	**(4,645)**	**552**
Employee termination indemnities and other benefits	**(1,071)**	**(936)**	**135**
Net assets held for sale including related net borrowings		**128**	**128**
Capital employed, net	**47,966**	**51,418**	**3,452**
Shareholders equity including minority interests	41,199	42,296	1,097
Net borrowings	6,767	9,122	2,355
Total liabilities and shareholders equity	**47,966**	**51,418**	**3,452**

(4) For a reconciliation of summarized Group profit and loss account, balance sheet and cash flow statement with the corresponding statutory tables see Eni s consolidated report on the first half of 2007, under the section Financial review . Summarized Group profit and loss account, balance sheet and cash flow statement are unaudited.

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Consolidated cash flow statement

(million euro)	First half		
	2006	2007	Change
Net profit	**5,613**	**5,166**	**(447)**
adjustments to reconcile to cash generated from operating profit before changes in working capital:			
- amortization and depreciation and other non monetary items	2,575	2,871	296
- net gains on disposal of assets	(60)	(26)	34
- dividends, interest, taxes and other changes	5,583	4,370	(1,213)
Cash generated from operating profit before changes in working capital	**13,711**	**12,381**	**(1,330)**
Changes in working capital related to operations	1,004	923	(81)
Dividends received, taxes paid, interest (paid) received	(4,047)	(3,621)	426
Net cash provided by operating activities	**10,668**	**9,683**	**(985)**
Capital expenditure	(3,054)	(4,257)	(1,203)
Investments	(64)	(4,935)	(4,871)
Disposals	104	176	72
Other cash flow related to capital expenditure, investments and disposals	80	206	126
Free cash flow	**7,734**	**873**	**(6,861)**
Borrowings (repayment) of debt related to financing activities	466	230	(236)
Changes in short and long-term financial debt	(1,143)	4,634	5,777
Dividends paid and changes in minority interests and reserves	(3,771)	(3,266)	505
Effect of changes in consolidation and exchange differences	(141)	(88)	53
NET CASH FLOW FOR THE PERIOD	**3,145**	**2,383**	**(762)**

Change in net borrowings

(million euro)	First half		
	2006	2007	Change
Free cash flow	**7,734**	**873**	**(6,861)**
Net borrowings of acquired companies			
Net borrowings of divested companies	1	(24)	(25)
Exchange differences on net borrowings and other changes	117	62	(55)
Dividends paid and changes in minority interests and reserves	(3,771)	(3,266)	505
CHANGE IN NET BORROWINGS	**4,081**	**(2,355)**	**(6,436)**

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Summarized accounts[5] of the parent company Eni SpA

Profit and loss account

(million euro)		First half		
2006		2006	2007	Change
52,985	Net sales from operations	27,485	24,665	(2,820)
255	Other income and revenues	153	77	(76)
(49,264)	Operating expenses	(25,387)	(22,492)	2,895
(829)	Depreciation, amortization and impairments	(376)	(399)	(23)
3,147	**Operating profit**	**1,875**	**1,851**	**(24)**
98	Net financial income (expense)	58	(579)	(637)
3,785	Net income from investments	4,318	4,789	471
7.030	**Profit before income taxes**	**6,251**	**6,061**	**(190)**
(1,164)	Income taxes	(777)	(487)	290
5,866	**Net profit**	**5,474**	**5,574**	**100**

Balance sheet

(million euro)	Dec. 31, 2006	Jun. 30, 2007	Change
Fixed assets			
Property, plant and equipment, net	5,507	5,421	(86)
Compulsory stock	1,701	1,828	127
Intangible assets, net	948	959	11
Investments, net	20,897	20,904	7
Accounts receivable financing and securities related to operations	6,662	7,010	348
Net accounts payable in relation to capital expenditure	(313)	(279)	34
	35,402	**35,843**	**441**
Working capital, net	**(128)**	**1,123**	**1,251**
Employee termination indemnities and other benefits	**(310)**	**(269)**	**41**
Capital employed, net	**34,964**	**36,697**	**1,733**
Shareholders equity	**26,935**	**30,406**	**3,471**
Merger surplus	**588**		
Net borrowings	**7,441**	**6,291**	**(1,150)**
Total liabilities and shareholders equity	**34,964**	**36,697**	**1,733**

(5) Following the merger of the wholly-owned subsidiaries Enifin SpA and Eni Portugal Investment SpA into Eni SpA effective since January 1, 2006, the 2006 first half results and 2006 full year 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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Cash flow statement

(million euro)	First half		
	2006	2007	Change
Net profit	**5,474**	**5,574**	**100**
adjustments to reconcile to cash generated from operating profit before changes in working capital:			
- amortization and depreciation and other non monetary items	772	405	(367)
- net gains on disposal ot assets	(605)	(2)	603
- dividends, interest, taxes and other changes	(3,230)	(4,586)	(1,356)
Cash generated from operating profit before changes in working capital	**2,411**	**1,391**	**(1,020)**
Changes in working capital related to operations	1,099	1,561	462
Dividends received, taxes paid, interest (paid) received	1,427	1,389	(38)
Net cash provided by operating activities	**4,937**	**4,341**	**(596)**
Capital expenditure	(391)	(501)	(110)
Investments	(217)	(673)	(456)
Financing investments related to operations		(959)	(959)
Disposals	705	671	(34)
Financing divestments related to operations	521	275	(246)
Other cash flow related to capital expenditure, investments and disposals	(325)	(32)	293
Free cash flow	**5,230**	**3,122**	**(2,108)**
Borrowings (repayment) of debt related to financing activities	(1,192)		1,192
Changes in short and long-term financial debt	95	564	469
Changes in financing receivables for non-operating purposes	208		(208)
Dividends paid and changes in minority interests and reserves	(3,360)	(2,699)	661
NET CASH FLOW FOR THE PERIOD	**981**	**987**	**6**

Change in net borrowings

(million euro)	First half		
	2006	2007	Change
Free cash flow	**5,230**	**3,122**	**(2,108)**
Dividends paid and changes in minority interests and reserves	(3,360)	(2,699)	661
Changes in securities and financing receivables related to operations		727	727
CHANGE IN NET BORROWINGS	**1,870**	**1,150**	**(720)**

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PRESS RELEASE

Information Document on Eni s compensation plans based on financial instruments (Article 84-*bis* of Consob Regulation No. 11971)
Stock grant plan 2003-2005

This document provides a description of the Stock grant plan 2003-2005 for the managers of Eni SpA and its subsidiaries pursuant to Article 2359 of the Italian Civil Code. The subsidiaries that have shares listed on the stock exchange and their subsidiary companies realized their own incentive plans, a description of which may be obtained by referring to the information notes that have been issued to the market by the same companies.

Note that the Plan is to be considered "of particular relevance" pursuant to Article 84-*bis*, second paragraph of the Consob Regulation No. 11971/99 ("Regolamento Emittenti").

Definitions
Here follows a description of the meaning of some of the terms used in the information note:

Attribution of stock grant	Notifying the commitment to assign Eni shares, free of charge, after three years
Assignment of stock grant	Transfer of attributed Eni shares to the individual stock accounts

1. Grantees
Participation to the annual attribution is restricted to the managers who have achieved their individual objectives preset for the previous year and who, as of the date of the assignment, were employed and operating for Eni and its subsidiaries, pursuant to Article 2359 of the Italian Civil Code, whose shares are not listed on regulated markets. The employment relations of the Grantees shall be regulated by managers national collective employment agreements or by equivalent regulations with regard to employees not residing in Italy.

The following persons who, as of September 1st, 2007 are general managers, have participated in the Plan:

- the General Manager of the E&P Division, Stefano Cao (in office since November 14th, 2000);
- the General Manager of the G&P Division, Domenico Dispenza (in office since January 1st, 2006);
- the General Manager of the R&M Division, Angelo Caridi (in office since August 3rd, 2007).

Have participated in the Plan managers who have regular access to privileged information and who have the power to take managerial decisions that may have an impact on Eni s evolution and its future prospects; as of September 1st, 2007, there are 7 managers who, together with the Managing Director and the General Managers of Eni Divisions, are

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permanent members of Eni s Steering Committee and, as such, are considered "other managers with strategic responsibility" (Consob Regulation No. 11971 dated May 14th, 1999 and subsequent amendments).

The Managing Director and General Manager currently in office, Mr. Paolo Scaroni, appointed by the Board of Directors on June 1st, 2005, did not participate in the Plan.

2. The reasons for adopting the plan

The stock grant Plan was approved for the following purposes:

- setting up an incentive and retention system for Eni s management connected with the achievement of preset objectives;
- determining their participation in risk management and in shareholder s value increase;
- consolidating in time the managers professional contribution.

For the purpose of implementing the Plan, Eni s company performance was taken into consideration, expressed in terms of ROACE, comparative Total Shareholders Return (TSR), and stock performance. For stock grant attribution purposes, the individual objectives were taken into consideration, set according to various spheres of responsibility and to the actual powers of the managerial positions.

These targets have been selected for the purpose of establishing a balance between the economic and operating performance (ROACE) and the share performance (comparative TSR and stock performance).

Eni s objectives have been approved by the Board of Directors, on proposal of the Compensation Committee, and defined consistently with the targets of the strategic plan and the annual budget. The results, evaluated assuming a constant trading environment, have been verified by the Compensation Committee and approved by the Board of Directors.

The entity of the grant value of the stock grant to be attributed to each grantee was determined by taking into consideration the levels and market practices in long-term incentive plans for equivalent managerial positions.

3. Approval procedure and time-schedule for assigning the instruments

On March 30th, 2003 the Board of Directors of Eni resolved, on proposal of the Compensation Committee, to confer on the Shareholders Meeting the power to use up to a maximum of 6.5 million own shares (equal to 0.162% of the capital stock) to service the stock grant Plan 2003-2005.

The Shareholders Meeting held on May 30th, 2003 approved the Board s proposal and conferred on the same Board the power to implement the annual attributions and draw up the related regulations.

On June 19th, 2003 the Board approved the 2003 Plan attribution and the related regulations.

On July 6th, 2004 the Board approved the 2004 Plan attribution and the related regulations.

On June 29th, 2005 the Board approved the 2005 Plan attribution and the related regulations.

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The Managing Director, as grantee of the Plan, in relation to the resolutions approved by the Board of Directors on the plan implementation concerning the latter did not take part in the discussion of the subject and in the related voting.

The administration of the Plan is assigned to Eni s Human Resources & Business Services Department (Compensation Policies/Managers Administration) jointly with Eni s Corporate Affairs and Governance Department (Company Secretary/Shareholders' Register).

Here follow the market prices recorded on the dates described above:
March 30th, 2003: euro 12.814
May 30th, 2003: euro 13.261
June 19th, 2003: euro 13.764
July 6th, 2004: euro 17.035
May 27th, 2005: euro 19.800
June 29th, 2005: euro 21.379

4. Characteristics of the attributed instruments
The Plan foresees the communication of the commitment to assign its shares, three years after the date of attribution, free of charge. Eni s commitment is firm and irrevocable, although subject to cancellation if, within a three-year period, the grantee recedes unilaterally from the employment contract. The right of the grantee cannot be transferred inter vivos. The assignment is carried out beforehand in the following cases:

- resolution on the part of the grantee of the employment contract by mutual consent;
- loss of control on the part of Eni of its subsidiaries where the grantee is employed;
- transfer to non-subsidiaries of the company or of the company branch where the grantee is employed;
- death of the grantee.

The Board of Directors may, if necessary, adjust the number of shares attributed and/or the assignment terms and conditions established in the regulations in case any one or more of the following operations occur:

a. grouping and splitting of the representative shares of Eni s capital stock;
b. increase, free of charge, of Eni s capital stock;
c. increase of Eni s capital stock at a charge, also by issuing shares with warrants, bonds which can be converted into Eni shares and bonds with warrants for subscribing Eni shares;
d. reduction of Eni s capital stock;
e. distribution of extraordinary dividends taking money from Eni s reserves;
f. merger, any time in which Eni s capital stock is to be modified;
g. splitting of Eni;

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h. assignment of Eni treasury shares to shareholders;
i. public purchase offers or purchase and exchange of Eni shares.

In order to implement the Plan, in the 2003-2005 period, a total of 3,545,000 own shares were attributed. Follow details of the annual attributions.

Year	No. of managers	No. of stock grant attributed	No. of stock grant outstanding (9/1/2007)
2003	816	1,206,000	-
2004	779	1,035,600	683,900
2005	872	1,303,400	919,100
		3,545,000	**1,603,000**

The 2003 attribution was completed in September 2006 with the assignment of the related shares.

The 2004 attribution will be completed in September 2007.

The 2005 attribution will be completed in September 2008.

Here follows the number of shares attributed for outstanding attributions as of September 1st, 2007, in relation to the subjects identified by name or to the categories selected as described in paragraph 1.

Name/category	Number of shares attributed 2004	Number of shares attributed 2005
Stefano Cao, GM of E&P Division	13,000	16,000
Domenico Dispenza, GM of G&P Division	5,800	(1)
Angelo Caridi, GM of R&M Division	5,800	6,900
Other managers with strategic responsibility (2)	22,400	28,500

(1) Domenico Dispenza, Chairman of Snam Rete Gas until December 23rd, 2005, has participated in the 2005 attribution of the Snam Rete Gas Plan.
(2) 3 of the current 7 managers have participated in the Plan.

Starting from the fiscal year 2003, the stock incentive plans issued by Eni have been posted as a staff expenses item on the basis of the fair value of the right awarded to the employee. The fair value of the stock grants is represented by the share s current value at the date of the award reduced by the current value of the expected dividends in the vesting period. The estimated burden for the Company, net of the social security contributions to be paid by the employer, can be determined for each attribution by multiplying the unitary fair value by the number of rights attributed in the year. With reference to outstanding attributions (2004 and 2005) the burden thus determined is equal to 15.1 and 26.2 million Euros respectively.

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PRESS RELEASE

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Stock option plan 2002-2005

This document provides a description of the Stock option plan 2002-2005 for the managers of Eni SpA and its subsidiaries pursuant to Article 2359 of the Italian Civil Code. The subsidiaries that have shares listed on the stock exchange and their subsidiary companies realized their own incentive plans, a description of which may be obtained by referring to the information notes that have been issued to the market by the same companies.

Note that the Plan is to be considered "of particular relevance" pursuant to Article 84-*bis*, second paragraph of Consob Regulation No. 11971/99 ("Regolamento Emittenti").

Definitions

Here follows a description of the meaning of some of the terms used in the information note:

Stock option	right to purchase Eni stocks in a one-to-one ratio, cumcoupon, having a nominal value of 1 euro
Exercise price	price paid by the grantee for exercising the right of purchase
Vesting period	period during which the right of option may not be exercised
Exercise period	period during which the right of option may be exercised

1. Grantees
The grantees of the Plan are the managers identified among those who hold positions which are more directly responsible for the Group s results or which are of strategic interest to the Group and who, on the date of the assignment of the options, were employed by and operating for Eni and its subsidiaries, pursuant to Article 2359 of the Italian Civil Code, whose shares are not listed on regulated markets. The employment relations of the Grantees shall be regulated by managers national collective employment agreements or by equivalent regulations with regard to employees not residing in Italy.

The Board approves the criteria for identifying the managers participating in the Plan conferring on the Managing Director the power to identify the grantees on the basis of the approved criteria.

The Managing Director and General Manager currently in office, Mr. Paolo Scaroni, appointed by the Board of Directors on June 1st, 2005, has participated in the 2005 assignment of the Plan.

The following subjects who, as of September 1st, 2007 are general managers, have participated in the Plan:

- The General Manager of the E&P Division, Stefano Cao (in office since November 14th, 2000);

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- The General Manager of the G&P Division, Domenico Dispenza (in office since January 1st, 2006);
- The General Manager of the R&M Division, Angelo Caridi (in office since August 3rd, 2007).

Have participated in the Plan managers who have regular access to privileged information and who have the power to take managerial decisions that may have an impact on Eni s evolution and its future prospects; as of September 1st, 2007, there are 7 managers who, together with the Managing Director and the General Managers of Eni Divisions, are permanent members of Eni s Steering Committee and, as such, are considered "other managers with strategic responsibility" (Consob Regulation No. 11971 dated May 14th, 1999 and subsequent amendments).

2. The reasons for adopting the plan

The 2002-2005 stock option plan was realized in order to make use of a management incentive and retention instrument designed to strengthen the management s participation in risk management, to improve corporate performance and to maximize value for the Shareholders.

The entity of the grant value of the stock options assigned to each grantee has been determined by taking into consideration the levels and market practices in long-term incentive plans for equivalent managerial positions.

3. Approval procedure and time-schedule for assigning the instruments

On March 27th, 2002 the Board of Directors of Eni resolved, on proposal of the Compensation Committee, to confer on the Shareholders Meeting the power to use up to a maximum of 15 million own shares (equal to 0.375% of the capital stock) to service the 2002-2004 stock option Plan.

The Shareholders Meeting held on May 30th, 2002 approved the Board s proposal and conferred on the same Board the power to implement the annual assignments and draw up the related regulations. Subsequently, on May 27th, 2005 the Shareholders Meeting authorized to use up to a maximum of 5,443,400 own shares (equal to 0.136% of the capital stock) to service the 2005 stock option Plan, maintaining unaltered the set up, criteria and parameters of the 2002-2004 Plan.

The Board of Directors, in exercising the power of attorney conferred on it by the Shareholders Meeting, resolved on an annual basis: (i) the annual assignment of the stock options; (ii) the related regulations; (iii) and the criteria for identifying the grantees. The Board has resolved the implementation to the Managing Director and has conferred on the latter the power to identify the grantees within December 31st of each year on the basis of the approved criteria. The Managing Director, in the exercise of the power conferred on him, has carried out the annual assignment.

On July 2nd, 2002 the Board of Directors approved the 2002 assignment of the Plan.

On June 19th, 2003 the Board of Directors approved the 2003 assignment of the Plan.

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On July 6th, 2004 the Board of Directors approved the 2004 assignment of the Plan.

On June 29th, 2005 the Board of Directors approved the 2005 assignment of the Plan.

The Managing Director, as grantee of the Plan, in relation to the resolutions approved by the Board of Directors on the plan implementation with respect to the latter did not take part in the discussion of the subject and in the related voting.

The administration of the Plan is assigned to Eni s Human Resources & Business Services Department (Compensation Policies/Managers Administration) jointly with Eni s Corporate Affairs and Governance Department (Company Secretary/Shareholders' Register).

Here follow the market prices recorded on the dates described above:

March 27th, 2002: euro 16.212
May 30th, 2002: euro 16.700
July 2nd, 2002: euro 15.973
June 19th, 2003: euro 13.764
July 6th, 2004: euro 17.035
May 27th, 2005: euro 19.800
June 29th, 2005: euro 21.379

4. Characteristics of the assigned instruments

The option rights give each grantee the right to purchase shares, in a one-to-one ratio, at a price equal to the arithmetic mean of the official prices reported on the Mercato Telematico Azionario managed by Borsa Italiana SpA in the month preceding the date of assignment or (from 2003), if greater, at the average cost of the treasury shares reported on the day preceding the date of assignment.

The options may be exercised three years after assignment (vesting period) and for a maximum period of five years (exercise period); once eight years have elapsed from the date of assignment, unexercised options expire and, consequently, they no longer confer any rights on the grantee. In the following cases: (i) resolution by mutual consent of the employment contract; (ii) loss of control on the part of Eni of its subsidiaries where the grantee is employed; (iii) transfer to non-subsidiaries of the company or of the company branch where the grantee is employed; (iv) death of the grantee, the grantee, or the latter s heirs, maintain the right to exercise the options within six months from occurrence of the event. In case of unilateral resolution of the employment relation during the vesting period, the options expire.

In order to adopt the new tax regulation established by L.D. No. 262 dated October 3rd, 2006, converted into Law No. 286 on November 24th, 2006, on July 25th, 2007, the Board of Directors modified the 2005 assignment regulation and provided for the right on the part of the grantee, in the cases mentioned above, to maintain the right to exercise the options within December 31st, 2008.

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The Board of Directors may, if necessary, adjust the exercise price and/or the number of shares owed in relation to the options yet to be exercised and/or the exercise terms and conditions in case any of the following operations occur:

a) Grouping and splitting of the representative shares of Eni s capital stock;
b) Increase, free of charge, of Eni s capital stock;
c) Increase of Eni s capital stock at a charge, also by issuing shares with warrants, bonds which can be converted into Eni shares and bonds with warrants for subscribing Eni shares; the transfer of own shares that do not service the stock incentive plans is assimilated to the increase of capital stock;
d) Reduction of Eni s capital stock;
e) Distribution of extraordinary dividends taking money from Eni s reserves;
f) Merger, any time in which Eni s capital stock is to be modified;
g) Splitting of Eni;
h) Assignment of Eni treasury shares to shareholders;
i) Public purchase offers or purchase and exchange of Eni shares.

Here follows a brief summary of the assignments carried out in the period 2002-2005:

Year	No. of managers	Exercise price	No. of options assigned	No. of options outstanding (9/1/2007)
2002	314	15.216 (1)	3,518,500	113,500
2003	376	13.743 (2)	4,703,000	377,400
2004	381	16.576 (1)	3,993,500	2,562,500
2005	388	22.512 (3)	4,818,500	3,812,000
			17,033,500	**6,865,400**

(1) Arithmetic mean of official prices reported on the Mercato Telematico Azionario in the month preceding the assignment.
(2) Average cost of treasury shares on the day preceding the date of assignment (greater than the mean referred to in note 1).
(3) Pondered average of arithmetic mean of the official prices reported on the Mercato Telematico Azionario in the month preceding the assignment.

Here follows the number of Eni options assigned and still outstanding as of September 1st, 2007, in relation to the subjects identified by their name or to the categories selected as described in paragraph 1.

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Name/category	No. of options outstanding 2002	No. of options outstanding 2003	No. of options outstanding 2004	No. of options outstanding 2005
Paolo Scaroni, MD and GM				699,000
Stefano Cao, GM of E&P Division				75,500
Domenico Dispenza, GM of G&P Division (1)				
Angelo Caridi, GM of R&M Division			24,000	30,500
Other managers with strategic responsibility			112,000 (2)	216,000 (3)

(1) Domenico Dispenza, Chairman of Snam Rete Gas until December 23rd, 2005, has participated in the 2004 and 2005 assignments of the Snam Rete Gas Plan.
(2) 3 of the current 7 managers have participated in the Plan.
(3) 6 of the current 7 managers have participated in the Plan.

Starting from the fiscal year 2003, the stock incentive plans issued by Eni have been posted as a staff expenses item on the basis of the fair value of the right assigned to the employee. The fair value of the stock options is the value of the option calculate with appropriate valuation techniques that take into account the exercise conditions, current price of the share, expected volatility and the risk-free interest rate. The estimated burden for the Company is determined, with reference to each annual assignment, by considering the fair value for the number of options assigned in the year. With reference to the 2003, 2004 and 2005 assignments, the burden thus determined is equal to 7.1, 8 and 16.1 million Euros respectively.

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PRESS RELEASE

Information Document on Eni s compensation plans based on financial instruments (Article 84-*bis* of Consob Regulation No. 11971)
Stock option plan 2006-2008

This document provides a description of the Stock option plan 2006-2008 for the managers of Eni SpA and its subsidiaries pursuant to Article 2359 of the Italian Civil Code. The subsidiaries that have shares listed on the stock exchange and their subsidiary companies realize their own incentive plans, a description of which may be obtained by referring to the information notes that have been issued to the market by the same companies.

Note that the Plan is to be considered "of particular relevance" pursuant to Article 84-*bis*, second paragraph of Consob Regulation No. 11971/99 ("Regolamento Emittenti").

Definitions

Here follows a description of the meaning of some of the terms used in the information note:

Stock option	right to purchase Eni stocks in a one-to-one ratio, cumcoupon, having a nominal value of 1 euro
Exercise price	price paid by the grantee for exercising the right of purchase
Vesting period	period during which the right of option may not be exercised
Exercise period	period during which the right of option may be exercised

1. Grantees

The grantees of the Plan are the managers identified among those who hold those positions which are more directly responsible for the Group s results or which are of strategic interest to the Group and who, on the date of the assignment of the options, were employed by and operating for Eni and its subsidiaries, pursuant to Article 2359 of the Italian Civil Code, whose shares are not listed on regulated markets. The employment relations of the Grantees shall be regulated by managers national collective employment agreements or by equivalent regulations with regard to employees not residing in Italy.

The Board approves the criteria for identifying the managers participating in the Plan conferring on the Managing Director the power to identify the grantees on the basis of the approved criteria.

The Managing Director and General Manager currently in office, Mr. Paolo Scaroni, appointed by the Board of Directors on June 1st, 2005, participates in the Plan.

The following persons who, as of September 1st, 2007 are general managers, have participated in the Plan:

- The General Manager of the E&P Division, Stefano Cao (in office since November 14th, 2000);
- The General Manager of the G&P Division, Domenico Dispenza (in office since January 1st, 2006);

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The current General Manager of the R&M Division, Mr. Angelo Caridi, appointed by the Board of Directors on August 3rd, 2007 as Managing Director of Snamprogetti until August 5th, 2007, has participated in the 2006 and 2007 assignments of Saipem s stock option Plan.

Have participated in the Plan managers who have regular access to privileged information and who have the power to take managerial decisions that may have an impact on Eni s evolution and its future prospects; as of September 1st, 2007, there are 7 managers who, together with the Managing Director and the General Managers of Eni Divisions, are permanent members of Eni s Steering Committee and, as such, are considered "other managers with strategic responsibility" (Consob Regulation No. 11971 dated May 14th, 1999 and subsequent amendments).

2. The reasons for adopting the plan

The 2006-2008 stock option plan was introduced in order to make use of a management incentive and retention instrument designed to strengthen the management s participation in risk management, to improve corporate performance and to maximize Shareholders value.

The stock options assigned as part of the Plan can be exercised after three years in a quantity connected to the positioning of the Total Shareholder Return of the Eni stock with respect to that of the major international oil companies, calculated on a annual basis in the three-year vesting period.

This performance target was selected for the focus on the shareholder s return, in a comparative prospective with reference to the other oil majors, and for its widespread use in the long-term incentive plans in the market of reference.

On completion of each three-year implementation period, the results of the stock option Plan will be verified by the Compensation Committee and approved by the Board of Directors.

The entity of the grant value of the stock options assigned to each grantee has been determined by taking into consideration the levels and market practices in long-term incentive plans for equivalent managerial positions.

3. Approval procedure and time-schedule for assigning the instruments

On March 30th, 2006 the Board of Directors of Eni approved the Compensation Committee s proposal related to the 2006-2008 stock option Plan and resolved to submit it to the Shareholders Meeting for approval.

The Shareholders Meeting of May 25th, 2006 approved the 2006-2008 stock option Plan and the authorization to use up to a maximum of 30 million own shares, equal to approximately 0.75% of the capital stock, to service the Plan, and conferred on the same Board the power to implement the annual assignments and draw up the related regulations.

The Plan foresees three annual stock option assignments, respectively, in 2006, 2007 and 2008.

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The Board of Directors, in exercising the power of attorney conferred on it by the Shareholders Meeting, each year resolves: (i) the annual assignment of the stock options; (ii) the related regulations; (iii) and the criteria for identifying the grantees. Furthermore, the Board delegates the Managing Director to identify the grantees within December 31st of each year on the basis of the approved criteria. The Managing Director, in the exercise of the power of attorney conferred on him, carries out the annual assignment.

On July 27th, 2006 and on July 25th, 2007 the Board approved, respectively, the 2006 and 2007 assignment of the Plan.

The Managing Director, as grantee of the Plan, in relation to the resolutions approved by the Board of Directors on the plan implementation with respect to the latter did not take part in the discussion of the subject and in the related voting.

The administration of the Plan is assigned to Eni s Human Resources & Business Services Department (Compensation Policies/Managers Administration) jointly with Eni s Corporate Affairs and Governance Department (Company Secretary/Shareholders' Register).

Here follow the market prices recorded on the dates described above:
March 30th, 2006: euro 23.391
May 25th, 2006: euro 23.937
July 27th, 2006: euro 23.100
July 25th, 2007: euro 27.451

4. Characteristics of the assigned instruments
The option give each grantee the right to purchase shares, in a one-to-one ratio, at a price equal to the arithmetic mean of the official prices reported on the Mercato Telematico Azionario managed by Borsa Italiana SpA in the month preceding the date of assignment or, if greater, at the average cost of the treasury shares reported on the day preceding the date of assignment.

The options may be exercised three years after assignment (vesting period) and for a maximum period of three years (exercise period); once six years have elapsed from the date of assignment, unexercised options expire and, consequently, they no longer confer any rights on the grantee.

The 2006-2008 stock option Plan provides for a performance condition in order to exercise the options. At the end of each three-year vesting period, the Board of Directors determines the number of options that can be exercised, in a percentage ranging between zero and 100, based on the positioning of the Total Shareholders Return (TSR) of the Eni stock with respect to that of the other six major international oil companies for capitalization.

In the following cases: (i) resolution on the part of the grantee, by mutual consent, of the employment contract; (ii) loss of control on the part of Eni SpA in the Company where the grantee is employed; (iii) transfer to a non-subsidiary of the company (or of the company branch) where the grantee is employed; (iv) death of the grantee, the latter or his or her heirs maintain the right to exercise the options within December 31st of the year in which the vesting period ends, to an extent proportional to the period elapsed between the assignment and the occurrence of the abovementioned events. In case of unilateral resolution of the

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employment contract, if the event occurs during the vesting period, the options become null; if the event occurs during the exercise period, the options can be exercised within three months.

The Board of Directors may, if necessary, adjust the exercise price and/or the number of shares owed in relation to the options yet to be exercised and/or the exercise terms and conditions in case any of the following operations occur:

a) Grouping and splitting of the representative shares of Eni s capital stock;
b) Increase, free of charge, of Eni s capital stock;
c) Increase of Eni s capital stock at a charge, also by issuing shares with warrants, bonds which can be converted into Eni shares and bonds with warrants for subscribing Eni shares; the transfer of own shares that do not service the stock incentive plans is assimilated to the increase of capital stock;
d) Reduction of Eni s capital stock;
e) Distribution of extraordinary dividends taking money from Eni s reserves;
f) Merger, any time in which Eni s capital stock is to be modified;
g) Splitting of Eni;
h Assignment of Eni treasury shares to shareholders;
i) Public purchase offers or purchase and exchange of Eni shares.

Here follows a brief summary of the assignments carried out in the period 2006-2007:

Year	No. of managers	Exercise price	No. of options assigned	No. of outstanding options (9/1/2007)
2006	338	23.119 (1)	3,518,500	6,760,600
2007	332	27.451 (2)	6,110,500	6,110,500
			9,629,000	**12,871,100**

(1) Pondered average of arithmetic mean of official prices reported on the Mercato Telematico Azionario in the month preceding the assignment.
(2) Arithmetic mean of official prices reported on the Mercato Telematico Azionario in the month preceding the assignment.

Here follows the number of Eni options assigned and still outstanding as of September 1st, 2007, in relation to the subjects identified by their name or to the categories selected as described in paragraph 1.

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Name/category	No. of outstanding options 2006	No. of outstanding options 2007
Paolo Scaroni, MD and GM (1)	681,000	573,000
Stefano Cao, GM of E&P Division	175,500	155,500
Domenico Dispenza, GM of G&P Division	122,500	110,000
Other managers with strategic responsibility	552,500	472,500

(1) The assignment of the Managing Director was integrated with the attribution of a monetary incentive to be paid after three years in connection with an increase of the Eni stock value, which amounted, in 2007, to the assignment of 96,000 options at an exercise price of 23.100 Euros and, in 2007, to the assignment of 80,500 options at an exercise price of 27.451 Euros.

Starting from the fiscal year 2003, the stock incentive plans issued by Eni have been posted as a staff expenses item on the basis of the fair value of the right assigned to the employee. The fair value of the stock options is the value of the option calculate with appropriate valuation techniques that take into account the exercise conditions, current price of the share, expected volatility and the risk-free interest rate. The estimated burden for the Company is determined, with reference to each annual assignment, by considering the fair value for the number of options assigned in the year. With reference to the 2006 assignment, the burden thus determined is equal to 10.2 million Euros.

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Press Release dated September 11, 2007

San Donato Milanese (Milan), September 11, 2007 - The Prime Minister of the Republic of Kazakhstan Karim Masimov, Energy Minister Sauat Mynbaev and the First Vice President of Kazmunaigaz Maksat Idenov met today with Eni s Chief Executive Officer Paolo Scaroni and the Chief Operating Officer of Eni s E&P Division Stefano Cao.

During the talks, which were held in a climate of co-operation and focused on the Kashagan project, the basis was set for negotiations between the KCO consortium, of which Eni is operator, and the Kazakh authorities.

Press Release dated September 7, 2007

Eni: BoD examines Kazakhstan developments

San Donato Milanese (Milan), September 7, 2007 - Eni s Board of Directors today met to receive the CEO s briefing on the current situation in Kazakhstan. Eni CEO Paolo Scaroni presented details of the ongoing activities in the Kashagan field to the Directors, and recapped on relations between the KCO consortium and the Kazakh authorities.

Mr. Scaroni also previewed his forthcoming trip to Kazakhstan to meet Prime Minister Karim Masimov, and other members of the Kazakh Government. The visit, which is at the invitation of Mr. Masimov, will support the negotiations that the KCO consortium, responsible for the Kashagan project, are undertaking with the Kazakh authorities.

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Press Release dated September 5, 2007

Change to Eni s 2007 Financial Calendar

San Donato Milanese (Milan), September 5, 2007 **-** Eni s Board of Directors announces that the third quarter results, originally scheduled to be announced on November 8, 2007, will now be announced on October 30, 2007.

The related press release will be issued on October 31, 2007 during non trading hours and the conference call for the presentation of the results to the financial community will be held during the afternoon of the same day.

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Press Release dated August 3, 2007

Named Angelo Caridi as the new chief operating officer of its Refining & Marketing Division

Rome, August 3, 2007 - At a meeting today, Eni s Board of Directors named Angelo Caridi as the new chief operating officer of its Refining & Marketing Division.

Mr. Caridi, 60, is currently chief executive officer of Snamprogetti, and has held a number of senior posts in his career with Eni. A civil engineer by profession, he was born in Reggio Calabria and has two children.

Angelo Taraborrelli, currently chief operating officer of Eni s Refining & Marketing Division, has been named chief executive officer and chief operating officer of Syndial. Mr. Taraborrelli holds a Law degree, and began his career with Eni in 1973 after obtaining his Medea Master at the Scuola Mattei. Over the years he has held many senior positions with the company.

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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.

BOARD OF DIRECTORS (1)
Chairman
Roberto Poli (2)
Chief Executive Officer and General Manager of Eni SpA
Paolo Scaroni (3)
Directors
Alberto Clô, Renzo Costi, Dario Fruscio, Marco Pinto, Marco Reboa, Mario Resca, Pierluigi Scibetta

GENERAL MANAGERS
Exploration & Production Division
Stefano Cao (4)
Gas & Power Division
Domenico Dispenza (5)
Refining & Marketing Division
Angelo Caridi (6)

BOARD OF STATUTORY AUDITORS (7)
Chairman
Paolo Andrea Colombo
Statutory Auditors
Filippo Duodo, Edoardo Grisolia, Riccardo Perotta, Giorgio Silva
Alternate Auditors
Francesco Bilotti, Massimo Gentile

MAGISTRATE OF THE COURT OF ACCOUNTS DELEGATED TO THE FINANCIAL CONTROL OF ENI SpA
Lucio Todaro Marescotti (8)
Alternate
Angelo Antonio Parente (9)

External Auditors (10)
PricewaterhouseCoopers SpA

The composition and powers of the Internal Control Committee, Compensation Committee and International Oil Committee are presented in the section Other information of the Operating and Financial Review.

(1) Appointed by the Shareholders Meeting held on May 27, 2005 for a three-year period. The Board of Directors expires at the date of approval of the financial statements for the 2007 financial year.
(2) Appointed by the Shareholders Meeting held on May 27, 2005.
(3) Powers conferred by the Board of Directors on June 1, 2005.
(4) Appointed by the Board of Directors on November 14, 2000.
(5) Appointed by the Board of Directors on December 14, 2005, effective from January 1, 2006.
(6) 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.
(7) Appointed by the Shareholders Meeting held on May 27, 2005 for a three-year period, expiring at the date of approval of the financial statements for the 2007 financial year.
(8) Duties assigned by resolution of the Governing Council of the Court of Accounts on July 19-20, 2006.
(9) Duties assigned by resolution of the Governing Council of the Court of Accounts on May 27-28, 2003.
(10) Appointed by the Shareholders Meeting of May 24, 2007 for the 2007-2009 three-year term.

September 20, 2007

Report on the First Half of 2007

Contents

"Eni" means the parent company Eni SpA and its consolidated subsidiaries

Highlights

Eni s net profit for the first half of 2007 was euro 4.85 billion, down euro 420 million from the first half of 2006, or 8%. Adjusted net profit arrived at by excluding the net impact of an inventory gain and special charges was down 9.9% to euro 4.90 billion. Eni s first half results were affected by the adverse impact of the euro s appreciation against the dollar and lower gas sales due to exceptionally mild weather in addition to lower oil prices.

In light of the financial results achieved for the first half of 2007, Eni s Board of Directors resolved to distribute an interim dividend for the fiscal year 2007of euro 0.60 per share (euro 0.60 in 2006). This interim dividend will be payable on October 25, 2007 to shareholders on the register on October 22, 2007. In the first half of 2007 a total of 14 million of own shares were purchased by the company at a total cost of euro 339 million. Since the inception of the share buy-back programme, Eni has purchased 349 million own shares at a total cost of euro 5.85 billion.

In the first half of 2007 Eni invested euro 9.1 billion to support growth: euro 4.3 billion were spent on capital and exploration projects (up 39.4% from the first half of 2006) and euro 4.8 billion on the acquisition of interests and assets.

Oil and natural gas production for the first half of 2007 averaged 1.74 mmboe/d, a decrease of 2.9% over the first half of 2006. This reduction was due primarily to the negative impact of disruptions in Nigeria in addition to the loss of production starting from April 1, 2006, at the Venezuelan Dación oilfield (down 31 kbbl/d). Excluding these negative factors, production was in line with the first half of 2006. Growth was achieved mainly in Libya, Kazakhstan and the Gulf of Mexico offsetting mature field declines particularly in Italy and the United Kingdom.

Eni s natural gas sales were 48.57 bcm, representing a decrease of 3.08 bcm, or 6%, compared with the first half of 2006 due to lower European gas demand owing to exceptionally mild winter weather.

In the first half of 2007, Eni invested euro 748 million in exploration activities, up 98% compared with the first half of 2006, executing a very extensive exploration campaign in well established areas of presence leading to the completion of 45 new exploratory wells (24 net to Eni) with a commercial rate of success of 22.7% (18.8% net to Eni). Main discoveries were made off the coast of Angola, Congo, Nigeria, North Sea, the Gulf of Mexico, Indonesia and Egypt, and in Alaska, Pakistan, Tunisia.

In the first half of 2007, significant transactions were finalized to acquire oil and gas assets in the Gulf of Mexico, Congo and Alaska, firmly in line with Eni s strategy of strengthening its presence in core producing areas. On the back of these acquisitions, the compound annual growth rate expected in the four-year period 2007-2010 for upstream production has been revised upward from 3 to 4% under Eni s scenario for Brent prices.

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 Neftegaztechnologia which are engaged in exploration and development of large predominantly gas reserves. Acquired assets allow Eni to access to 1.5 bbl of resources. Through the same transaction Eni has also purchased 20% of OAO Gazprom Neft. Gazprom retains a call option to purchase a 51% interest in those three gas companies from the Eni-Enel partnership and a 20% interest in OAO Gazprom Neft from Eni.

Eni and Gazprom signed a Memorandum of Understanding for building the South Stream pipeline system which is expected to connect Russia to the European Union across the Black Sea. Implementation of this agreement will enable

Eni to extract further value from its recent acquisition of ex-Yukos gas assets and represents a decisive step towards strengthening the security of energy supplies to Europe.

Eni signed an agreement for the acquisition of a significant stake in Altergaz, the main independent operator in the French gas market. Eni plans to support Altergaz development in the French retail gas market through the supply of gas volumes up to 1.3 bcm per year, over a period of 10 years. This deal is intended to underpin Eni s international expansion in the marketing of gas and strengthen its leadership in the European gas market.

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In its Refining & Marketing business, Eni purchased 102 retail stations in Central-Eastern Europe and a 16.11% stake in the Czech Refining Company, increasing Eni s ownership interest to 32.4% equal to a local refining capacity of 2.6 mmtonnes per year. These transactions, effective in the second half of 2007, aim to support expansion of Eni s refining and marketing operations in Central-Eastern Europe.

As part of Phase 3 of the Karachaganak field development, the consortium conducting operations in this field, co-operated by Eni with a 32.5% stake, signed a gas sale agreement with KazRosGaz, a joint venture established by KazMunaiGaz and Gazprom. This agreement envisages delivery of approximately 16 bcm/y of raw gas from field production to the Orenburg processing plant in Russia, starting in 2012.

Disclaimer

This 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.

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

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ENI REPORT ON THE FIRST HALF OF 2007 / STATISTIC RECAP

Financial highlights

2006	(million euro)		First half 2006	**2007**	Change	% Ch.
86,105	Net sales from operations		44,323	**41,688**	(2,635)	(5.9)
19,327	Operating profit		10,542	**9,323**	(1,219)	(11.6)
20,490	Adjusted operating profit [a]		10,587	**9,449**	(1,138)	(10.7)
9,217	Net profit [b]		5,275	**4,855**	(420)	(8.0)
10,412	Adjusted net profit [a] [b]		5,437	**4,900**	(537)	(9.9)
17,001	Net cash provided by operating activities		10,668	**9,683**	(985)	(9.2)
7,833	Capital expenditures		3,054	**4,257**	1,203	39.4
88,312	Total assets at period end		84,643	**94,936**	10,293	12.2
11,699	Total debt at period end		11,560	**16,141**	4,581	39.6
41,199	Shareholders equity including minority interest		39,863	**42,296**	2,433	6.1
6,767	Net borrowings at period end		6,394	**9,122**	2,728	42.7
47,966	Net capital employed at period end		46,257	**51,418**	5,161	11.2
1,241	Cost of purchased own shares		978	**339**	(639)	(65.3)
53.13	Number of own shares purchased	(million)	41.97	**13.83**	(28.14)	(67.0)

(a) For a detailed explanation of adjusted operating profit and adjusted net profit see page 39.
(b) Profit attributable to Eni shareholders.

Summary financial data

2006			First half 2006	**2007**	Change	% Ch.
	Net profit:					
2.49	- per ordinary share [a]	(EUR)	1.42	**1.32**	(0.10)	(7.0)
6.26	- per ADR [a] [b]	(USD)	3.49	**3.51**	0.02	0.6
	Adjusted net profit:					
2.81	- per ordinary share [a]	(EUR)	1.46	**1.33**	(0.13)	(8.9)
7.07	- per ADR [a] [b]	(USD)	3.59	**3.54**	(0.05)	(1.4)
3,701.3	Average number of shares	(million)	3,717.2	**3,676.5**	(40.7)	(1.1)
	Return on Average Capital Employed (ROACE) [c]:					
20.3	- reported	(%)	22.2	**19.2**	(3.0)	
22.7	- adjusted	(%)	23.5	**21.4**	(2.1)	
0.16	Leverage		0.16	**0.22**	0.06	

(a) Fully diluted. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by the ECB for the periods presented.
(b) One ADR (American Depositary Receipt) is equal to two Eni ordinary shares.
(c) Calculated on a 12-month period ending on June 30, 2007, on June 30, 2006 and on December 31, 2006.

Key market indicators

2006	First half 2006	**2007**	Change	% Ch.

65.14	Average price of Brent dated crude oil [(a)]	65.69	**63.26**	(2.43)	(3.7)
1.256	Average EUR/USD exchange rate [(b)]	1.229	**1.329**	0.100	8.1
51.86	Average price in euro of Brent dated crude oil	53.45	**47.60**	(5.85)	(10.9)
3.79	Average European refining margin [(c)]	4.36	**4.98**	0.62	14.2
3.02	Average European refining margin in euro	3.55	**3.75**	0.20	5.6
3.1	Euribor - three-month rate (%)	2.8	**3.9**	1.1	39.3
5.2	Libor - three-month dollar rate (%)	4.9	**5.5**	0.6	12.2

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

Contents

Summary operating data

2006			First half 2006	First half **2007**	Change	% Ch.
	Exploration & Production					
1,770	Production of hydrocarbons [(a)]	(kboe/d)	1,787	**1,735**	(52)	(2.9)
1,079	liquids	(kbbl/d)	1,099	**1,028**	(71)	(6.5)
3,966	natural gas [(a)]	(mmcf/d)	3,950	**4,063**	113	2.7
	Gas & Power					
97.48	Worldwide gas sales	(bcm)	51.65	**48.57**	(3.08)	(6.0)
95.97	Gas sales in Europe	(bcm)	50.94	**47.63**	(3.31)	(6.5)
4.07	*of which: upstream sales*	(bcm)	*2.20*	***1.94***	*(0.26)*	*(11.8)*
87.99	Gas volumes transported in Italy	(bcm)	46.52	**41.89**	(4.63)	(10.0)
31.03	Electricity sold	(TWh)	15.39	**16.24**	0.85	5.5
	Refining & Marketing					
38.04	Refining throughputs on own account	(mmtonnes)	18.01	**18.32**	0.31	1.7
27.17	Refining throughputs of wholly-owned refineries	(mmtonnes)	12.63	**13.76**	1.13	8.9
100	Balanced capacity utilization rate	(%)	100	**100**		
12.48	Retail sales of petroleum products in Europe	(mmtonnes)	6.08	**6.06**	(0.02)	(0.3)
6,294	Service stations in Europe at period end	(units)	6,282	**6,279**	(3)	
2,470	Average throughput in Europe	(kliters)	1,183	**1,198**	15	1.3
	Petrochemicals					
7,072	Production	(ktonnes)	3,554	**4,411**	857	24.1
5,276	Sales	(ktonnes)	2,680	**2,812**	132	4.9
	Engineering & Construction					
11,172	Orders acquired	(million euro)	5,970	**4,948**	(1,022)	(17.1)
13,191	Order backlog at period end	(million euro)	12,455	**13,308**	853	6.8
73,572	**Employees at period end**	(units)	**72,329**	**75,841**	**3,512**	**4.9**

(a) Includes own consumption of natural gas (293 mmcf/d in the first half 2007, 286 mmcf/d in the first half 2006 and 283 mmcf/d in 2006).

Exploration & Production

Key performance indicators

2006	(million euro)		First half 2006	First half **2007**
27,173	Net sales from operations [a]		14,459	**12,829**
15,580	Operating profit		8,398	**6,550**
15,763	Adjusted operating profit		8,473	**6,615**
7,279	Adjusted net profit		4,019	**3,056**
	Results include:			
4,776	amortization and depreciation		2,252	**2,547**
	of which:			
820	*- amortizations of exploration drilling expenditure and other*		*316*	***615***
255	*- amortizations of geological and geophysical exploration expenses*		*85*	***162***
5,203	Capital expenditure		2,114	**2,837**
1,348	*of which: exploration* [b]		*378*	***748***
18,590	Adjusted capital employed, net		19,166	**21,717**
37.5	Adjusted ROACE	(%)	38.4	**30.9**
	Production [c]			
1,079	Liquids [d]	(kbbl/d)	1,099	**1,028**
3,966	Natural gas	(mmcf/d)	3,950	**4,063**
1,770	**Total hydrocarbons**	(kboe/d)	**1,787**	**1,735**
	Average realizations			
60.09	Liquids [d]	($/bbl)	60.25	**59.47**
5.29	Natural gas	($/mmcf)	5.19	**5.18**
48.87	**Total hydrocarbons**	($/boe)	**48.97**	**47.96**
8,336	Employees at year end	(units)	7,940	**8,670**

(a) Before elimination of intragroup sales.
(b) Includes exploration bonuses.
(c) Includes Eni s share of production of equity-accounted entities.
(d) Includes condensates.

MINERAL RIGHT PORTFOLIO AND EXPLORATION ACTIVITIES

As of June 30, 2007, Eni s mineral right portfolio consisted of 1,019 exclusive or shared rights for releases in Libya, Egypt and Croatia. New acreage was acquired in Congo, India, Norway, Nigeria, Pakistan, the United Kingdom and the United States (Alaska).
In Italy, net acreage (22,219 square kilometers) declined by 277 square kilometers due to releases.

In the first half of 2007, an intense exploration campaign exploration and development in 36 countries on five continents for a total net acreage of 384,019 square kilometers (385,219 at December 31, 2006). Of these, 39,854 square kilometers concerned production and development (48,273 at December 31, 2006). Outside Italy net acreage (361,800 square kilometers) decreased by 923 square kilometers mainly due to

was performed in well established areas of presence. Capital expenditures amounted to euro 748 million, doubling the costs incurred in the first half of 2006 (up 98%). A total of 45 new exploratory wells were drilled (24 of which represented Eni s share), as

compared to 34 exploratory wells completed in the first half of 2006 (20 of which represented Eni s share). The overall commercial success rate was 22.7% (18.8% net to Eni) as compared to 25.9% (31.2% net to Eni) in the first half of 2006. The main discoveries, including also those for which appraisal activities are ongoing, were made in:
i) Indonesia, with the offshore Tulip discovery (Eni s interest 100%) and the positive appraisal of the Aster discovery (Eni s interest 66.25%);
ii) Norway with the 7125/4-1 Nucula exploration well (Eni s interest 30%) near the Goliath discovery;
iii) Tunisia, in the Adam concession (Eni operator with a 25% interest) the Karma-1 and Iklil-1 exploration wells showed the presence of oil. Also in the in the Borj el Khadra permit (Eni s interest 50%) the Nakhil-1 well yielded positive results. All these exploratory wells have been linked to existing production facilities;
iv) Angola in Block 14 (Eni s interest 20%) the Lucapa-1, Menongue-1 and Malange-1 discovery wells showed the presence of oil;
v) Pakistan with the Tajjal (Eni s interest 30%) and Latif (Eni s interest 33.3%) gas discoveries near existing production facilities, and an extension of the Kadanwari gas field (Eni operator with an 18.42% interest).
Other positive results were achieved in Congo, Egypt, Nigeria, the Gulf of Mexico, Alaska and the North Sea.

Oil and natural gas interests

	December 31, 2006	June 30, 2007			
	Gross exploration and development acreage [(a)]	Gross exploration and development acreage [(a)]	Net exploration and development acreage [(a)]	Net development acreage [(a)]	Number of interests
Italy	**28,508**	**27,979**	**22,219**	**12,582**	**167**
Outside Italy	**673,631**	**681,917**	**361,800**	**27,272**	**852**
North Africa					
Algeria	12,739	12,552	3,328	862	34
Egypt	23,214	24,443	14,560	3,102	56
Libya	39,569	37,615	33,422	759	14
Tunisia	6,464	6,464	2,274	1,223	14
	81,986	**81,074**	**53,584**	**5,946**	**118**
West Africa					
Angola	18,776	19,907	3,483	1,309	52
Congo	9,797	12,347	5,280	968	24
Nigeria	43,215	44,049	7,756	5,715	50
	71,788	**76,303**	**16,519**	**7,992**	**126**
North Sea					
Norway	18,851	15,335	5,390	123	49
United Kingdom	5,860	5,359	1,196	560	90
	24,711	**20,694**	**6,586**	**683**	**139**
Rest of world					
Saudi Arabia	51,687	51,687	25,843		1
Australia	24,143	24,143	19,910	2,278	13
Brazil	2,948	2,948	2,802		3
China	866	632	103	103	3
Croatia	6,056	1,975	988	988	2
Ecuador	2,000	2,000	2,000	2,000	1

India	14,445	14,445	5,698		2
Indonesia	28,438	28,438	16,842	656	13
Iran	1,456	1,456	820	820	4
Kazakhstan	4,934	4,933	959	488	6
Pakistan	29,790	38,768	21,253	615	22
Russia		4,974	2,984	2,984	4
United States	7,803	6,972	3,831	470	358
East Timor	12,224	12,224	9,779		5
Trinidad & Tobago	382	382	66	66	1
Venezuela	1,958	1,958	791	66	4
	189,130	**197,935**	**114,669**	**11,534**	**442**
Other countries	6,311	6,311	1,240	1,117	9
Other countries with only exploration activity	299,705	299,600	169,202		18
Total	**702,139**	**709,896**	**384,019**	**39,854**	**1,019**

(a) Square kilometers.

Production

Oil and natural gas production for the first half of 2007 averaged 1,735 kboe/d, a decrease of 52 kboe/d compared to the same period last year (down 2.9%). In addition to Nigerian events, production performance for the period was impacted by the loss of production at the Venezuelan Dación oilfield (down 31 kbbl/d) as a consequence of the unilateral cancellation of the service agreement for the field exploitation by the Venezuelan State Oil Company PDVSA effective April 1, 2006. When factoring in these two events, production was barely flat from the first half of 2006. Production increases were achieved mainly in Libya, Kazakhstan and the Gulf of Mexico, in addition to the contribution from the recently acquired assets in Congo, offsetting mature field declines in Italy and the United Kingdom and facility shutdowns in Norway. Oil and natural gas production share outside Italy was 87% (86% in the first half of 2006).

Daily production of oil and condensates (1,028 kbbl/d) decreased by 71 kbbl/d, or 6.5% from the first half 2006. Production decreases were reported mainly in: (i) Venezuela and Nigeria, due to the above mentioned causes; (ii) Norway, due to facilities outages occurred at the Ekofisk field (Eni s interest 12.39%); (iii) the United Kingdom, due to production declines in the Liverpool Bay area and the Elgin/Franklin (Eni s interest 21.87%) and Mc Culloch (Eni s interest 40%) fields. Main increases were registered in: (i) Kazakhstan, reflecting a better performance at the Karachaganak field and also the fact that maintenance activities were performed in 2006; (ii) the United States, due to the resumption of full activity at plants damaged by hurricanes in the second half of 2005.

Daily production of natural gas for the first half of 2007 (4,063 mmcf/d) increased by 113 mmcf, or 2.7% mainly in Libya, as a result of production ramp-up at the Bahr Essalam field. Production also increased in Norway, particularly at the Aasgard (Eni s interest 14.81%) and Kristin (Eni s interest 8.25%) fields, and in Nigeria, reflecting increased gas supplies to the Bonny LNG plant (Eni s interest 10.4%). Gas production in Italy decreased due to mature field declines.

Oil and gas production sold amounted to 302.3 mmboe. The 11.7 mmboe difference over production reflected volumes of gas consumed in operations (9.5 mmboe).

			First half			
2006			2006	**2007**	Change	% Ch.
1,770	**Daily production of hydrocarbons by region** [(a) (b)]	(kboe/d)	**1,787**	**1,735**	**(52)**	**(2.9)**
238	Italy		242	**219**	(23)	(9.5)
555	North Africa		548	**583**	35	6.4
372	West Africa		375	**335**	(40)	(10.7)
282	North Sea		291	**275**	(16)	(5.5)
323	Rest of world		331	**323**	(8)	(2.4)
625.1	**Oil and natural gas production sold** [(a)]	(mmboe)	**313.6**	**302.3**	**(11.3)**	**(3.6)**

			First half			
2006			2006	**2007**	Change	% Ch.
1,079	**Daily production of liquids** [(a)]	(kbbl/d)	**1,099**	**1,028**	**(71)**	**(6.5)**
79	Italy		79	**76**	(3)	(3.8)
329	North Africa		326	**331**	5	1.5
322	West Africa		330	**286**	(44)	(13.3)
178	North Sea		183	**163**	(20)	(10.9)

171	Rest of world		181	**172**	(9)	(5.0)
391.1	**Liquids production sold** [(a)]	(mmbbl)	**197.4**	**184.8**	**(12.6)**	**(6.4)**

			First half			
2006			2006	**2007**	Change	% Ch.
3,966	**Daily production of natural gas** [(a) (b)]	(mmcf/d)	**3,950**	**4,063**	**113**	**2.7**
908	Italy		933	**820**	(113)	(12.1)
1,300	North Africa		1,275	**1,446**	171	13.4
282	West Africa		256	**279**	23	9.0
597	North Sea		621	**647**	26	4.2
879	Rest of world		865	**871**	6	0.7
1,346	**Natural gas production sold** [(a)]	(bcf)	**667**	**675**	**8**	**1.2**

(a) Includes Eni s share of production of equity-accounted entities.
(b) Includes own consumption of natural gas (293 mmcf/d in the first half of 2007, 286 mmcf/d in the first half of 2006 and 283 mmcf/d in 2006).

PORTFOLIO DEVELOPMENTS

In the first half of 2007 Eni finalized some significant transactions to purchase oil and gas reserves in the Gulf of Mexico, Congo, Alaska and Angola in line with Eni s strategy of strengthening its presence in core producing areas. Based on these deals, Eni s management lifted its expected average production growth rate for the 2007-2010 four-year period from 3 to 4% under Eni s scenario for Brent prices.

Gulf of Mexico
On April 30, 2007, Eni agreed to acquire 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. The transaction includes production, development and exploration assets located in deepwater Gulf of Mexico, in the continental shelf and in Texas and Louisiana state waters. 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%) producing fields as well as San Jacinto (Eni operator with a 53.3% interest), Q (Eni s interest 50%), Spiderman (Eni s interest 36.7%) and Thunderhawk (Eni s interest 25%). Starting from the second half of 2007, production from the acquired properties is expected to average approximately 75 kboe/d. This acquisition will increase Eni s equity production in the Gulf of Mexico to more than 110 kboe/d. Added proved and probable reserves amounted to 222 mmboe, with an average purchase cost of $18.4 per barrel. Closing took place on July 2, 2007.

Congo
On May 30, 2007, Eni acquired exploration and production assets from the French company Maurel & Prom onshore Congo, for a cash consideration of approximately euro 1 billion. This transaction was defined in February 2007. Assets acquired include the producing fields of M Boundi (Eni s interest 43.1%) and Kouakouala A (Eni s interest 66.67%), and the exploration permit Le Kouilou (Eni s interest 48%); all advances techniques for the recovery of hydrocarbons, Eni expects to increase its production in Congo from the current 66 kbbl/d level to approximately 100 kbbl/d in 2010.

Alaska
On April 11, 2007, Eni acquired 70% and the operatorship of the Nikaitchuq field, located on-offshore in the North Slope of Alaska. Eni, which already owned a 30% stake in the field, now retains the 100% working interest. Nikaitchuq will be the first development project operated by Eni in Alaska.
Plans for a phased development are currently being evaluated with the target of sanctioning the project by end of the year, and first oil is expected by the end of 2009. The Nikaitchuq project envisages the drilling of more than 70 wells, out of which 22 are planned to be located onshore and the remaining from an offshore artificial island. All wells are expected to be tied back to a production facility located at Oliktok Point.
Capital expenditure is estimated at approximately $900 million.

Angola
On April 2, 2007, Eni and Sonangol signed a Memorandum of Understanding for the acquisition of a 13.6% stake in Angola LNG Ltd Consortium (A-LNG). This company is responsible for the construction of an LNG plant in Soyo, 300 kilometers North of Luanda, with a yearly capacity of 5 mmtonnes. The project has been approved by the Angolan Government and Parliament. It envisages, for 28 years, the development of 220 bcm of gas, the production of 128 mmtonnes of LNG, 104 mmbbl of condensates and 257 mmbbl of LPG. The LNG is expected to be delivered to the United States market at the re-gasification plant of Pascagoula, in the Gulf of Mexico, in which Eni, following this agreement, will acquire a re-gasification capacity of 5 bcm/y (see also the Gas & Power section, below).

ALLIANCE WITH GAZPROM: ACQUISITION OF EX-YUKOS ASSETS

As part of Eni s strategic alliance with Gazprom, on April 4, 2007, Eni, through the partnership in EniNeftegaz (60% Eni, 40% Enel) acquired Lot 2 in the Yukos liquidation procedure for a cash consideration of assets are operated. Such assets are currently producing 17 kboe/d net to Eni. Added proved and probable reserves amounted to 112 mmbbl, with an average purchase cost of $10.7 per barrel. Through the development of these fields and the application of Eni s

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, OAO Arctic Gas Co, ZAO Urengoil Inc and OAO

Neftegaztechnologia (Eni s interest 60%, Enel s interest 40%) 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 EniNeftegaz 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 in approximately 1.5 bboe net to Eni located in the Yamal Nenets (YNAO) region, the largest natural gas producing region in the world:
(i) OAO Arctic Gas Company owns two exploration licenses, Sambugurskii and Evo-Yahinskii including seven fields currently in the appraisal/development phase. Main fields are Sambugorskoye currently under development and production testing and Urengoiskoye for which the pilot development project has already been approved;
(ii) ZAO Urengoil Inc owns exploration and development licenses for the Yaro-Yakhinskoye gas and condensate field, currently under development and production testing;
(iii) OAO Neftegaztechnologia owns the exploration and development license of the Severo-Chasselskoye field.

OTHER DEVELOPMENT PROJECTS

Australia On August 13, 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.

Congo On April 14, 2007 Eni signed the agreement for the award of the Marine XII exploration permit (Eni s interest 90%) offshore the Congo aimed at exploiting the relevant gas potential and feeding a power plant.

Kazakhstan
Kashagan In late June 2007 Agip KCO as operator filed with relevant Kazakh Authorities certain revisions to the sanctioned development plan for the Kashagan oilfield. These revisions confirmed among other things a rescheduling of the production start-up to 2010. The Kazakh Authorities rejected the proposed revisions to the sanctioned development plan. In August 2007, the Government of the Kazakh Republic sent the companies forming the North Caspian Sea Production Sharing Agreement (NCSPSA - Eni s interest 18.52%) consortium a notice of dispute alleging failure on part of the consortium to fulfill certain contractual obligations and violation of the Republic s laws. Parties have started talks aiming at resolving this dispute on amicable terms. Also in August 2007, the Kazakh Minister for the environment suspended certain environmental permits previously granted for the execution of operations. The operating company Agip Kco filed with relevant Kazakh authorities an appeal against this suspension. These authorities are to resolve on this appeal within a thirty-day term.
Karachaganak On June 1, 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 the terms of this agreement, the consortium will deliver, from 2012, about 16 bcm/y (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 project entailing the development of over 2 bboe of natural gas recoverable reserves. The agreement was approved by the Boards of both parties.

Nigeria On March 9, 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 exploration plan envisages research for and development of oil and natural gas reserves for 25 years in the proximity of existing facilities and the Kwale/Okpai power station where Eni is operator.

Venezuela On June 26, 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

Indonesia On January 17, 2007 Eni and Pertamina signed a Memorandum of Understanding aimed at identifying joint development opportunities for exploration and development activities.

Corocoro field in Venezuela to the new contractual regime of empresa mixta . Eni will retain its 26% interest in this project. The agreement is expected to be finalized by the third quarter of 2007.

CAPITAL EXPENDITURES

		First half			
2006	(million euro)	2006	**2007**	Change	% Ch.
152	**Acquisition of proved and unproved property**	**4**	**96**	**92**	**..**
139	Italy				
10	North Africa		**11**	11	
	West Africa				
3	Rest of world	4	**85**	81	
1,348	**Exploration**	**378**	**748**	**370**	**97.9**
128	Italy	57	**62**	5	8.8
270	North Africa	107	**169**	62	57.9
471	West Africa	94	**137**	43	45.7
174	North Sea	43	**124**	81	188.4
305	Rest of world	77	**256**	179	232.5
3,629	**Development**	**1,711**	**1,965**	**254**	**14.8**
403	Italy	174	**254**	80	46.0
701	North Africa	303	**395**	92	30.4
864	West Africa	373	**522**	149	39.9
406	North Sea	187	**203**	16	8.6
1,255	Rest of world	674	**591**	(83)	(12.3)
74	**Other**	**21**	**28**	**7**	**33.3**
5,203		**2,114**	**2,837**	**723**	**34.2**

In the first half of 2007, capital expenditures of the Exploration & Production division amounted to euro 2,837 million and concerned essentially development of oil and gas reserves directed mainly outside Italy, in particular in Kazakhstan, Egypt, Angola and Congo. Development expenditures in Italy concerned in particular the drilling program and other activities in Val d Agri and sidetrack and infilling work in mature areas. About 92% of exploration expenditures were directed outside Italy, in particular Egypt, the Gulf of Mexico, Norway, Nigeria and Indonesia. In Italy exploration activities were directed mainly to the offshore of Sicily. Acquisition of proved and unproved property concerned a 70% interest in the Nikaitchuk oilfield in Alaska, in which Eni now holds a 100% ownership.
As compared to the same period of 2006, capital expenditure increased by euro 723 million, up 34.2%, due to the increase in exploration expenditures the Gulf of Mexico, Norway, Indonesia and Egypt and higher development activities in Congo, Egypt and Angola.
In the first half of 2007 the Exploration & Production division acquired assets for approximately euro 4.8 billion concerning mainly the 20% interest in OAO Gazprom Neft and a stake in three Russian companies in the upstream gas sector following the bid for the purchase of ex-Yukos assets (euro 3.7 billion) and the acquisition of oil assets onshore Congo (approximately euro 1 billion).

Gas & Power

Key performance indicators

2006	(million euro)		First half 2006	First half **2007**
28,368	Net sales from operations [a]		14,933	**13,722**
3,802	Operating profit		1,907	**2,106**
3,882	Adjusted operating profit		1,994	**2,202**
2,862	Adjusted net profit		1,517	**1,577**
1,174	Capital expenditures		410	**526**
18,864	Adjusted capital employed, net		16,594	**18,451**
15.1	Adjusted ROACE	(%)	14.9	**16.6**
97.48	Worldwide gas sales	(bcm)	51.65	**48.57**
95.97	Gas sales in Europe		50.94	**47.63**
4.07	*of which: upstream sales*		*2.20*	***1.94***
6.54	Customers in Italy	(million)	6.25	**6.55**
87.99	Gas volumes transported in Italy	(bcm)	46.52	**41.89**
31.03	Electricity sold	(TWh)	15.39	**16.24**
12,074	Employees at period end	(units)	12,209	**11,861**

(a) Before elimination of intragroup sales.

NATURAL GAS

Supply of natural gas

2006	(bcm)	First half 2006	First half **2007**	First half Change	First half % Ch.
10.21	***Italy***	**4.84**	**4.47**	**(0.37)**	**(7.6)**
21.30	Russia for Italy	11.57	**9.34**	(2.23)	(19.3)
3.68	Russia for Turkey	1.72	**2.46**	0.74	43.0
18.84	Algeria	10.11	**8.81**	(1.30)	(12.9)
10.28	Netherlands	5.43	**3.35**	(2.08)	(38.3)
5.92	Norway	2.92	**2.90**	(0.02)	(0.7)
3.28	Hungary	2.09	**1.45**	(0.64)	(30.6)
6.63	Libya	3.34	**2.98**	(0.36)	(10.8)
0.86	Croatia	0.35	**0.30**	(0.05)	(14.3)

2.50	United Kingdom	1.15	**1.57**	0.42	36.5
1.58	Algeria (LNG)	0.77	**0.85**	0.08	9.9
1.57	Others (LNG)	0.70	**1.14**	0.44	62.9
1.85	Other supplies Europe	0.92	**1.91**	0.99	107.6
0.77	Outside Europe	0.39	**0.37**	(0.02)	(5.1)
79.06	***Outside Italy***	**41.46**	**37.42**	**(4.04)**	**(9.7)**
89.27	**Total supplies**	**46.30**	**41.89**	**(4.41)**	**(9.5)**
(3.01)	Offtake from (input to) storage	(0.64)	**0.92**	1.56	..
(0.50)	Network losses and measurement differences	(0.27)	**(0.22)**	0.05	(18.5)
85.76	**Available for sale of Eni s own companies**	**45.39**	**42.59**	**(2.80)**	**(6.2)**
7.65	**Available for sale of Eni s affiliates**	**4.06**	**4.04**	**(0.02)**	**(0.5)**
93.41	**Total available for sale**	**49.45**	**46.63**	**(2.82)**	**(5.7)**

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In the first half of 2007, Eni s Gas & Power division supplied 41.89 bcm with a 4.41 bcm decrease from the first half of 2006, down 9.5%, in line with the decline in sales volumes. Natural gas volumes supplied outside Italy (37.42 bcm) represented 89% of total supplies of fully consolidated subsidiaries (89% in the first half of 2006).
Natural gas volumes supplied outside Italy (37.42 bcm) were down 4.04 bcm from first half of 2006, or 9.7%, due to lower volumes purchased: (i) from Russia (down 2.23 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 under the fourth supply contract; (ii) from the Netherlands (down 2.08 bcm); (iii) from Algeria via pipeline (down 1.30 bcm). Supplies from Russia to Turkey increased by 0.74 bcm, in line with the development of the Turkish market.

Supply in Italy (4.47 bcm) declined by 0.37 bcm, down 7.6%, from the first half of 2006 due to a production decline of Eni s natural gas fields.

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. Following the strategic agreement with Gazprom signed in 2006 and effective from February 1, 2007, Eni extended the duration of its gas supply contracts with Gazprom until 2035, bringing the residual average life of its supply portfolio to approximately 23 years. Existing contracts, which in general contain take-or-pay clauses, will ensure a total of approximately 62.4 bcm/y (Russia 23.5, Algeria 21.5, the Netherlands 9.8, Norway 6 and Nigeria LNG 1.6) of natural gas by 2010. For a description of risk factors in the fulfillment of Eni s obligations in connection with its take-or-pay supply contracts, see Risk factors below.

Sales of natural gas

Natural gas sales by market

	(bcm)	First half			
2006		2006	**2007**	Change	% Ch.
50.96	**Italy to third parties**	**27.47**	**25.63**	**(1.84)**	**(6.7)**
11.54	Wholesalers (including local reselling companies)	6.73	**6.89**	0.16	2.4
2.00	Gas release	1.13	**0.95**	(0.18)	(15.9)
13.33	Industries	7.09	**6.33**	(0.76)	(10.7)
16.67	Power generation	7.90	**7.81**	(0.09)	(1.1)
7.42	Residential	4.62	**3.65**	(0.97)	(21.0)
6.13	**Own consumption**	**3.08**	**2.87**	**(0.21)**	**(6.8)**
34.81	**Rest of Europe**	**18.19**	**17.19**	**(1.00)**	**(5.5)**
14.10	Importers in Italy	7.51	**5.71**	(1.80)	(24.0)
20.71	Target markets	10.68	**11.48**	0.80	7.5
5.24	*Iberian Peninsula*	*2.47*	***2.92***	*0.45*	*18.2*
4.72	*Germany-Austria*	*2.51*	***2.28***	*(0.23)*	*(9.2)*
3.10	*Hungary*	*1.97*	***1.37***	*(0.60)*	*(30.5)*
2.62	*Northern Europe*	*1.27*	***1.57***	*0.30*	*23.6*
3.68	*Turkey*	*1.73*	***2.46***	*0.73*	*42.2*
1.07	*France*	*0.57*	***0.77***	*0.20*	*35.1*
0.28	*Other*	*0.16*	***0.11***	*(0.05)*	*(31.3)*
1.51	**Outside Europe**	**0.71**	**0.94**	**0.23**	**32.4**
4.07	Upstream in Europe	2.20	**1.94**	(0.26)	(11.8)
97.48	**Worldwide gas sales**	**51.65**	**48.57**	**(3.08)**	**(6.0)**

In the first half of 2007 natural gas sales (48.57 bcm, including own consumption, Eni s share of affiliates sales and upstream sales in Europe) were down 3.08 bcm from the first half of 2006, or 6%, due to declining demand in Europe resulting from unusually mild weather conditions particularly in the first quarter.

In an increasingly competitive market, natural gas sales in Italy (25.63 bcm) declined by 1.84, or 6.7% due to lower supplies to residential and commercial users (down 0.97 bcm), to the industrial sector (down 0.76 bcm) and to the power generation division (down 0.09 bcm) offset in part by higher sales to wholesalers (up 0.16 bcm).

Sales under the so-called Gas release[1] (0.95 bcm) decreased by 0.18 bcm from the first half of 2006.

Own consumption[2] was 2.87 bcm, down 0.21 bcm or 6.8%, reflecting primarily lower supplies to the subsidiary EniPower.

Sales to importers to Italy declined by 1.8 bcm due to lower offtakes related to weather conditions, standstills of power plants and the expiration of the supply contract with Promgas.

Gas sales in target markets of the Rest of Europe were 11.48 bcm with an increase of 0.8 bcm, or 7.5%, due to growth achieved in: (i) Turkey (up 0.73 bcm); (ii) the Iberian Peninsula (up 0.45 bcm); (iii) France (up 0.2 bcm). In particular, natural gas sales of Eni s affiliates in the rest of Europe (net to Eni s supplies) amounted to 3.43 bcm, a 0.28 bcm decline related in particular to GVS, concerning: (i) GVS (Eni s interest 50%) with 1.39 bcm; and (ii) Unión Fenosa Gas (Eni s interest 50%) with 0.85 bcm.

Sales outside Europe (0.94 bcm) increased by 0.23 bcm and concerned in particular Unión Fenosa Gas (Eni s interest 50%) with 0.43 bcm.

Natural gas sales by entity

2006	(bcm)	First half 2006	2007	Change	% Ch.
85.76	**Sales to third parties of consolidated companies**	**45.39**	**42.59**	**(2.80)**	**(6.2)**
57.07	Italy (including own consumption)	30.54	**28.47**	(2.07)	(6.8)
27.93	Rest of Europe	14.48	**13.76**	(0.72)	(5.0)
0.76	Outside Europe	0.37	**0.36**	(0.01)	(2.7)
7.65	**Sales of Eni s affiliates** (net to Eni)	**4.06**	**4.04**	**(0.02)**	**(0.5)**
0.02	Italy	0.01	**0.03**	0.02	..
6.88	Rest of Europe	3.71	**3.43**	(0.28)	(7.5)
0.75	Outside Europe	0.34	**0.58**	0.24	70.6
4.07	**Upstream in Europe**	**2.20**	**1.94**	**(0.26)**	**(11.8)**
97.48	**Worldwide gas sales**	**51.65**	**48.57**	**(3.08)**	**(6.0)**

Transport

In the first half of 2007, volumes of natural gas input in the national grid (41.89 bcm) decreased by 4.63 bcm from the first half of 2006, or 10%, due to a decline in domestic demand. Volumes transported on behalf of third parties declined by 1.31 bcm, those transported on behalf of Eni declined by 3.32 bcm.

Gas volumes transported [(a)]

2006	(bcm)	First half 2006	2007	Change	% Ch.

57.09	**Eni**	**30.03**	**26.71**	**(3.32)**	**(11.1)**
30.90	**On behalf of third parties**	**16.49**	**15.18**	**(1.31)**	**(7.9)**
9.67	Enel	5.06	**5.02**	(0.04)	(0.8)
8.80	Edison Gas	4.69	**3.65**	(1.04)	(22.2)
12.43	Others	6.74	**6.51**	(0.23)	(3.4)
87.99		**46.52**	**41.89**	**(4.63)**	**(10.0)**

(1) Include amounts destined to domestic storage.

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(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.

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

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DEVELOPMENT PROJECTS

Agreement with Gazprom: South Stream project

As part of the strategic alliance with Gazprom, Eni signed a Memorandum of Understanding for the construction of South Stream, a new gas pipeline system which will link Russia to the European Union 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.

According to preliminary studies carried out by Saipem, costs are comparable with the costs for developing an LNG chain (liquefaction plants, ships and re-gasification plants) with equal capacity.

Stream will consist of two sections: (i) the offshore section will cross the Black Sea from the Russian coast at Beregovaya (the same starting point of the Blue Stream pipeline) to the Bulgarian coast at Varna, with a 900-km pipeline reaching a maximum water depth of more than 2,000 meters; (ii) the onshore section foresees two different routes: one to the North West which would cross Romania and Hungary then linking to pipelines from Russia; another to the South West crossing Greece and Albania then linking to the Italian network. Eni and Gazprom will carry out the project using the most advanced technologies in full respect of the strictest environmental criteria.

Implementation of this agreement will enable Eni to extract further value from its recent acquisition of ex-Yukos gas assets and represents a decisive step towards strengthening the security of energy supplies to Europe.

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 operator in the field of natural gas sales to end users and small enterprises in France. The deal founding partners. Eni has also been granted a call option on the stake currently owned by the founding partners, exercisable starting in 2010, thus acquiring the control of Altergaz.

Currently Altergaz supplies approximately 3,500 clients on the French retail and commercial markets, with revenues of approximately euro 60 million. The company has been granted access to French transport, distribution and storage infrastructures and the authorization to sell to small industries, the public administration and residential and commercial customers. Leveraging on the opening of the French gas market started on July 1, 2007, Eni will support Altergaz s development in the French retail market through a 10-year supply contract of 1.3 bcm/year. The French retail market presents significant development opportunities covering more than 60% of overall gas volumes sold in France with a potential of 11.5 million customers.

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

Upgrade of import gaslines

TAG - Russia

The transport capacity of the TAG gasline, currently of 37 bcm/y, is expected to increase by 6.5 bcm/y coming on stream from October 1, 2008 with expected capital expenditures of euro 253 million (Eni s share of these expenditures is 94%).

A 3.2 bcm portion of the upgrade was assigned to third parties in February 2006.

TTPC - Algeria

The transport capacity of the TTPC gasline from Algeria is expected to increase by 6.5 bcm/y, of which a 3.2 bcm/y portion is planned to come on stream from April 1, 2008, and a 3.3 bcm/y portion from October 1, 2008. Capital expenditures are expected at euro 450 million, increasing the amount initially budgeted in 2005 due to cost overruns and revisions of the engineering of the project. When the upgrade is fully operational, the gasline will deploy a transport capacity of 33.5 bcm/y. A corresponding capacity on the TMPC downstream gasline is already available. TMPC crosses underwater the Sicily channel. The first portion of the TTPC upgrade was assigned to third parties in November 2005.

envisages Eni to purchase a 2.5% of the share capital of Altergaz and to carry out a reserved capital increase entailing a total cash consideration of euro 20.3 million. Eni is expected to jointly control this company in accordance with a shareholders agreement with the

The procedure for the assignation of the second portion (3.3 bcm) of this upgrade was finalized in February 2007.

GreenStream - Libya
Eni plans to upgrade the GreenStream import gasline from Libya which will enable Eni to expand volumes input in the national transport network by 3 bcm/y, when this upgrade comes on stream in 2011. Expected capital expenditures amount to euro 84 million.
When the ongoing upgrading of the TTPC and TAG gaslines is fully on stream and taking into account the full capacity of the GreenStream gasline from Libya currently in place (8 bcm/y), a total of approximately 21 bcm/y of new import capacity will be available to third parties on the basis of non-discriminating procedures of allocation (17.7 bcm of this new capacity have already been allocated to third parties).

Regasification terminals
Eni plans to upgrade the existent regasification capacity at the Panigaglia plant by 4.5 bcm/y with expected start up in 2014. In addition, preliminary studies are underway for the construction of a new regasification terminal in the Adriatic offshore with a capacity of 8 bcm/y. In the first half of 2007 preliminary studies aimed at identifying technical solutions have been performed.

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 already 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). Within the actions aimed at guaranteeing supplies to the plant:
(i) in February 2007 Eni signed an agreement with Nigeria LNG Ltd, which operates the Bonny LNG plant in Nigeria, to purchase, over a twenty-year period, 1.375 mmtonnes/y of LNG, equivalent to approximately 2 bcm/y of gas, deriving from the upgrade of the Bonny liquefaction plant (Train 7) expected for 2012;
(ii) negotiations are also progressing with Brass LNG Ltd for the purchase of 1.42 mmtonnes/y of LNG approximately equivalent to 2 bcm/y of gas.

Within the Angola LNG project in conjunction with Sonangol (See Development initiatives in the Exploration & Production division) Eni signed a Memorandum of Understanding to acquire 5 bcm/y of

REGULATORY FRAMEWORK

Resolution No. 79/2007 of the Authority for electricity and gas Revision of the economic conditions of supplies in the January 1, 2005 to March 31, 2007 period and criteria for their updating
Following the cancellation of Resolution No. 248/2004 by the Council of State for formal flaws, on March 29, 2007 the Authority for Electricity and Gas published Resolution No. 79/2007 after concluding a consultation procedure with gas operators. This Resolution organizes in a single document all the changes applied to the determination and updating of economic conditions for natural gas supplies. In particular with this Resolution the Authority: (i) confirmed the indexation mechanism for the raw material cost component contained in Resolution No. 248/2004 and the changes introduced to this mechanism by Resolution No. 134/2006 starting on July 1, 2006; (ii) waiving this provision, it reviewed the updating of the raw material cost component for 2005 reaching incremental values equal to those deriving from the application of the indexation criteria of Resolution No. 195/2002; this cancels the negative impact of Resolution No. 248/2004 on Eni s 2005 accounts; (iii) decided that selling companies, only for wholesale purchase/sale contracts entered after January 1, 2005 and valid in the January 1, 2006-June 30, 2006 period, offer their customers new contractual conditions consistent with the new indexation mechanism before June 4, 2007, and inform the Authority, before June 29, 2007, together with their wholesaler that they have complied with this requirement. Selling companies complying with this requirement will be entitled to 50% of the difference between the updating of the raw material cost component under the new mechanism and the more favorable one under Resolution No. 195/2002 applied to volumes consumed by customers under the 200 kcm threshold. This Resolution determined the total or partial redundancy of liabilities accrued in Eni s accounts for 2005 and 2006 that have been consequently reversed during the first quarter of 2007.

capacity in the Pascagoula regasification terminal to be constructed in Mississippi.

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.

POWER GENERATION

			First half			
2006			2006	**2007**	Change	% Ch.
24.82	Electricity production sold	(TWh)	12.42	**12.15**	(0.27)	(2.2)
6.21	Electricity trading	(TWh)	2.97	**4.09**	1.12	37.7
31.03	**Electricity sold**	(TWh)	**15.39**	**16.24**	**0.85**	**5.5**
10,287	Steam	(ktonnes)	5,245	**5,365**	120	2.3

In the first quarter 2007 sales of electricity (16.24 TWh) increased 0.85 TWh, or up 5.5% and are broken down as follow: 50% to end users, 28% to the Electricity Exchange, 3% to GSE, and 19% to wholesalers.

Sales of steam (5,365 ktonnes) increased 120 ktonnes, or up 2.3%. All steam produced was sold to end users.

CAPITAL EXPENDITURES

		First half			
2006	(million euro)	2006	**2007**	Change	% Ch.
1,014	Italy	348	**417**	69	19.8
160	Outside Italy	62	**109**	47	75.8
1,174		**410**	**526**	**116**	**28.3**
63	**Market**	**13**	**16**	**3**	**23.1**
63	Outside Italy	13	**16**	3	23.1
158	**Distribution**	**67**	**56**	**(11)**	**(16.4)**
724	**Transport**	**252**	**366**	**114**	**45.2**
627	Italy	203	**273**	70	34.5
97	Outside Italy	49	**93**	44	89.8
229	**Power generation**	**78**	**88**	**10**	**12.8**
1,174		**410**	**526**	**116**	**28.3**

Capital expenditures in the Gas & Power division totalled euro 526 million and related essentially to: (i) development and maintenance of Eni s primary transmission network in Italy (euro 273 million); (ii) the import pipeline upgrade (euro 93 million); (iii) the continuation of the construction of combined cycle power plants (euro 88 million) in particular at Ferrara; (iv) development and maintenance of Eni s natural gas distribution network in Italy (euro 56 million). The euro 116 million increase from the first half of 2006 (up 28.3%) was due essentially to the import pipeline upgrade.

Refining & Marketing

Key performance indicators

2006	(million euro)		First half 2006	**2007**
38,210	Net sales from operations [(a)]		19,446	**16,880**
319	Operating profit		455	**420**
790	Adjusted operating profit		279	**305**
629	Adjusted net profit		257	**250**
645	Capital expenditures		232	**319**
5,766	Adjusted capital employed, net		4,512	**5,909**
10.7	Adjusted ROACE	(%)	17.3	**10.8**
38.04	Refining throughputs on own account	(mmtonnes)	18.01	**18.32**
27.17	Refining throughputs of wholly-owned refineries		12.63	**13.76**
534	Balanced capacity of wholly-owned refineries	(kbbl/d)	534	**544**
100	Balanced capacity utilization rate	(%)	100	**100**
12.48	Retail sales of petroleum production in Europe	(mmtonnes)	6.08	**6.06**
6,294	Service stations in Europe at period end	(units)	6,282	**6,279**
2,470	Average throughput in Europe	(kliters)	1,183	**1,198**
9,437	Employees at period end	(units)	9,009	**9,372**

(a) Before elimination of intragroup sales.

Supply and trading

In the first half of 2007 a total of 30.84 mmtonnes of oil were purchased (33.08 mmtonnes in the first half 2006), of which 17.30 mmtonnes from Eni s Exploration & Production division[3], 7.85 mmtonnes from producing countries under long term contracts and 5.69 mmtonnes on the spot market. The geographic sources of oil purchased were the following: 26% from West Africa, 21% from North Africa, 20% from countries of the former Soviet Union, 13% from the Middle East, 11% from the North Sea, 7% from Italy and 2% from other areas. Some 14.07 mmtonnes of oil were resold, down 14.7% from the first half of 2006.

In addition, 1.72 mmtonnes of intermediate products were purchased (1.49 mmtonnes in the first half 2006) to be used as feedstocks in conversion plants and 7.36 mmtonnes of refined products (8.19 mmtonnes in the first half 2006) sold in markets outside Italy as a (5.78 mmtonnes) and as a complement to Eni s own production in the Italian market (1.58 mmtonnes).

(3) The Refining & Marketing segment purchased approximately two thirds of the Exploration & Production division s oil and condensate production and resold on the market those crudes and condensates that are not suited to processing in its own refineries due to their characteristics or geographic area.

Availability of refined products

2006	(mmtonnes)	First half 2006	**2007**	Change	% Ch.
	Italy				
27.17	Refinery intake in wholly-owned refineries	12.63	**13.76**	1.13	8.9
(1.53)	Refinery intake for third parties	(0.66)	**(0.88)**	(0.22)	33.3
7.71	Refinery intake in non-owned refineries	3.77	**3.22**	(0.55)	(14.6)
33.35	***Refining throughputs on own account***	**15.74**	**16.10**	**0.36**	**2.3**
(1.45)	Consumption and losses	(0.71)	**(0.81)**	(0.10)	14.1
31.90	**Products available**	**15.03**	**15.29**	**0.26**	**1.7**
4.45	Purchases of finished products and change in inventories	2.60	**1.79**	(0.81)	(31.2)
(4.82)	Finished products transferred to foreign cycle	(2.01)	**(2.51)**	(0.50)	24.9
(1.10)	Consumption for power generation	(0.48)	**(0.53)**	(0.05)	10.4
30.43	**Products sold**	**15.14**	**14.04**	**(1.10)**	**(7.3)**
	Outside Italy				
4.69	***Refining throughputs on own account***	**2.27**	**2.22**	**(0.05)**	**(2.2)**
(0.32)	Consumption and losses	(0.15)	**(0.19)**	(0.04)	26.7
4.37	Products available	2.12	**2.03**	(0.09)	(4.2)
11.51	Purchases of finished products and change in inventories	5.60	**5.78**	0.18	3.2
4.82	Finished products transferred from Italian cycle	2.01	**2.51**	0.50	24.9
20.70	**Products sold**	**9.73**	**10.32**	**0.59**	**6.1**
38.04	**Refining throughputs on own account in Italy and outside Italy**	**18.01**	**18.32**	**0.31**	**1.7**
51.13	**Sales of petroleum production in Italy and outside Italy**	**24.87**	**24.36**	**(0.51)**	**(2.1)**

Refining

In the first half 2007 refinery throughputs on Eni s own account (18.32 mmtonnes) increased by 310 ktonnes, or 1.7% in spite of the impact of the expiration of a processing contract at the Priolo refinery (down 660 ktonnes). Refining throughputs in Italy increased by 7.3% to 16.18 mmtonnes, on a homogeneous basis, as a result of better performance at the Livorno and Sannazzaro refineries reflecting lower downtime.

Refining throughputs of wholly-owned refineries (13.76 mmtonnes) increased 1.13 mmtonnes, or 8.9% from the first half of 2006; balanced capacity of refineries was fully utilized. Approximately 32.8% of volumes processed oil was supplied by Eni s Exploration & Production division down 4.6 percentage points from the first half of 2006 (37.4%) reflecting expiration of a processing contract at the Priolo refinery where mainly equity crudes were processed.

Purchase of an additional interest in Ceska Rafinerska
On May 24, 2007 Eni purchased a 16.11% stake in the Czech Refining Company from ConocoPhillips. This transaction, expected to be finalized in the third quarter of 2007, will enable Eni to increase its ownership interest to 32.4% equal to a refining capacity to 2.6 mmtonnes per year. This transaction is intended to support expansion of Eni s refining and marketing operations in Central-Eastern Europe.

Distribution of refined products

In the first half of 2007, sales of refined products decreased by 510 ktonnes from the first half of 2006, to 24.36 mmtonnes, down 2.1%, due to lower volumes marketed on wholesale markets in Italy.
Other sales increased 0.02 mmtonnes due to higher volumes sold to oil companies and traders in Italy, partly offset by lower sales to petrochemicals related to

expiration of a processing contract at the Priolo refinery.

Sales of refined products in Italy and outside Italy

2006	(mmtonnes)	First half 2006	2007	Change	% Ch.
8.66	Retail sales Italy	4.26	**4.17**	(0.09)	(2.1)
3.82	Retail sales Rest of Europe	1.82	**1.89**	0.07	3.8
12.48	**Sub-total retail sales**	**6.08**	**6.06**	**(0.02)**	**(0.3)**
11.74	Wholesale Italy	5.84	**5.27**	(0.57)	(9.8)
4.19	Wholesale Rest of Europe	2.06	**2.07**	0.01	0.5
0.41	Wholesale Rest of World	0.22	**0.27**	0.05	22.7
22.31	Other sales [a]	10.67	**10.69**	0.02	0.2
51.13	**Sales**	**24.87**	**24.36**	**(0.51)**	**(2.1)**
	Refined product sales by region				
30.43	Italy	15.14	**14.04**	(1.10)	(7.3)
8.01	Rest of Europe	3.88	**3.96**	0.08	2.1
12.69	Rest of World	5.85	**6.36**	0.51	8.7

(a) Includes bunkering, sales to oil companies and MTBE sales.

Retail sales in Italy

Sales of refined products on the retail market in Italy were 4.17 mmtonnes, a 90 ktonnes decline, or 2.1%, due to competitive pressure. Market share of the Agip branded network was down 0.4 percentage points from 29.2% in the first half of 2006 to 28.8% in the first half of 2007; average throughput was 1.18 mmliters in the first half of 2007, approximately down 20 kliters.
At June 30, 2007, Eni s retail distribution network in Italy consisted of 4,348 service stations (77% of these owned by Eni), 8 less than at December 31, 2006 (4,356 service stations), reflecting the closing of 10 plants of the ordinary network, the loss of 5 highway concessions and the negative balance of 2 units between acquisitions/releases of lease concessions. These decreases were partially offset by the opening of 9 new service stations on the ordinary network.
Retail volumes of BluDiesel a high performance and low environmental impact diesel fuel were approximately 0.34 bliters slightly lower than the first half 2006. In the first half of 2007 retail volumes of BluDiesel were 13.8% of gasoil retail sales (14.3% in 2006). At June 30, 2007, virtually all Agip branded service stations marketed BluDiesel (equal to 92%).
Retail volumes of BluSuper a high performance and low environmental impact gasoline amounted to about 63 mmliters stable if compared to the first half 2006. In Supporting Eni s aim of enhancing its retail network leveraging on ongoing trends in the marketing of fuels, Eni signed an agreement with Auchan for the marketing of jointly-branded fuels in Auchan chain-stores in Italy. According with this agreement 5 service stations with a joint brand will be opened at Auchan shopping malls in addition to the two service stations already operating.

Retail sales outside Italy

Sales of refined products on retail markets in the rest of Europe (1.89 mmtonnes) increased 70 ktonnes, or 3.8%, essentially in Spain and Germany. Market share of the Agip branded network slightly increased from 3.1% in the first half of 2006 to 3.2% in the first half of 2007; average throughput (1.23 in the first half 2007) increased 100 kliters. At June 30, 2007 Eni s retail distribution network in the rest of Europe consisted of 1,931 service stations, 7 units less from December 31, 2006 (1,938 service stations) reflecting the decline in Portugal and Austria, offset by increases in Spain and Hungary. In particular 14 service stations were closed and lease concessions were released, while 13 new service stations were opened or acquired.

Purchase of a retail network in the Czech Republic, Slovakia and Hungary

On April 27, 2007 Eni defined an agreement for the

the first half of 2007 retail volumes of BluSuper were 3% of gasline retail sales. At June 30, 2007 Agip branded service stations marketed BluSuper totalled 2,426 (2,316 at December 31, 2006), corresponding to 56% of Eni s network.

purchase from ExxonMobil of a network of service station in the Czech Republic, Slovakia and Hungary and other marketing activities in the same region including the marketing of fuels at the Prague and Bratislava airports and certain lubricant activities. The retail network acquired includes 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, approved by the relevant antitrust authorities in July 2007, 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 a well known brand.

Wholesale and other sales

Sales volumes on wholesale markets in Italy (5.27 mmtonnes) were down 570 ktonnes from 2006, or 9.8%, due to lower demand for heating oil from the power generation sector and unusually mild winter weather conditions that impacted sales of heating products (diesel oil and LPG).

Sales on the wholesale market in the Rest of Europe increased by 10 ktonnes, to 2.07 mmtonnes, or approximately 1%, essentially in the Czech Republic.

CAPITAL EXPENDITURES

		First half			
2006	(million euro)	2006	**2007**	Change	% Ch.
547	Italy	197	**283**	86	43.7
98	Outside Italy	35	**36**	1	2.9
645		**232**	**319**	**87**	**37.5**
376	**Refining, Supply and Logistic**	**162**	**214**	**52**	**32.1**
376	Italy	162	**214**	52	32.1
223	**Marketing**	**67**	**85**	**18**	**26.9**
125	Italy	32	**49**	17	53.1
98	Outside Italy	35	**36**	1	2.9
46	**Other activities**	**3**	**20**	**17**	**..**
645		**232**	**319**	**87**	**37.5**

In the first half of 2007, capital expenditures in the Refining & Marketing division amounted to euro 319 million and concerned: (i) refining, supply and logistics (euro 214 million) in Italy, aimed at improving flexibility and yields of refineries, including the construction of a new hydrocracking unit at the Sannazzaro refinery; (ii) the upgrading of the retail network in Italy (euro 49 million); and (iii) the upgrading of the retail network and the purchase of service stations in the rest of Europe (euro 36 million).

The 37.5% increase from the first half of 2006 was due mainly to the start-up of the refinery upgrade programme.

Petrochemicals

Key performance indicators

2006	(million euro)		First half 2006	**2007**
6,823	Net sales from operations [(a)]		3,340	**3,476**
172	Operating profit		69	**211**
219	Adjusted operating profit		28	**189**
174	Adjusted net profit		29	**130**
99	Capital expenditures		34	**56**
1,873	Adjusted capital employed, net		2,030	**2,214**
8.9	Adjusted ROACE	(%)	2.8	**12.8**
7,072	Production	(ktonnes)	3,554	**4,411**
5,276	Sales of petrochemical products	(ktonnes)	2,680	**2,812**
76.4	Average plant utilization rate	(%)	77.4	**81.5**
6,025	Employees at year end	(units)	6,343	**6,845**

(a) Before elimination of intragroup sales.

PRODUCTION AND SALES

In the first half of 2007, sales of petrochemical products (2,812 ktonnes) increased by 132 ktonnes from the first half of 2006, up 4.9%, essentially in olefins due to higher product availability as a consequence of the inter-company purchase of the Porto Torres plant from Syndial and to the fact that sales in the second quarter of 2006 were hit by the shutdown of the Priolo cracker related to an accident occurred at the nearby Erg refinery in April 2006. Higher sales were registered in styrenes (up 6.8%) and elastomers (up 3.6%), the latter including also sales of nytrilic rubber from Porto Torres.
Petrochemical production (4,411 ktonnes) increased by 857 ktonnes from the first half of 2006, up 24.1%, reflecting the consolidation of operations at Porto Torres (up 611 ktonnes) and the fact that production and sales of the second quarter of 2006 were hit by the shutdown
Nominal production capacity increased by 18% from the first half of 2006 for the reasons stated above. Average plant utilization rate calculated on nominal capacity increased by 4.1 percentage points from 77.4% to 81.5%, mainly due to higher utilization of plants in aromatics, olefins and polyethylene.
Approximately 46% of total production was directed to Eni s own productions cycle (37% in the first half of 2006). Oil-based feedstock supplied by Eni s Refining & Marketing Division covered 22% of requirements (12% in the first half of 2006). This increase derives from the circumstance that 2006 was affected by the accident occurred at the Priolo refinery with which Eni s Refining & Marketing division had a processing contract aimed at supplying the Priolo cracker.
Prices of Eni s main petrochemical products increased on average by 8%; all business areas posted increases. The most relevant increases were registered in: (i) styrenes (up 16.8%), in particular expandable and compact

of the Priolo cracker. polystyrenes; (ii) intermediates (up 12.6%), in particular cycloexanone and phenol; (iii) aromatics (up 9.2%), in particular benzyl; (iv) elastomers (up 8.5%), in particular SBR, polybutadiene and thermoplastic rubbers; (v) olefins (up 5.6%), in particular butadiene and ethylene; (vi) polyethylene (up 5.2%) with increases in all products.

Product availability (ktonnes)

2006		First half 2006	2007	Change	% Ch.
4,275	Basic petrochemicals	2,132	**2,803**	671	31.5
1,545	Styrene and elastomers	787	**837**	50	6.4
1,252	Polyethylene	635	**771**	136	21.4
7,072	**Production**	**3,554**	**4,411**	**857**	**24.1**
(2,488)	Consumption of monomers	(1,313)	**(2,042)**	(729)	55.5
692	Purchases and change in inventories	439	**443**	4	0.9
5,276		**2,680**	**2,812**	**132**	**4.9**

Sales (ktonnes)

2006		First half 2006	2007	Change	% Ch.
2,882	Basic petrochemicals	1,420	**1,510**	90	6.3
1,000	Styrene and elastomers	515	**544**	29	5.6
1,394	Polyethylene	745	**758**	13	1.7
5,276		**2,680**	**2,812**	**132**	**4.9**

BUSINESS AREAS

Basic petrochemicals

Sales of basic petrochemicals of 1,510 ktonnes increased by 90 ktonnes from the first half of 2006, up 6.3%, mainly due to higher product availability after the purchase of the Porto Torres plant from Syndial and the fact that the first half of 2006 had been affected by the outage of the Priolo cracker. Increases registered in olefins (up 13%) and aromatics (up 3.9%) were offset by lower volumes sold of intermediates (down 7%), in particular cycloexanone (down 18%) and cycloexanol (down 13%) due to lower availability of products related to the maintenance shutdown of the Mantova plant. Basic petrochemical production (2,803 ktonnes) increased by 31.5%.

Styrene and elastomers

Styrene sales (314 ktonnes) increased by 6.8% from the first half of 2006. Increasing sales of ABS/SAN (up 64%) and compact polystyrene (up 13%) reflected higher product availability due to the fact that 2006 had been affected by technical problems occurred at the Mantova plant.
Elastomers sales (230 ktonnes) increased by 4.1% from the first half of 2006 due to the consolidation of nytrilic rubber sales deriving from the purchase of the Porto Torres plant from Syndial. Excluding this affect, elastomer sales declined by 3.1% essentially due to lower sales of SBR, thermoplastic and EPR rubbers.
Styrene production (563 ktonnes) increased by 4.3%.
Elastomer production (274 ktonnes) increased by 10.9% after the purchase of the Porto Torres plant from Syndial. Excluding this effect, elastomer production increased by 4.2%. Increases were registered in all products, except for EPR rubber (down 4%).

Polyethylene

Polyethylene sales (758 ktonnes) were up 13 ktonnes or 1.7%, from the first half of 2006, reflecting positive market trends in particular for LLPDE (up 4.5%) and EVA (up 2.6%).

Production (771 ktonnes) increased by 136 ktonnes, or 21.4%, with increases registered in all products except for EVA. Production of HDPE increased by 68.3% due to the consolidation of operations at Porto Torres, as well as of LDPE (up 8.6%) and LDPE/up 21.2 mainly due to the standstill of the Priolo cracker and related plants.

CAPITAL EXPENDITURES

In the first half of 2007, capital expenditures (euro 56 million; euro 34 million in the first half of 2006) concerned efforts in improving plant efficiency (euro 18 million), extraordinary maintenance (euro 15 million), environmental protection, safety and environmental regulation compliance (euro 15 million).

Engineering & Construction

Key performance indicators

2006	(million euro)		First half 2006	First half 2007
6,979	Net sales from operations [(a)]		3,080	**4,289**
505	Operating profit		211	**390**
508	Adjusted operating profit		211	**379**
400	Adjusted net profit		152	**304**
591	Capital expenditures		224	**510**
3,399	Adjusted capital employed, net		3,243	**3,726**
12.8	Adjusted ROACE	(%)	11.8	**15.8**
11,172	Orders acquired		5,970	**4,948**
13,191	Order backlog		12,455	**13,308**
30,902	Employees at year end	(units)	28,971	**32,903**

(a) Before elimination of intragroup sales.

ACTIVITY OF THE YEAR

(million euro)	First half 2006	First half 2007	Change	% Ch.
Orders acquired [(a)]	**5,970**	**4,948**	**(1,022)**	**(17.1)**
Offshore construction	1,814	**1,881**	67	3.7
Onshore construction	3,157	**2,774**	(383)	(12.1)
Offshore drilling	923	**144**	(779)	(84.4)
Onshore drilling	76	**149**	73	96.1
of which:				
- Eni	1,343	**556**	(787)	(58.6)
- third parties	4,627	**4,392**	(235)	(5.1)
of which:				
- Italy	763	**164**	(599)	(78.5)
- Outside Italy	5,207	**4,784**	(423)	(8.1)

(million euro)	Dec. 31, 2006	**June 30, 2007**	Change	% Ch.
Order backlog [(a)]	**13,191**	**13,308**	**117**	**0.9**
Offshore construction	4,283	**4,340**	57	1.3

Onshore construction	6,285	**6,400**	115	1.8
Offshore drilling	2,247	**2,188**	(59)	(2.6)
Onshore drilling	376	**380**	4	1.1
of which:				
- Eni	2,602	**2,699**	97	3.7
- third parties	10,589	**10,609**	20	0.2
of which:				
- Italy	1,280	**897**	(383)	(29.9)
- Outside Italy	11,911	**12,411**	500	4.2

(a) Includes the Bonny project for euro 1 million in orders acquired and euro 6 million in order backlog.

Among the main orders acquired in the first half of 2007 were:
- an EPC for Sonatrach contract 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 EPIC contract for Saudi Aramco for the construction of the nine sea water treatment modules for the expansion of the Qurayyah plant within the development of the Khursaniyah field in Saudi Arabia;
- an EPC contract for Saudi Aramco for the construction of stations for pumping in fields the water from expansion of the Qurayyah plant.

Orders acquired amounted to euro 4,948 million, of these projects to be carried out outside Italy represented 97%, while orders from Eni companies amounted to 11% of the total. Eni s order backlog was euro 13,308 million at June 30, 2007 (euro 13,191 million at December 31, 2006). Projects to be carried out outside Italy represented 93% of the total order backlog, while orders from Eni companies amounted to 20% of the total.

CEPAV Uno and CEPAV Due
Eni holds interests in the CEPAV Uno (50.36%) and CEPAV Due (52%) consortia that in 1991 signed two contracts with TAV SpA for the construction of two railway tracks for high speed/high capacity trains from Milan to Bologna (under construction) and from Milan to Verona (in the design phase).
With regard to the project for the construction of the line from Milan to Bologna, an Addendum to the contract between CEPAV Uno and TAV was signed on June 27, 2003, redefining certain terms and conditions of the contract. Subsequently, the CEPAV Uno consortium requested a time extension for the completion of works and a claim amounting to euro 800 million. CEPAV Uno and TAV failed to solve this dispute amicably, CEPAV Uno notified TAV a request for arbitration as provided for under terms of the contract. The claim was increased to euro 1,500 million when the first memorandum was filed in March 2007. At June 30, 2007, the CEPAV Uno consortium had completed works corresponding to 84.5% of the total contractual price (euro 5,322 million).
With regard to the project for the construction of the tracks from Milan to Verona, in December 2004, CEPAV Due presented the final project, prepared in accordance with Law No. 443/2001 on the basis of the preliminary project approved by an Italian governmental authority (CIPE). As concerns the arbitration procedure requested by CEPAV Due against TAV for the recognition of cost incurred by the Consortium in the 1991-2000 ten-year period plus suffered damage, in January 2007, the arbitration committee came to a partial decision in support of CEPAV Due confirming the claim of the Consortium to recover costs incurred in connection with design activities performed until 2000 in addition to damage arising from the belatedly convened meeting of interested local authorities by TAV. A technical survey is underway to establish an evaluation of the compensation to be awarded to the Consortium as requested by the arbitration committee for the final resolution.
In April 2007, the consortium filed an appeal against Law Decree No. 7 of January 31, 2007 converted into Law No. 40/2007 of April 2, 2007, revoking the concessions awarded to TAV with the Regional Administrative Court of Latium. In a Decision published on July 12, 2007, this Regional Court suspended the revocation provided by Law No. 40/2007 and requested the judgment of the European Court of Justice on the dispute between the provisions of said law and the European Treaty.

CAPITAL EXPENDITURES

2006	(million euro)	First half 2006	2007	Change	% Ch.
390	Offshore construction	183	**225**	42	23
53	Onshore construction	10	**40**	30	..
101	Offshore drilling	19	**165**	146	..
36	Onshore drilling	9	**72**	63	..
11	Other	3	**8**	5	..
591	**Capital expenditures**	**224**	**510**	**286**	**128**

In the first half of 2007, capital expenditures in the Engineering & Construction division (euro 510 million) concerned: (i) the construction of the new Scarabeo 8 semisubmersible platform, of a new pipelayer and of the new Saipem 12000 deepwater drilling ship; (ii) the conversion of two tanker ships into FPSO vessels that will operate in Brazil on the Golfinho 2 and in Angola.

Financial Review

SUMMARIZED GROUP PROFIT AND LOSS ACCOUNT

	(million euro)	First half			
2006		2006	**2007**	Change	% Ch.
86,105	Net sales from operations	44,323	**41,688**	(2,635)	(5.9)
783	Other income and revenues	372	**445**	73	19.6
(61,140)	Operating expenses	(31,119)	**(29,504)**	1,615	5.2
(239)	*of which non recurring items*		***(56)***		
(6,421)	Depreciation, amortization and impairments	(3,034)	**(3,306)**	(272)	(9.0)
19,327	**Operating profit**	**10,542**	**9,323**	**(1,219)**	**(11.6)**
161	Net financial income (expense)	151	**25**	(126)	(83.4)
903	Net income from investments	467	**491**	24	5.1
20,391	**Profit before income taxes**	**11,160**	**9,839**	**(1,321)**	**(11.8)**
(10,568)	Income taxes	(5,547)	**(4,673)**	874	15.8
51.8	*Tax rate (%)*	*49.7*	***47.5***	*(2.2)*	
9,823	Net profit	5,613	**5,166**	(447)	(8.0)
	pertaining to:				
9,217	**- Eni**	**5,275**	**4,855**	**(420)**	**(8.0)**
606	- minority interest	338	**311**	(27)	(8.0)

Net profit

Eni s net profit for the first half of 2007 was euro 4,855 million, down euro 420 million from the first half of 2006, or 8%, due primarily to a lower operating performance (down euro 1,219 million, or 11.6%) as a result of a decline in the Exploration & Production division, partially offset

Eni s adjusted net profit

by a positive performance delivered by Eni s downstream and the Engineering & Construction businesses. This reduction in operating profit was offset in part by lower income taxes (down by euro 874 million) owing to lower profit before taxes and a 2.2 percentage point decline in the Group tax rate (from 49.7 to 47.5%)

	(million euro)	First half			
2006		2006	**2007**	Change	% Ch.

9,217	**Net profit pertaining to Eni**	**5,275**	**4,855**	**(420)**	**(8.0)**
33	Exclusion of inventory holding (gain) loss	(210)	**(110)**		
1,162	Exclusion of special items:	372	**155**		
	of which:				
239	*- non recurring items*		***81***		
923	*- other special items*	*372*	***74***		
10,412	**Eni s adjusted net profit**[(a)]	**5,437**	**4,900**	**(537)**	**(9.9)**

(a) For a detailed explanation of adjusted operating profit and net profit see page 39.

Special charges concerned essentially environmental charges, impairment of mineral assets and employee redundancy incentives, as well as non-recurring charges related to: (i) provisions to the risk reserve in connection with ongoing antitrust proceedings against the European antitrust authority; (ii) a gain deriving from the curtailment of the reserve for employee post-retirement benefits relating to Italian companies.

The following table sets forth adjusted net profit by division:

	(million euro)	First half			
2006		2006	**2007**	Change	% Ch.
7,279	Exploration & Production	4,019	**3,056**	(963)	(24.0)
2,862	Gas & Power	1,517	**1,577**	60	4.0
629	Refining & Marketing	257	**250**	(7)	(2.7)
174	Petrochemicals	29	**130**	101	348.3
400	Engineering & Construction	152	**304**	152	100.0
(301)	Other activities	(122)	**(120)**	2	1.6
54	Corporate and financial companies	11	**29**	18	163.6
(79)	Impact of unrealized profit in inventory [(a)]	(88)	**(15)**	73	..
11,018		**5,775**	**5,211**	**(564)**	**(9.8)**
	of which:				
606	Net profit to minorities	338	**311**	(27)	(8.0)
10,412	**Adjusted net profit pertaining to Eni**	**5,437**	**4,900**	**(537)**	**(9.9)**

(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 reduction in the Group adjusted net profit was due to the decrease in the adjusted net profit recorded in the **Exploration & Production** division, down euro 963 million, or 24% which reflects a weaker operating performance euro 1,858 million, down 21.9% due to the impact of the appreciation of the euro versus the dollar, lower production sold (down 12.2 mmboe), higher expenses incurred in connection with exploratory activity and lower realizations in dollars (down 2.1%).

These declines in the adjusted net profit were partly offset by a higher adjusted net profit reported in the divisions:

- **Engineering & Construction** (up euro 152 million, or 100%), reflecting an improved operating performance (up euro 168 million) against the backdrop of favorable demand trends in oilfield services.
- **Petrochemicals** (up euro 101 million, or 348.3%), due to an improved operating performance (up euro 161 million), reflecting a recovery in product selling margins and the impact of the accident occurred at the Priolo refinery on the results for the first half of 2006;
- **Gas & Power** (up euro 60 million, or 4%), due to a better operating performance (up euro 208 million, or 10.4%) reflecting essentially positive developments in the regulatory framework in Italy and the circumstance that certain purchase charges were incurred in the first increases in target markets in Europe. Divisional results were also negatively impacted by lower results recorded by equity-accounted entities.

Eni s results were affected by a trading environment with lower oil prices and Brent crude prices averaging $63.26 per barrel, down 3.7% compared to the first half of 2006, and a appreciation of the euro over the dollar (up 8.1%). These negatives were partially offset by increased refining margins on the Brent crude marker (up 14.2%) and higher selling margins on petrochemical products. Overall, the first half trading environment had no material impact on natural gas selling margins.

Return on Average Capital Employed (ROACE) calculated on an adjusted basis for the twelve-month period ending June 30, 2007 was 21.4% (23.5% for the twelve-month period ending June 30, 2006).

quarter of 2006 owing a climatic emergency for the 2005-2006 winter. These positive factors were offset in part by the impact of unusually mild weather conditions affecting natural gas sales by consolidated subsidiaries (down 2.8 bcm, or 6.2%), offset in part by volume

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 June 30, 2007, the Group ROACE would stand at 22.1%.

Analysis of profit and loss account items

Net sales from operations

2006	(million euro)	First half 2006	2007	Change	% Ch.
27,173	Exploration & Production	14,459	**12,829**	(1,630)	(11.3)
28,368	Gas & Power	14,933	**13,722**	(1,211)	(8.1)
38,210	Refining & Marketing	19,446	**16,880**	(2,566)	(13.2)
6,823	Petrochemicals	3,340	**3,476**	136	4.1
6,979	Engineering & Construction	3,080	**4,289**	1,209	39.3
823	Other activities	465	**103**	(362)	(77.8)
1,174	Corporate and financial companies	605	**617**	12	2.0
(23,445)	Consolidation adjustment	(12,005)	**(10,228)**	1,777	..
86,105		**44,323**	**41,688**	**(2,635)**	**(5.9)**

Eni s net sales from operations (revenues) for the first half of 2007 (euro 41,688 million) were down euro 2,635 million, a 5.9% decline from the first half of 2006, primarily reflecting the impact of the appreciation of the euro versus the dollar (up 8.1%) and the decline in hydrocarbon prices, as well as lower sold production of hydrocarbons (down 12.2 mmboe) and lower sales of natural gas (down 2.8 bcm). These negative factors were offset in part by higher activity levels in the Engineering & Construction and Petrochemicals divisions.

Revenues generated by the Exploration & Production division (euro 12,829 million) declined by euro 1,630 million, down 11.3%, essentially due to the impact of the appreciation of the euro versus the dollar, lower hydrocarbon production sold (down 12.2 mmboe, or 3.9%) and a decline in realizations in dollars (down 2.1%).

Revenues generated by the Gas & Power division (euro 13,722 million) declined by euro 1,211 million, down 8.1%, mainly due to lower natural gas volumes sold by consolidated subsidiaries (down 2.8 bcm or 6.2%) and lower volumes transported and distributed as a consequence of an unusually mild winter weather, as well as the negative trends of energy parameters to which gas prices are contractually indexed.

Revenues generated by the Refining & Marketing division (euro 16,880 million) declined by euro 2,566 million, down 13.2%, mainly due to lower international prices for oil and the effect of the appreciation of the euro over the dollar.

Revenues generated by the Petrochemicals division (euro 3,476 million) increased by euro 136 million from the first half of 2006, up 4.1%, reflecting mainly the fact that performance in the first half of 2006 had been impacted by an accident occurred at the Priolo refinery resulting in a nearly total standstill of a number of Eni s petrochemicals plants.

Revenues generated by the Engineering & Construction division (euro 4,289 million) increased by euro 1,209 million, up 39.3%, due to increased activity levels in the Offshore and Onshore construction businesses.

Revenues generated by the Other activities division decreased by euro 362 million to euro 103 million, due to the intra-group divestment of the Porto Torres plant for the production of basic petrochemical products to Polimeri Europa, which occurred in the first half of 2007.

Contents

Operating expenses

	(million euro)	First half			
2006		2006	**2007**	Change	% Ch.
57,490	Purchases, services and other	29,383	**27,727**	(1,656)	(5.6)
	of which:				
239	*- non-recurring items*		***130***		
390	*- other special items*	*207*	***171***		
3,650	Payroll and related costs	1,736	**1,777**	41	2.4
	of which:				
	- non-recurring items		***(74)***		
178	*- provision for redundancy incentives*	*42*	***19***		
61,140		**31,119**	**29,504**	**(1,615)**	**(5.2)**

Operating expenses for the first half of 2007 (euro 29,504 million) declined by euro 1,615 million from the first half of 2006, down 5.2%, essentially due to the appreciation of the euro versus the dollar. Other factors behind this reduction were: (i) lower purchase prices for natural gas and light oil-based refinery feedstock; (ii) lower supplies of natural gas in line with lower sales and the fact that in the first quarter of 2006 certain gas supplies charges were recorded due to a climatic emergency for the 2005-2006 winter; (iii) lower costs for refinery maintenance activity.

Labor costs (euro 1,777 million) increased by euro 41 million, up 2.4%, due mainly to an increase in unit Labor 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. These increases were offset in part by exchange rate differences and a euro 74 million non-recurring gain deriving from the curtailment of the reserve for post-retirement benefits existing at 2006 year-end related to obligations towards Italian employees. In fact, the Italian budget law for 2007 modified Italian regulation for post-retirement benefits resulting in a change from a defined benefit plan to a defined contribution one. Following this, the reserve was reassessed to take account of the exclusion of future payroll costs and relevant increases from actuarial calculations.

Depreciation and amortization and impairments

	(million euro)	First half			
2006		2006	**2007**	Change	% Ch.
4,646	Exploration & Production	2,120	**2,516**	396	18.7
687	Gas & Power	320	**333**	13	4.1
434	Refining & Marketing	219	**216**	(3)	(1.4)
124	Petrochemicals	61	**56**	(5)	(8.2)
195	Engineering & Construction	87	**119**	32	36.8
6	Other activities	4	**2**	(2)	(50.0)
70	Corporate and financial companies	37	**31**	(6)	(16.2)
(9)	Impact of unrealized profit in inventory	(2)	**(4)**	(2)	..
6,153	**Total depreciation and amortization**	**2,846**	**3,269**	**423**	**14.9**
268	Impairments	188	**37**	(151)	(80.3)

6,421	**3,034**	**3,306**	**272**	**9.0**

Depreciation and amortization charges (euro 3,269 million) increased by euro 423 million, up 14.9%, mainly in the Exploration & Production division (up euro 396 million) related to higher exploration expenses (up euro 426 million on a constant exchange rate basis) and the impact on amortization charges of an upward revision of asset retirement obligations for certain Italian fields carried out in the preparation of 2006 financial statements, offset in part by exchange rate differences.

Impairment charges for the period at euro 37 million regarded mainly upstream assets.

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Operating profit

An analysis of operating profits by division for the periods indicated is provided as follows:

	(million euro)	First half			
2006		2006	**2007**	Change	% Ch.
15,580	Exploration & Production	8,398	**6,550**	(1,848)	(22.0)
3,802	Gas & Power	1,907	**2,106**	199	10.4
319	Refining & Marketing	455	**420**	(35)	(7.7)
172	Petrochemicals	69	**211**	142	205.8
505	Engineering & Construction	211	**390**	179	84.8
(622)	Other activities	(216)	**(231)**	(15)	(6.9)
(296)	Corporate and financial companies	(142)	**(99)**	43	(30.3)
(133)	Impact of unrealized profit in inventory	(140)	**(24)**	116	..
19,327	**Operating profit**	**10,542**	**9,323**	**(1,219)**	**(11.6)**

Adjusted operating profit

An analysis of adjusted operating profits by division for the periods indicated is provided as follows:

	(million euro)	First half			
2006		2006	**2007**	Change	% Ch.
19,327	**Operating profit**	**10,542**	**9,323**	**(1,219)**	**(11.6)**
88	Exclusion of inventory holding (gains) losses	(335)	**(107)**		
1,075	Exclusion of special items:	380	**233**		
	of which:				
239	*- non recurring items*		***56***		
836	*- other special items*	*380*	***177***		
20,490	**Adjusted operating profit**	**10,587**	**9,449**	**(1,138)**	**(10.7)**
	Breakdown by division:				
15,763	Exploration & Production	8,473	**6,615**	(1,858)	(21.9)
3,882	Gas & Power	1,994	**2,202**	208	10.4
790	Refining & Marketing	279	**305**	26	9.3
219	Petrochemicals	28	**189**	161	..
508	Engineering & Construction	211	**379**	168	79.6
(299)	Other activities	(128)	**(116)**	12	9.4
(240)	Corporate and financial companies	(130)	**(101)**	29	22.3
(133)	Impact of unrealized profit in inventory	(140)	**(24)**	116	..
20,490		**10,587**	**9,449**	**(1,138)**	**(10.7)**

Adjusted operating profit for the first half was euro 9,449 million, down 10.7% from a year ago. Adjusted operating profit is arrived at by excluding an inventory holding gain of euro 107 million and special charges of

This decline was partly offset by an increase in adjusted operating profit reported by the following divisions:
- **Gas & Power** (up euro 208 million or 10.4%), mainly owing to a favorable evolution of the regulatory

euro 233 million, net. The main factor affecting this decline was a weaker operating performance reported by the **Exploration & Production** division (down euro 1,858 million from the first half of 2006, or 21.9%), due primarily to a 8.1% appreciation of the euro versus the dollar, lower production sold (down 12.2 mmboe), higher expenses incurred in connection with exploratory activities and lower realizations in dollars (down 2.1%).

framework in Italy and the fact that in the first quarter of 2006 certain supply charges were recorded due to a climatic emergency related to the winter time 2005-2006. These positives were partly offset by a decline in marketed volumes of natural gas (down 2.8 bcm, or 6.2%) due to lower European gas demand affected by unusually mild winter weather conditions, partly offset by a sale growth in target markets in the rest of Europe;

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- **Engineering & Construction** (up euro 168 million or 79.6%) due to a positive trend in the market for oilfield services;
- **Petrochemicals** (up euro 161 million) reflecting a recovery in product selling margins and the circumstance that results for the second quarter of 2006 were materially affected by an accident occurred at the Priolo refinery resulting in outages at several Eni s petrochemical plants.

Net financial income

In the first half of 2007 **net financial income** (euro 25 million) decreased by euro 126 million from the first half of 2006. This decrease was due mainly to the circumstance that lower fair value gains were recognized on certain financial derivatives instruments in the first half of 2007 as compared to the first half of 2006. Fair value changes on these derivative financial instruments are recorded in the profit and loss account instead of being recognized in connection with related assets, liabilities and commitments because these instruments do not meet the formal criteria to be assessed as hedges under IFRS, including the time value component (for a loss of euro 47 million) of certain cash flow hedges Eni entered into to hedge commodity risk in connection with the acquisitions of proved and unproved upstream properties executed in the first half of 2007 (for more details on this issue see the Balance sheet discussion under the paragraph net working capital). Lower fair value gains on derivative instruments were partly offset by: (i) a euro 62 million net gain upon 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 issue see the Balance sheet discussion under the paragraph net working capital); (ii) a reduction in net finance expenses as a result of a reduction in average net borrowings, the impact of which was partly offset by higher interest rates on euro (Euribor up 1.1 percentage points) and dollar loans (Libor up 0.6 percentage points).

Net income from investments

The table sets forth the first half of 2007 breakdown of net income from investments by division:

First half of 2007 (million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Engineering & Construction	**Group**
Effect of the application of the equity method of accounting	(22)	214	110	39	**348**
Dividends	112	2	17		**131**
Net gains on disposal	11				**11**
Other income (losses) from investments	(1)	2		(1)	**1**
	100	**218**	**127**	**38**	**491**

Net income from investments in the first half of 2007 amounted to euro 491 million and concerned essentially: (i) Eni s share of income of affiliates accounted for with the equity method of accounting (euro 348 million), in particular in the Gas & Power, Refining & Marketing and Engineering & Construction divisions; (ii) dividends received by affiliates accounted for under the cost method (euro 131 million).

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

2006	(million euro)	First half 2006	**2007**	Change
795	Effect of the application of the equity method of accounting	380	**348**	(32)
98	Dividends	57	**131**	74
18	Net gains on disposal	25	**11**	(14)

(8)	Other income (losses) from investments	5	**1**	(4)
903		**467**	**491**	**24**

Income taxes

2006	(million euro)	First half 2006	First half **2007**	Change
	Profit before income taxes			
5,566	Italy	3,313	**3,348**	35
14,825	Outside Italy	7,847	**6,491**	(1,356)
20,391		**11,160**	**9,839**	**(1,321)**
	Income taxes			
2,237	Italy	1,296	**1,255**	(41)
8,331	Outside Italy	4,251	**3,418**	(833)
10,568		**5,547**	**4,673**	**(874)**
	Tax rate (%)			
40.2	Italy	39.1	**37.5**	(1.6)
56.2	Outside Italy	54.2	**52.7**	(1.5)
51.8		**49.7**	**47.5**	**(2.2)**

Income taxes were euro 4,673 million, down euro 874 million, or 15.8%, due primarily to lower profit before taxes (down euro 1,321 million). The 47.5% Group tax rate declined by 2.2 percentage points from the first half of 2006 reflecting: (i) a lower share of profit before taxes generated by the Exploration & Production division; (ii) the recognition of deferred tax assets related to an increase in assets and liabilities carrying amounts for tax purposes on part of certain Italian subsidiaries upon renewal of the Group option for the Italian consolidated statement for tax purposes. These positive factors were partly offset by a higher tax rate recorded in the Exploration & Production division due to changes in the fiscal regimes of the United Kingdom and Algeria implemented in the second half of 2006.
Adjusted tax rate was down one percentage point to 47.4% (48.4% in the first half of 2006), which is calculated as ratio of net profit before taxes to income taxes on an adjusted basis.

Minority interest

Minority interest s share of profit was euro 311 million and was related to Snam Rete Gas (euro 139 million) and Saipem (euro 165 million).

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Financial and operating review by division

Exploration & Production

	(million euro)	First half			
2006		2006	**2007**	Change	% Ch.
15,580	**Operating profit**	**8,398**	**6,550**	**(1,848)**	**(22.0)**
183	Exclusion of special items	75	**65**		
	of which:				
	Non-recurring items		**(12)**		
183	Other special items:	75	**77**		
231	*- asset impairments*	*132*	***76***		
(61)	*- gains on disposal of assets*	*(57)*			
13	*- provision for redundancy incentives*		***1***		
15,763	**Adjusted operating profit**	**8,473**	**6,615**	**(1,858)**	**(21.9)**
(59)	Net financial income (expenses) [(a)]	(26)	**(4)**	22	
85	Net income (expenses) from investments [(a)]	66	**100**	34	
(8,510)	Income taxes [(a)]	(4,494)	**(3,655)**	839	
53.9	*Tax rate (%)*	*52.8*	***54.5***	*1.7*	
7,279	**Adjusted net profit**	**4,019**	**3,056**	**(963)**	**(24.0)**
	Results also include:				
4,776	amortizations and depreciations and impairments	2,252	**2,547**	295	13.1
	of which:				
820	*- amortizations of exploration drilling expenditure and other*	*316*	***615***	*299*	*94.6*
255	*- amortizations of geological and geophysical exploration expenses*	*85*	***162***	*77*	*90.6*

(a) Excluding special items.

Adjusted operating profit recorded for the first half of 2007 amounted to euro 6,615 million, down euro 1,858 million or 21.9% from the first half of 2006, due mainly to: (i) the adverse impact of the appreciation of the euro over the dollar for approximately euro 580 million; (ii) a decline in production sold (down 12.2 mmboe); (iii) higher exploration expenses (up euro 376 million, or euro 426 million on a constant exchange rate basis); (iv) lower product realizations in dollars (down 2.1%); and (v) higher production costs and amortization charges.

Adjusted net profit of euro 3,056 million declined by euro 963 million, down 24% from the first half of 2006 due to a weaker operating performance and an increase in the adjusted tax rate (from 52.8% to 54.5%) due to changes in the fiscal regime of the United Kingdom and Algeria enacted in the second half of 2006.

Special charges excluded by the adjusted operating profit of euro 65 million concerned mainly impairment of assets.

Gas & Power

2006	(million euro)	First half 2006	2007	Change	% Ch.
3,802	**Operating profit**	**1,907**	**2,106**	**199**	**10.4**
(67)	Exclusion of inventory holding (gains) losses	(20)	**108**		
147	Exclusion of special items	107	**(12)**		
	of which:				
55	Non-recurring items		**(18)**		
92	Other special items:	107	**6**		
51	*- asset impairments*	*51*			
44	*- environmental provisions*	*39*	***1***		
37	*- provisions for redundancy incentives*	*17*	***5***		
(40)	*- other*				
3,882	**Adjusted operating profit**	**1,994**	**2,202**	**208**	**10.4**
2,062	*Market and Distribution*	*1,044*	***1,245***	*201*	*19.3*
1,087	*Transport in Italy*	*571*	***554***	*(17)*	*(3.0)*
579	*Transport outside Italy*	*295*	***287***	*(8)*	*(2.7)*
154	*Power generation* (a)	*84*	***116***	*32*	*38.1*
16	Net financial income (expenses) (b)	11	**4**	(7)	
489	Net income (expenses) from investments (b)	292	**218**	(74)	
(1,525)	Income taxes (b)	(780)	**(847)**	(67)	
34.8	*Tax rate (%)*	*34.0*	***34.9***	*0.9*	
2,862	**Adjusted net profit**	**1,517**	**1,577**	**60**	**4.0**

(a) Starting on January 1, 2007, results from marketing of electricity have been included in results from market and distribution activities following an internal reorganization. As a consequence of this, electricity generation activity conducted by EniPower subsidiary comprises only results from production of electricity. Prior quarter results have not been restated.
(b) Excluding special items.

Adjusted operating profit for the first half of 2007 increased by euro 208 million to euro 2,202 million, up 10.4%, notwithstanding the occurrence of unusually mild winter weather conditions resulting in lower volumes sold of natural gas by consolidated subsidiaries (down 2.8 bcm, or 6.2%). Despite this negative, divisional results were driven by: (i) the impact of a favorable evolution of the regulatory framework in Italy. This reflected enactment of Resolution No. 79/2007 by the Authority for Electricity and Gas implementing a more favorable indexation mechanism of the raw material cost component in supplies to residential and commercial clients as compared to the regime in force in the first half of 2006 as established by Resolution No. 248/2004. Furthermore, Eni fulfilled certain obligations to renegotiate wholesale supply contracts as envisaged take account of the expected charges deriving from the renegotiation of Eni s wholesale supply contracts. These liabilities were recycled through the profit and loss account in the first quarter of 2007; (ii) supply charges incurred in the same period last year caused by a climatic emergency for the winter time 2005-2006. The favorable trends recorded in the first quarter reversed in the second quarter relating to trading environment determining gas selling margins, resulting in an immaterial impact for the first half.

Adjusted net profit for the first half of 2007 was euro 1,577 million, representing an increase of euro 60 million over the first half of 2006, up 4%. This reflected higher adjusted operating profit, offset in part by a lower performance recorded by certain affiliates accounted for in Resolution No. 79/2007 in order to reflect the new indexation regime. This resulted in a total or partial redundancy of liabilities which were accrued in the accounts for the year 2005 and the first half of 2006 to under the equity method of accounting.

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ENI REPORT ON THE FIRST HALF OF 2007 / FINANCIAL REVIEW

Other performance indicators

	(million euro)	First half			
2006		2006	**2007**	Change	% Ch.
4,895	**Adjusted EBITDA**	**2,482**	**2,688**	**206**	**8.3**
2,491	*Supply & Marketing*	*1,115*	***1,338***	*223*	*20.0*
1,174	*Regulated Business*	*702*	***648***	*(54)*	*(7.7)*
940	*International Transportation*	*516*	***519***	*3*	*0.6*
290	*Power Generation*	*149*	***183***	*34*	*22.8*

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization charges) on an adjusted basis is calculated by adding to adjusted operating profit amortization and depreciation charges on a pro forma basis. This performance indicator, which is not a GAAP measure under either IFRSs or U.S. GAAP, includes:
- Adjusted EBITDA of Eni s wholly-owned subsidiaries;
- Eni s share of adjusted EBITDA of Snam Rete Gas (55%), which is fully-consolidated when preparing consolidated financial statements in accordance with IFRSs;
- Eni s share of adjusted EBITDA generated by certain affiliates which are accounted for under the equity-method for IFRSs purposes.

Management evaluates performance in Eni s Gas & Power division also 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

	(million euro)	First half			
2006		2006	**2007**	Change	% Ch.
319	**Operating profit**	**455**	**420**	**(35)**	**(7.7)**
215	Exclusion of inventory holding (gains) losses	(254)	**(187)**		
256	Exclusion of special items	78	**72**		
	of which:				
109	Non-recurring items:		**37**		
147	Other special items	78	**35**		
14	*- asset impairments*	*1*	***1***		
111	*- environmental provisions*	*61*	***32***		
47	*- provisions for redundancy incentives*	*11*	***3***		
8	*- provision to the reserve for contingencies*	*3*			
(33)	*- other*	*2*	***(1)***		
790	**Adjusted operating profit**	**279**	**305**	**26**	**9.3**
184	Net income (expenses) from investments [(a)]	111	**84**	(27)	
(345)	Income taxes [(a)]	(133)	**(139)**	(6)	
35.4	*Tax rate* (%)	*34.1*	***35.7***	*1.6*	

629	**Adjusted net profit**	**257**	**250**	**(7)**	**(2.7)**

(a) Excluding special items.

Adjusted operating profit for the first half of 2007 amounted to euro 305 million, up euro 26 million from the first half of 2006, or 9.3%. This reflected a better operating performance delivered by the refining business on the back of a favorable trading environment, particularly in the second quarter, and higher volumes processed and higher yields also due to lower maintenance outages. Marketing activities in Italy reported a lower operating profit due mainly to lower retail margins and a decline in wholesale business results due to both lower margins and volumes marketed (down 9.8%), the latter also reflecting unusually mild winter weather.

The adjusted net profit for the first half of 2007 was euro 250 million, down euro 7 million (or 2.7%).

Special charges excluded from the adjusted operating profit concerned mainly environmental provisions and a risk provision related to an ongoing antitrust proceeding against European authorities (for a total charge of euro 72 million).

Petrochemicals

2006	(million euro)	First half 2006	2007	Change	% Ch.
172	**Operating profit**	**69**	**211**	**142**	**..**
(60)	Exclusion of inventory holding (gains) losses	(61)	**(28)**		
107	Exclusion of special items	20	**6**		
	of which:				
13	Non-recurring items		**6**		
94	Other special items:	20			
50	*- asset impairments*				
19	*- provisions for redundancy incentives*	*1*			
31	*- provision to the reserve for contingencies*	*20*			
(6)	*- other*	*(1)*			
219	**Adjusted operating profit**	**28**	**189**	**161**	**..**
2	Net income (expenses) from investments [(a)]	1	**2**	1	
(47)	Income taxes [(a)]		**(61)**	(61)	
174	**Adjusted net profit**	**29**	**130**	**101**	**..**

(a) Excluding special items.

Adjusted operating profit in the first of 2007 amounted to euro 189 million increasing by euro 161 million from the second quarter of 2006. This increase reflected mainly higher selling margins, essentially the cracker margin and to a lower extent the aromatics business, a positive sales mix and the fact that production and sales of the first half of 2006 were hurt by an accident occurred at the Priolo refinery in April 2006.

Engineering & Construction

2006	(million euro)	First half 2006	2007	Change	% Ch.
505	**Operating profit**	**211**	**390**	**179**	**84.8**
3	Exclusion of special items		**(11)**		
	of which:				
	Non-recurring items		**(11)**		
3	Other special items:				
1	*- asset impairments*				
2	*- provisions for redundancy incentives*				
508	**Adjusted operating profit**	**211**	**379**	**168**	**79.6**
66	Net income (expenses) from investments [(a)]	(8)	**38**	46	
(174)	Income taxes [(a)]	(51)	**(113)**	(62)	
400	**Adjusted net profit**	**152**	**304**	**152**	**100.0**

(a) Excluding special items.

Adjusted operating profit for the first of 2007 was euro 379 million, up euro 168 million (or 79.6%) from the first half of 2006 due to a better operating performance in all business areas in particular the higher increases were registered in: the Offshore and Onshore construction areas due to higher activity levels and improved margins.

Adjusted net profit for the first of 2007 was euro 304 million, up euro 152 million from the first half of 2006 due to a better operating performance also of affiliates.

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ENI REPORT ON THE FIRST HALF OF 2007 / FINANCIAL REVIEW

Other activities

2006	(million euro)	First half 2006	2007	Change	% Ch.
(622)	**Operating profit**	(216)	(231)	(15)	(6.9)
323	Exclusion of special items	88	**115**		
	of which:				
62	Non-recurring items		**65**		
261	Other special items:	88	**50**		
126	*- environmental provisions*	*52*	***83***		
22	*- asset impairments*	*4*	***6***		
17	*- provisions for redundancy incentives*	*1*	***1***		
75	*- provision to the reserve for contingencies*	*22*	***9***		
21	*- other*	*9*	***(49)***		
(299)	**Adjusted operating profit**	(128)	(116)	12	9.4
(7)	Net financial income (expenses) [(a)]		**(4)**	(4)	
5	Net income (expenses) from investments [(a)]	6		(6)	
(301)	**Adjusted net profit**	(122)	(120)	2	1.6

(a) Excluding special items.

Adjusted net loss of euro 120 million declined by euro 2 million from the first half of 2006.
Special charges excluded from operating losses of euro 115 million related in particular environmental charges (euro 83 million) and provisions to the risk reserve related to an antitrust proceeding pending before European authorities, offset in part by a special gain deriving from a settlement reached by Syndial and Dow Chemical (euro 37 million) on certain contractual issues pending between the two companies.

Corporate and financial companies

2006	(million euro)	First half 2006	2007	Change	% Ch.
(296)	Operating profit	(142)	**(99)**	43	30.3
56	Exclusion of special items	12	**(2)**		
	of which:				
	Non-recurring items		**(11)**		
56	Other special items:	12	**9**		
43	*- provisions for redundancy incentives*	*12*	***9***		
11	*- environmental provisions*				
2	*- other*				
(240)	**Adjusted operating profit**	(130)	(101)	29	22.3
205	Net financial income (expenses) [(a)]	152	**29**	(123)	
	Net income (expenses) from investments [(a)]	(1)		1	

89	Income taxes [a]	(10)	**101**	111	
54	**Adjusted net profit**	**11**	**29**	**18**	**..**

(a) Excluding special items.

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NON-GAAP Measures

Reconciliation of reported operating profit and reported 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 above mentioned 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.

First half of 2007

(million euro)	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Impact of intragroup profits elimination	Group
Reported operating profit	**6,550**	**2,106**	**420**	**211**	**390**	**(231)**	**(99)**	**(24)**	**9,323**
Exclusion of inventory holding (gains) losses		108	(187)	(28)					(107)
Exclusion of special items									
of which:									
Non-recurring (income) charges	**(12)**	**(18)**	**37**	**6**	**(11)**	**65**	**(11)**		**56**
Other special charges:	**77**	**6**	**35**			**50**	**9**		**177**
environmental charges		1	32			83			116
asset impairments	76		1			6			83
provisions to the reserve for contingencies						9			9
provision for redundancy incentives	1	5	3			1	9		19
other			(1)			(49)			(50)
Special items of operating profit	**65**	**(12)**	**72**	**6**	**(11)**	**115**	**(2)**		**233**
Adjusted operating profit	**6,615**	**2,202**	**305**	**189**	**379**	**(116)**	**(101)**	**(24)**	**9,449**
Net financial (expense) income (*)	(4)	4				(4)	29		25
Net income from investments (*)	100	218	84	2	38				442
Income taxes (*)	(3,655)	(847)	(139)	(61)	(113)		101	9	(4,705)
Tax rate (%)	*54.5*	*34.9*	*35.7*						*47.4*
Adjusted net profit	**3,056**	**1,577**	**250**	**130**	**304**	**(120)**	**29**	**(15)**	**5,211**
of which:									
- net profit of minorities									311
- Eni s adjusted net profit									**4,900**
Eni s reported net profit									**4,855**
Exclusion of inventory holding (gains) losses									(110)
Exclusion of special items:									155
Non-recurring (income) charges									*81*
Other special charges									*74*
Eni s adjusted net profit									**4,900**

(*) Excluding special items.

First half of 2006

(million euro)	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Impact of intragroup profits elimination	Group
Reported operating profit	**8,398**	**1,907**	**455**	**69**	**211**	**(216)**	**(142)**	**(140)**	**10,542**
Exclusion of inventory holding (gains) losses		(20)	(254)	(61)					(335)
Exclusion of special items									
of which:									
Non-recurring (income) charges									
Other special charges:	**75**	**107**	**78**	**20**		**88**	**12**		**380**
environmental charges		39	61			52			152
asset impairments	132	51	1			4			188
gains on disposal of assets	(57)								(57)
provisions to the reserve for contingencies			3	20		22			45
provision for redundancy incentives		17	11	1		1	12		42
other			2	(1)		9			10
Special items of operating profit	**75**	**107**	**78**	**20**		**88**	**12**		**380**
Adjusted operating profit	**8,473**	**1,994**	**279**	**28**	**211**	**(128)**	**(130)**	**(140)**	**10,587**
Net financial (expense) income (*)	(26)	11					152		137
Net income from investments (*)	66	292	111	1	(8)	6	(1)		467
Income taxes (*)	(4,494)	(780)	(133)		(51)		(10)	52	(5,416)
Tax rate (%)	*52.8*	*34.0*	*34.1*						*48.4*
Adjusted net profit	**4,019**	**1,517**	**257**	**29**	**152**	**(122)**	**11**	**(88)**	**5,775**
of which:									
- net profit of minorities									338
- Eni s adjusted net profit									**5,437**
Eni s reported net profit									**5,275**
Exclusion of inventory holding (gains) losses									(210)
Exclusion of special items:									372
Non-recurring (income) charges									
Other special charges									*372*
Eni s adjusted net profit									**5,437**

(*) Excluding special items.

Contents

ENI REPORT ON THE FIRST HALF OF 2007 / FINANCIAL REVIEW

2006

(million euro)

	E&P	**G&P**	**R&M**	**Petrochemicals**	**E&C**	**Other activities**	**Corporate and financial companies**	**Impact of intragroup profits elimination**	**Group**
Reported operating profit	**15,580**	**3,802**	**319**	**172**	**505**	**(622)**	**(296)**	**(133)**	**19,327**
Exclusion of inventory holding (gains) losses		(67)	215	(60)					88
Exclusion of special items									
of which:									
Non-recurring (income) charges		**55**	**109**	**13**		**62**			**239**
Other special charges:	**183**	**92**	**147**	**94**	**3**	**261**	**56**		**836**
environmental charges		44	111			126	11		292
asset impairments	231	51	14	50	1	22			369
gains on disposal of assets	(61)								(61)
provisions to the reserve for contingencies			8	31		75			114
provision for redundancy incentives	13	37	47	19	2	17	43		178
other		(40)	(33)	(6)		21	2		(56)
Special items of operating profit	**183**	**147**	**256**	**107**	**3**	**323**	**56**		**1,075**
Adjusted operating profit	**15,763**	**3,882**	**790**	**219**	**508**	**(299)**	**(240)**	**(133)**	**20,490**
Net financial (expense) income (*)	(59)	16				(7)	205		155
Net income from investments (*)	85	489	184	2	66	5			831
Income taxes (*)	(8,510)	(1,525)	(345)	(47)	(174)		89	54	(10,458)
Tax rate (%)	*53.9*	*34.8*	*35.4*						*48.7*
Adjusted net profit	7,279	2,862	629	174	400	(301)	54	(79)	11,018
of which:									
- net profit of minorities									606
- Eni s adjusted net profit									**10,412**
Eni s reported net profit									**9,217**
Exclusion of inventory holding (gains) losses									33
Exclusion of special items:									1,162
Non-recurring (income) charges									*239*
Other special charges									*923*
Eni s adjusted net profit									**10,412**

(*) Excluding special items.

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Breakdown of special charges

		First half	
2006	(million euro)	2006	**2007**
239	**Non-recurring (income) charges**		**56**
	of which:		
	curtailment recognized of the reserve for post-retirement benefits for Italian employees		***(74)***
239	*provisions to the risk reserve related to antitrust proceedings*		***130***
836	**Other special charges:**	**380**	**177**
292	environmental charges	152	**116**
369	asset impairments	188	**83**
(61)	gains on disposal of assets	(57)	
114	provisions to the reserve for contingencies	45	**9**
178	provision for redundancy incentives	42	**19**
(56)	other	10	**(50)**
1,075	**Special items of operating profit**	**380**	**233**
(6)	Net financial (expense) income	(14)	
(72)	Net income from investments		**(6)**
165	Income taxes	6	**(72)**
1,162	**Total special items of net profit**	**372**	**155**

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	**June 30, 2007**	Change
Fixed assets			
Property, plant and equipment, net	44,312	**45,999**	1,687
Other assets	629	**614**	(15)
Inventories - compulsory stock	1,827	**1,899**	72
Intangible assets	3,753	**3,962**	209
Investments, net	4,246	**5,209**	963
Accounts receivable financing and securities related to operations	557	**366**	(191)
Net accounts payable in relation to capital expenditures	(1,090)	**(1,178)**	(88)
	54,234	**56,871**	**2,637**
Net working capital			
Inventories	4,752	**4,936**	184
Trade accounts receivable	15,230	**13,388**	(1,842)
Trade accounts payable	(10,528)	**(9,751)**	777
Taxes payable and reserve for net deferred income tax liabilities	(5,396)	**(6,880)**	(1,484)
Provision for contingencies	(8,614)	**(8,208)**	406
Other operating assets and liabilities:			
Equity instruments		***2,581***	*2,581*
Other [(b)]	*(641)*	***(711)***	*(70)*
	(5,197)	**(4,645)**	**552**
Employee termination indemnities and other benefits	**(1,071)**	**(936)**	**135**
Net assets held for sale including related net borrowings		**128**	**128**
CAPITAL EMPLOYED, NET	**47,966**	**51,418**	**3,452**
Shareholders equity including minority interests	41,199	**42,296**	1,097
Net borrowings	6,767	**9,122**	2,355
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**47,966**	**51,418**	**3,452**

(a) For a reconciliation with the corresponding statutory tables see pages 52-53.
(b) Include operating financing receivables and securities related to operations for euro 302 million (euro 245 million at December 31, 2006) and securities covering technical reserves of Eni s insurance activities for euro 515 million (euro 417 million at December 31, 2006).

The appreciation of the euro over other currencies, in particular the dollar (at June 30, 2007 the EUR/USD exchange rate was 1.351 as compared to 1.317 at December 31, 2006, up 2.6%) determined an estimated decrease in the book value of net capital employed of approximately euro 450 million, in shareholders equity of approximately euro 350 million and in net borrowings of approximately euro 100 million as a result of currency translations at June 30, 2007.

At June 30, 2007, **net capital employed** totalled euro 51,418 million, representing an increase of euro 3,452 million from December 31, 2006.

Fixed assets

Fixed assets totalled euro 56,871 million, representing an increase of euro 2,637 million from December 31, 2006 (euro 54,234 million) due to capital expenditures (euro 4,257 million) and acquisition of assets and investments (euro 2 billion, of which euro 958 million related to ex-Yukos gas assets and approximately euro 1 billion for the purchase of Maurel & Prom assets onshore Congo; the 20% interest in OAO Gazprom Neft was accounted in the net working capital - see below), partly offset by provisions for depreciation, amortization and impairments (euro 3,306 million) and the effect of currency translation effects.

Other assets included, for a book value of $829 million (corresponding to euro 614 million at the June 30, 2007 EUR/USD exchange rate), the assets related to the service contract for oil activities in the Dación area of the Venezuelan branch of Eni s subsidiary Eni Dación BV. With effective date April 1, 2006, the Venezuelan State oil company Petróleos de Venezuela SA (PDVSA) unilaterally terminated the Operating Service Agreement (OSA) governing activities at the Dación oil field where Eni acted as a contractor, holding a 100% working interest. As a consequence, starting at the same date, operations at the Dación oil field are conducted by PDVSA. Eni proposed to PDVSA to agree in terms in order to recover the fair value of its Dación assets. On November 2006, based on the bilateral investments treaty in place between the Netherlands and Venezuela (the Treaty), Eni commenced a proceeding before the International Centre for Settlement of Investment Disputes (ICSID) Tribunal (i.e., a tribunal acting under the auspices of the ICSID Convention and being competent pursuant to the Treaty) to claim its rights. Despite this action, Eni is still ready to negotiate a solution with PDVSA to obtain a fair compensation for its assets. Based on the opinion of its legal consultants, Eni believes to be entitled to a compensation for such expropriation in an amount equal to the market value of the OSA before the expropriation took place. The market value of the OSA depends upon its expected profits. In accordance with established international practice, Eni has calculated the OSA s market value using the discounted cash flow method, based on Eni s interest in the expected future hydrocarbon production and associated capital expenditures and operating costs, and applying to the projected cash flow a discount rate reflecting Eni s cost of capital as well as the specific risk of concerned activities. Independent evaluations carried out by a primary petroleum consulting firm fully support Eni s internal evaluation. The estimated net present value a final judgement of a court of each of the States that have ratified the ICSID Convention. The ICSID Convention was ratified in 143 States. Accordingly, if Venezuela fails to comply with the award and to pay the compensation, Eni could take steps to enforce the award against commercial assets of the Venezuelan Government almost anywhere those may be located (subject to national law provisions on sovereign immunity).

The item **Investments** included a 60% interest in Eni Russia BV which owns 100% interest in Eni Neftegaz consortium (Eni s share is 60%, with the remaining 40% held by Enel) which acquired three Russian companies on April 4, 2007, following award of a bid for purchasing Lot 2 in the Yukos liquidation procedure. These three companies OAO Arctic Gas, OAO Urengoil and OAO Neftegaztechnologia are engaged in exploration and development of gas reserves. Eni and Enel granted to Gazprom a call option to acquire a 51% interest in the consortium to be exercisable by Gazprom within 24 months starting from the acquisition date. Eni evaluates its interest in Eni Russia BV under the equity method accounting as it jointly controls the three entities based on ongoing contractual arrangements, therefore exercising significant influence in the financial and operating policy decisions of the investees. This proportion allocated of 60% is the present ownership interest of Eni in the acquired companies determined by not taking into account the possible exercise of the call option by Gazprom.

Net working capital

At June 30, 2007, **net working capital** totalled euro 4,645 million, representing an increase of euro 552 million from December 31, 2006 mainly due to: (i) the acquisition of a 20% interest in the Russian company OAO Gazprom Neft (see below); (ii) a receivable upon a dividend approved by OAO Gazprom Neft on June 22, 2007; this dividend has not yet been distributed. These factors were partly offset by decreases in connection with the following items: (i) higher taxes payable and an increase in the net reserve for deferred taxation related to taxes due for the period and the fact that excise taxes on oil products marketed in Italy in the first 15 days of December are settled within the end of this month, instead of being paid in the following month as in the of Eni s interest in the Dación field, as calculated by Eni, is higher than the net book value of the Dación assets which consequently have not been impaired. In accordance with the ICSID Convention, a judgement by the ICSID Tribunal awarding compensation to Eni would be binding upon the parties and immediately enforceable as if it were

rest of the year. These factors were partly offset by the payment of the balance of income taxes due by Eni s Italian subsidiaries for 2006; (ii) a euro 892 million loss recognized on the fair value evaluation of certain cash flow hedges, which the Group entered into in order to hedge cash flows expected in the 2008-2011 period from the sale of approximately 2% of Eni s proved hydrocarbon reserves existing at 2006 year-end in connection with its purchase of certain proved and unproved properties onshore in Congo (from the French company Maurel & Prom) and in the Gulf of Mexico (from the US company Dominion) finalized in May and early in July 2007, respectively. In light of this, Eni put in place certain forward sale contracts at a fixed price and call and put options with the same date of exercise. These options can be exercised in presence of crude oil market prices higher or lower compared with contractual prices. This treatment did not apply to the time value component (a euro 47 million loss) arising from market price fluctuations within the range provided by these call and put options which was recognized through the profit and loss account under the item net financial expenses because the hedging relationship was ineffective. The loss arising from the fair value evaluation of these cash flow hedges was partly offset by gains recorded on the fair value evaluation of certain derivative financial instruments, which do not meet the formal criteria to be recognized as hedges under IFRS, reflecting the depreciation of the U.S. dollar.

The item **Equity instruments** included 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 currently listed at the London Stock Exchange; floating shares represent approximately 5% of this entity capital stock. This accounting classification reflected the circumstance that Eni granted to Gazprom a call option to purchase the entire 20% interest held by Eni in Gazprom Neft, 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 capital stock increases, a contractual remuneration on the capital employed and financing collateral expenses. In accordance with the fair value option provided for by IAS 39, Eni evaluated its 20% interest in OAO Gazprom Neft at fair value with changes in fair value recognized through the profit or loss account instead of net equity. Eni elected this way in order to eliminate a recognition inconsistency that would otherwise arise from measuring both the equity instrument and the related call option on different basis. 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 was 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 June 30, 2007.

Net assets held for sale including related net borrowings

Net assets held for sale including related net borrowings were euro 128 million and regard the disposal by the Engineering & Construction division of Camom group and the interest in Haldor Topsøe. Camom, a company of Saipem, is a French company specialized in industrial maintenance.
The transaction has been defined in July 2007 and is subject to authorization by the relevant Antitrust authorities.
Haldor Topsøe specializes in the production of heterogeneous catalysts and the design of process plants based on catalytic processes. The divestment is expected in the second half of 2007.

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.

Calculated on a 12-month period ending on June 30, 2007 (million euro)	Exploration & Production	Gas & Power	Refining & Marketing	**Group**
Adjusted net profit	6,316	2,922	622	**10,454**
Exclusion of after-tax finance expenses/interest income				**15**
Adjusted net profit unlevered	**6,316**	**2,922**	**622**	**10,469**
Adjusted capital employed, net				
- at the beginning of period	19,166	16,706	5,626	**46,257**
- at the end of period	21,717	18,451	5,909	**51,551**
Adjusted average capital employed, net	**20,442**	**17,579**	**5,768**	**48,904**
ROACE adjusted (%)	**30.9**	**16.6**	**10.8**	**21.4**

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 June 30, 2007, ROACE for the Group and for the Exploration & Production division would stand at 22.1% and 33.6%, respectively.

Calculated on a 12-month period ending on June 30, 2006 (million euro)	Exploration & Production	Gas & Power	Refining & Marketing	**Group**
Adjusted net profit	**7,526**	**2,537**	**815**	**10,843**
Exclusion of after-tax finance expenses/interest income				**29**
Adjusted net profit unlevered	**7,526**	**2,537**	**815**	**10,872**
Adjusted capital employed, net				
- at the beginning of period	19,998	17,479	4,919	**47,122**
- at the end of period	19,166	16,594	4,512	**45,599**
Adjusted average capital employed, net	**19,582**	**17,037**	**4,716**	**46,361**
ROACE adjusted (%)	**38.4**	**14.9**	**17.3**	**23.5**

Calculated on a 12-month period ending on December 31, 2006 (million euro)	Exploration & Production	Gas & Power	Refining & Marketing	**Group**
Adjusted net profit	**7,279**	**2,862**	**629**	**11,018**

Exclusion of after-tax finance expenses/interest income				**46**
Adjusted net profit unlevered	**7,279**	**2,862**	**629**	**11,064**
Adjusted capital employed, net				
- at the beginning of period	20,206	18,978	5,993	**49,692**
- at the end of period	18,590	18,864	5,766	**47,999**
Adjusted average capital employed, net	**19,398**	**18,921**	**5,880**	**48,846**
ROACE adjusted (%)	**37.5**	**15.1**	**10.7**	**22.7**

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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	**June 30, 2007**	Change
Total debt	11,699	**16,141**	4,442
Short-term debt	*4,290*	***9,061***	*4,771*
Long-term debt	*7,409*	***7,080***	*(329)*
Cash and cash equivalents	(3,985)	**(6,368)**	(2,383)
Securities not related to operations	(552)	**(214)**	338
Non-operating financing receivables	(395)	**(437)**	(42)
Net borrowings	**6,767**	**9,122**	**2,355**
Shareholders equity including minority interest	**41,199**	**42,296**	**1,097**
Leverage	**0.16**	**0.22**	**0.06**

Net borrowings at June 30, 2007 were euro 9,122 million, representing an increase of euro 2,355 million from December 31, 2006.

Total debt amounted to euro 16,141 million, of which euro 9,061 million were short-term (including the portion of long-term debt due within 12 months for euro 930 million) and euro 7,080 million were long-term.

At June 30, 2007, **leverage** ratio between net borrowings and shareholders equity was 0.22 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 June 30, 2007, leverage would stand at 0.14.

Changes in shareholders equity

(euro million)		
Shareholders equity at December 31, 2006		**41,199**
Net profit	5,166	
Reserve for cash flow hedges	(528)	
Dividends paid by Eni to shareholders	(2,384)	
Dividends paid by consolidated subsidiaries to shareholders	(227)	
Shares repurchased	(339)	
Effect on equity of the shares repurchased by consolidated subsidiaries (Snam Rete Gas)	(196)	
Exchange differences from translation of financial statements denominated in currencies other than euro	(350)	
Other changes	(45)	
Total changes		**1,097**
Shareholders equity at June 30, 2007		**42,296**

Shareholders equity at June 30, 2007 (euro 42,296 million) increased by euro 1,097 million from December 31, 2006, due essentially to net profit for the period (euro 5,166 million), whose effects were offset in part by the payment of dividends (particularly the balance of 2006 dividend by the parent company Eni SpA), losses in cash flow hedges taken to reserve (euro 528 million net to the related tax effect for euro 317 million; see the discussion on the net working capital above), the purchase of own shares and currency translation effects.

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

	Net profit		Shareholders equity	
	First half 2006	First half 2007	Dec. 31, 2006	June 30, 2007
As recorded in Eni SpA s Financial Statements	**5,455**	**5,574**	**26,935**	**30,406**
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	115	(722)	16,136	13,728
Consolidation adjustments:				
- difference between purchase cost and underlying book value of net equity	(1)	(1)	1,138	1,235
- elimination of tax adjustments and compliance with group accounting policies	287	222	(1,435)	(1,095)
- elimination of unrealized intercompany profits	(98)	53	(2,907)	(2,855)
- deferred taxation	(201)	42	1,244	780
- other adjustments	56	(2)	88	97
	5,613	**5,166**	**41,199**	**42,296**
Minority interest	(338)	(311)	(2,170)	(2,068)
As recorded in Consolidated Financial Statements	**5,275**	**4,855**	**39,029**	**40,228**

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) occurred from the beginning of period to the end of period. The measure enabling to make 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)]

(million euro)	First half 2006	2007	Change
Net profit	**5,613**	**5,166**	**(447)**
Adjustments to reconcile to cash generated from operating profit before changes in working capital:			
- amortization and depreciation and other non monetary items	2,575	**2,871**	296
- net gains on disposal of assets	(60)	**(26)**	34
- dividends, interest, taxes and other changes	5,583	**4,370**	(1,213)
Net cash generated from operating profit before changes in working capital	**13,711**	**12,381**	**(1,330)**
Changes in working capital related to operations	1,004	**923**	(81)
Dividends received, taxes paid, interest (paid) received during the period	(4,047)	**(3,621)**	426
Net cash provided by operating activities	**10,668**	**9,683**	**(985)**
Capital expenditures	(3,054)	**(4,257)**	(1,203)
Investments and purchase of consolidated subsidiaries and businesses	(64)	**(4,935)**	(4,871)
Disposals	104	**176**	72
Other cash flow related to capital expenditures, investments and disposals	80	**206**	126
Free cash flow	**7,734**	**873**	**(6,861)**
Borrowings (repayment) of debt related to financing activities	466	**230**	(236)
Changes in short and long-term financial debt	(1,143)	**4,634**	5,777
Dividends paid and changes in minority interests and reserves	(3,771)	**(3,266)**	505
Effect of changes in consolidation and exchange differences	(141)	**(88)**	53
NET CASH FLOW FOR THE PERIOD	**3,145**	**2,383**	**(762)**

Change in net borrowings

(million euro)	First half 2006	2007	Change
Free cash flow	**7,734**	**873**	**(6,861)**

Net borrowings of divested companies	1	**(24)**	(25)
Exchange differences on net borrowings and other changes	117	**62**	(55)
Dividends paid and changes in minority interests and reserves	(3,771)	**(3,266)**	505
CHANGE IN NET BORROWINGS	**4,081**	**(2,355)**	**(6,436)**

(a) For a reconciliation with the corresponding statutory tables see pages 53-54.

The high level of **cash flow provided by operating activities** (euro 9,683 million) affected by seasonality factors in demand for natural gas and certain refined products, cash from divestments and currency translation effects, were offset by the cash outflows related to: (i) the acquisition of investments and assets (euro 4.8 billion) mainly relating to the 20% interest in OAO Gazprom Neft and a 100% interest in three Russian companies engaged in developing natural gas reserves following finalization of a bid procedure for ex-Yukos assets (euro 3,729 million) and the purchase of oil producing assets onshore Congo (approximately euro 1 billion); (ii) capital expenditures totalling euro 4,257 million; (iii) dividend payments (euro 2,611 million, of which euro 2,384 million concerning the balance of the 2006 dividend by the parent company Eni SpA and euro 149 million and euro 71 million were paid by Snam Rete Gas SpA and Saipem SpA, respectively); (iv) the repurchase of own shares by Eni SpA for euro 339 million, and by Snam Rete Gas SpA for euro 336 million.

Capital expenditures

	(million euro)	First half			
2006		2006	**2007**	Change	% Ch.
5,203	Exploration & Production	2,114	**2,837**	723	34.2
1,174	Gas & Power	410	**526**	116	28.3
645	Refining & Marketing	232	**319**	87	37.5
99	Petrochemicals	34	**56**	22	64.7
591	Engineering & Construction	224	**510**	286	127.7
72	Other activities	14	**35**	21	150.0
88	Corporate and financial companies	26	**28**	2	7.7
(39)	Impact of unrealized profit in inventory		**(54)**	(54)	..
7,833	**Capital expenditures**	**3,054**	**4,257**	**1,203**	**39.4**

Capital expenditures in the first half of 2007 amounted to euro 4,257 million (euro 3,054 million in the first half of 2006), of which 86.5% related to the Exploration & Production, Gas & Power and Refining & Marketing divisions, and related mainly to:
- development activities (euro 1,965 million) deployed mainly in Kazakhstan, Egypt, Italy, Angola and Congo and exploration projects (euro 748 million) of which 92% was spent outside Italy, primarily in Egypt, the Gulf of Mexico, Norway, Nigeria, and Indonesia. In Italy exploration activity related primarily to projects off the coast of Sicily;
- development and upgrading of Eni s natural gas transport and distribution networks in Italy (euro 329 million) and upgrading of natural gas import pipelines to Italy (euro 93 million);
- ongoing construction of combined cycle power plants (euro 88 million);
- projects aimed at improving the flexibility and yields
- upgrading of the fleet used in the Engineering and Construction division (euro 510 million).

Dividends paid and changes in minority interests and reserves related to: (i) dividend payments (euro 2,611 million, of which euro 2,384 million concerning the balance of the 2006 dividend by the parent company Eni SpA and euro 149 million and euro 71 million were paid by Snam Rete Gas SpA and Saipem SpA, respectively); (ii) the repurchase of own shares by Eni SpA for euro 339 million, and by Snam Rete Gas SpA for euro 336 million.

From January 1 to June 30, 2007, a total of 13.83 million own shares were purchased by the company for a total amount of euro 339 million (representing an average cost of euro 24.504 per share). Since the inception of the share buy-back programme (September 1, 2000), Eni has repurchased 349 million shares, equal of refineries, including the construction of a new hydrocracking unit at the Sannazzaro refinery (euro 214 million), building of new service stations and upgrading of existing ones (euro 85 million);

to 8.71% of outstanding capital stock, at a total cost of euro 5,851 million (representing an average cost of euro 16.774 per share).

Contents

Reconciliation of summarized group balance sheet and summarized group cash flow statement to statutory schemes

Summarized Group Balance Sheet

(million euro)

Items of summarized Group Balance Sheet (where not expressly indicated, the item derives directly from the statutory scheme)	Notes to the consolidated accounts for the first half of 2007	Dec. 31, 2006 Partial amounts from statutory scheme	Dec. 31, 2006 Amounts of the summarized Group scheme	**June 30, 2007** Partial amounts from statutory scheme	**June 30, 2007** Amounts of the summarized Group scheme
Fixed assets					
Property, plant and equipment, net			44,312		**45,999**
Other assets			629		**614**
Inventories - compulsory stock			1,827		**1,899**
Intangible assets			3,753		**3,962**
Investments, net			4,246		**5,209**
Accounts receivable financing and securities related to operations	(see note 3 and note 12)		557		**366**
Net accounts payable in relation to capital expenditures, made up of:			(1,090)		**(1,178)**
Accounts receivable related to divestments	(see note 3)	*100*		***167***	
Accounts receivable related to divestments	(see note 14)	*2*		***7***	
Accounts payable related to capital expenditures	(see note 16)	*(1,166)*		***(1,337)***	
Accounts payable related to capital expenditures	(see note 23)	*(26)*		***(15)***	
Total fixed assets			**54,234**		**56,871**
Net working capital					
Inventories			4,752		**4,936**
Trade accounts receivable	(see note 3)		15,230		**13,388**
Trade accounts payable	(see note 16)		(10,528)		**(9,751)**
Taxes payable and reserve for net deferred income tax liabilities, made up of:			(5,396)		**(6,880)**
Income tax payables		*(2,830)*		***(3,582)***	
Deferred tax liabilities		*(5,852)*		***(6,427)***	
Income tax receivables		*658*		***589***	
Deferred tax assets		*1,725*		***1,650***	
Other tax receivable	(see note 14)	*903*		***890***	
Provision for contingencies			(8,614)		**(8,208)**
Other operating assets (liabilities):					
Equity instruments					**2,581**
Other, made up of:			(641)		**(711)**
Securities related to operations	(see note 2)	*420*		***518***	
Accounts receivable financing related to operations	(see note 3)	*242*		***299***	
Other receivables	(see note 3)	*3,080*		***3,587***	
Other (current) assets		*855*		***697***	

Other receivables and other assets	(see note 14)	*89*		***366***	
Advances, other payables	(see note 16)	*(4,301)*		***(4,443)***	
Other (current) liabilities		*(634)*		***(604)***	
Other payables and other liabilities	(see note 23)	*(392)*		***(1,131)***	
Total net working capital			**(5,197)**		**(4,645)**
Employee termination indemnities and other benefits			**(1,071)**		**(936)**
Net assets held for sale including related net borrowings					**128**
Assets held for sale				***193***	
Liabilities directly associated to assets held for sale				***(65)***	
CAPITAL EMPLOYED, NET			**47,966**		**51,418**

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continued Summarized Group Balance Sheet

(million euro)

Items of summarized Group Balance Sheet (where not expressly indicated, the item derives directly from the statutory scheme)	Notes to the consolidated accounts for the first half of 2007	Dec. 31, 2006 Partial amounts from statutory scheme	Dec. 31, 2006 Amounts of the summarized Group scheme	**June 30, 2007** Partial amounts from statutory scheme	**June 30, 2007** Amounts of the summarized Group scheme
CAPITAL EMPLOYED, NET			**47,966**		**51,418**
Shareholders equity including minority interests			**41,199**		**42,296**
Net borrowings					
Total debt, made up of:		11,699		**16,141**	
non-current debt		*7,409*		***7,080***	
current portion of non-current debt		*890*		***930***	
current financial liabilities		*3,400*		***8,131***	
less:					
Cash and cash equivalents		(3,985)		**(6,368)**	
Securities not related to operations	(see note 2)	(552)		**(214)**	
Non-operating financing receivables, made up of:		(395)		**(437)**	
trade receivables for non-operating purposes	(see note 3)	*(143)*		***(192)***	
financial assets made for non-operating purposes	(see note 12)	*(252)*		***(245***	
Total net borrowings [1]			**6,767**		**9,122**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY			**47,966**		**51,418**

Summarized Group Cash Flow Statement

(million euro)

Items of summarized Cash Flow Statement and confluence/reclassification of items in the statutory scheme	Dec. 31, 2006 Partial amounts from statutory scheme	Dec. 31, 2006 Amounts of the summarized Group scheme	**June 30, 2007** Partial amounts from statutory scheme	**June 30, 2007** Amounts of the summarized Group scheme
Net profit		**5,613**		**5,166**
Adjustments to reconcile to cash generated from operating profit before changes in working capital:				
- amortization and depreciation and other non monetary items		2,575		**2,871**
. depreciation and amortization	2,846		**3,269**	
. revaluations, net	(305)		**(258)**	
. net change in provisions for contingencies	38		**(80)**	
. net changes in provisions for employee benefit	(4)		**(60)**	
. net gain on disposal of assets		(60)		**(26)**
- dividends, interest, taxes and other non monetary items		5,583		**4,370**
. dividend income	(57)		**(131)**	
. interest income	(164)		**(301)**	
. interest expense	298		**197**	
. exchange differences	(41)		**(68)**	
. current and deferred income taxes	5,547		**4,673**	
Net cash generated from operating profit before changes in working capital		**13,711**		**12,381**
Changes in working capital related to operations:		1,004		**923**
- inventories	(493)		**(158)**	
- trade and other receivables	1,109		**1,317**	
- other assets	(206)		**77**	
- trade and other payables	748		**(158)**	
- other liabilities	(154)		**(155)**	
Dividends received, taxes paid, interest (paid) received:		(4,047)		**(3,621)**
- dividend received	283		**307**	
- interest received	157		**209**	
- interest paid	(86)		**(169)**	
- income taxes paid	(4,401)		**(3,968)**	
Net cash provided by operating activities		**10,668**		**9,683**
Capital expenditures:		(3,054)		**(4,257)**
- tangible assets	(2,588)		**(3,353)**	
- intangible assets	(466)		**(904)**	
Investments and purchase of consolidated subsidiaries and businesses:		(64)		**(4,935)**
- investments	(12)		**(3,850)**	
- consolidated subsidiaries and businesses	(45)		**(1,085)**	
- acquisition of additional interests in subsidiaries	(7)			
Disposals:		104		**176**
- tangible assets	70		**145**	

- intangible assets	5		**13**	
- consolidated subsidiaries and businesses	5		**8**	
- investments	7		**10**	
- sales of interest in consolidated subsidiaries	17			
Other cash flow related to capital expenditures, investments and disposals:		80		**206**
- securities	(281)		**(71)**	
- financing receivables	(305)		**(408)**	
- change in accounts receivable in relation to disposals	(179)		**91**	
- ***reclassification:*** *purchase of securities and financing receivables non related to operations*	*16*		***106***	
- disposal of securities	606		**307**	
- disposal of financing receivables	728		**503**	
- change in accounts receivable in relation to disposals	(23)		**14**	
- ***reclassification:*** *sale of securities and financing receivables non related to operations*	*(482)*		***(336)***	
Free cash flow		**7,734**		**873**

continued Summarized Group Cash Flow Statement

(million euro)

	Dec. 31, 2006		**June 30, 2007**	
Items of summarized Cash Flow Statement and confluence/reclassification of items in the statutory scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
Free cash flow		**7,734**		**873**
Borrowings (repayment) of debt related to financing activities:		466		**230**
- ***reclassification:*** *purchase of securities and financing receivables non related to operations*	*(16)*		***(106)***	
- ***reclassification:*** *sale of securities and financing receivables non related to operations*	*482*		***336***	
Changes in short and long-term financial debt:		(1,143)		**4,634**
- borrowing of non-current debt	2,603		**2,351**	
- payments of non-current debt	(2,825)		**(2,422)**	
- reductions of current debt	(921)		**4,705**	
Dividends paid and changes in minority interests and reserves:		(3,771)		**(3,266)**
- net capital contributions by minority shareholders			**1**	
- dividends to Eni shareholders	(2,400)		**(2,384)**	
- dividends to other shareholders	(220)		**(227)**	
- net purchase of treasury shares	(960)		**(319)**	
- acquisition of treasury shares different from Eni SpA	(191)		**(337)**	
Effect of changes in consolidation and exchange differences:		(141)		**(88)**
- effect of change in consolidation (inclusion/exclusion of become relevant/irrelevant)	(1)		**(4)**	
- effect of exchange differences in cash and cash equivalent	(140)		**(84)**	
Net cash flow for the period		**3,145**		**2,383**

Other information

Amendments to Eni By-laws and appointment of the Manager in charge of the preparation of the company s financial reports

In order to conform Eni SpA s By-laws to the requirements of Legislative Decree No. 58 of February 24, 1998, as amended by Legislative Decree No. 303 of December 29, 2006, Eni s Shareholders Meeting of May 24, 2007 approved the changes outlined below.

Article 17.3 of the Eni s By-laws. Changes introduced are as follows:
- persons controlling the Shareholder, companies that are controlled by such person or are under common control by the same entity presenting a list shall refrain from presenting or taking part in the presentation of other candidate lists, and voting them, also through intermediaries or fiduciaries;
- the independence requirements set for the Board of Statutory Auditors members of listed companies are required for at least one Board member, if the Board members are no more than five, or at least three Board members if the Board is composed of more than five members;
- the independence of candidates belonging to any lists for electing the Board shall be expressly indicated;
- appointed Directors shall communicate to the Company any circumstance which impairs their independence and honorability and the occurrence of drawn out from lists not linked, either directly or indirectly, to the shareholders presenting or voting the list that has obtained the highest number of votes;
- a new governance mechanism, in addition to the established voting mechanism, shall ensure the election of a minimum number of independent members.

Article 24.1 Changes introduced are as follows:
- the Board of Directors shall periodically assess the honorability requirements of the three General Managers of Eni;
- the professional requirements of the Manager responsible for the preparation of financial reports shall be identified;
- the Board of Directors shall monitor the adequacy of the powers and means entrusted to the Manager who is responsible for the preparation of financial reports in order to execute his or her tasks and compliance with internal control structure and procedures for financial reporting.

Article 28.1 Changes introduced are as follows:
- Eni s Statutory Auditors may be appointed as members of administrative and control bodies in other companies within the limits set by the relevant Consob regulation.

Article 28.2 Changes introduced are as follows:
- the presentation, filing and publication of candidate lists for the election of Statutory Board members shall be made in accordance with rules and procedures regarding the election of the Board of Directors as set forth in Eni s By-laws and in relevant Consob

any cause for ineligibility or incompatibility;
- the Board of Directors shall assess periodically the independence and the honorability of its members and if any cause for ineligibility or incompatibility may have arisen;
- three tenths of the members to be elected shall be

regulations;
- the Board of Statutory Auditors meetings may be held by video or teleconference.

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The Shareholders Meeting held in the same date, modified Art. 13.1 of Eni s By-laws to expressly identify Il Sole 24 Ore , Corriere della Sera and Financial Times as newspapers on which the notice convening Shareholders Meetings should be published.

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 fulfill 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.

Court inquiries

As concerns the inquiry of the Milan Public Prosecutor on contracts awarded by Eni s subsidiary EniPower and on supplies on other companies to EniPower, no relevant developments are to be reported in addition to what stated in Eni s 2006 Annual Report.

An investigation is pending regarding two former Eni managers who were allegedly bribed by third parties in order to favor the closing of certain transactions with two oil product trading companies. Within such investigation, on March 10, 2005, the Public Prosecutor of Rome notified Eni two judicial measures for the seizure of documentation concerning Eni s transactions with said companies. Eni is acting as plaintiff in this proceeding. Due to lack of evidence supporting this charge in a trial, the Public Prosecutor filed a request for dismissing this proceeding.

TSKJ Consortium - Investigations of SEC and other Authorities

Gas metering

On May 2007, a seizure order in respect to certain documentation was served upon Eni and other Group companies as part of the proceeding No. 11183/06 RGNR brought by Public Prosecutor at the Courts of Milan. The order was also served upon five top managers of Group companies in addition to third party companies and their top managers.
The investigation alleges behavior which breaches Italian criminal law, starting from 2003, regarding the use of instruments for measuring gas, the related payments of excise duties and the billing of clients as well as relations with the Supervisory Authorities. The allegation regards, inter alia, the offense contemplated by Legislative Decree of June 8, 2001, No. 231, which establishes the liability of the legal entity for crimes committed by its employees in the interests of such legal entity, or to its advantage. Accordingly, notice of the start of investigations was served upon Eni Group companies (Eni, Snam Rete Gas and Italgas) as well as third party companies. The Group companies are cooperating with the Authorities in the investigations.

Activities of Board Committees

Internal Control Committee
The Internal Control Committee, instituted among the Board of Directors, is in charge of putting forward proposals and providing advisory functions on general management issues to the Board of Directors.
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 web site) 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.
Accordingly, in its meeting of June 7, 2007, the Board of Directors resolved to set the Committee s composition which consists of a maximum number of four directors (all members are required to be non-executive and the majority shall be independent), as prescribed by the Eni s Self Discipline Code, resulting in a number of Committee members which is lower than the number of Board s members. The Committee is composed by: Marco Reboa (independent, Chairman of the

As concerns the inquiries of the U.S. Securities and Exchange Commission (SEC) and other authorities on the TSKJ Consortium in which Eni s subsidiary Snamprogetti has a 25% stake (Eni s interest in Snamprogetti is 43.54) in relation to the construction of natural gas liquefaction facilities at Bonny Island in Nigeria, no relevant developments are to be reported in addition to what stated in Eni s 2006 Annual Report.

Committee); Alberto Clô (independent); Renzo Costi (independent); Pierluigi Scibetta (independent).

In the first half of 2007, the Internal Control Committee convened 8 times, with an average attendance rate of 73%, and reviewed the following:

(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), highlighting key performance indicators of this department;
(ii) the 2007 audit plan, to be approved by the Board of Directors;
(iii) the Eni Internal Audit operating handbook and the new procedure for evaluating auditing activities (Risk Scoring Index);
(iv) the new organization structure of Eni Internal Audit department, approved in 2007;
(v) the 2006 activities report and 2007 audit plan prepared by Saipem and Snam Rete Gas functions;
(vi) findings and results of planned and unplanned Eni s internal audit activities for the period January 1, 2007-June 19, 2007, as well as results of monitoring progresses made by operating units in implementing planned remedial actions in order to eliminate deficiencies highlighted by internal audit activities;
(vii) the periodic reports concerning complaints collected and timely reporting on complaints regarding Eni s top management;
(viii) findings from Eni s internal auditing interventions as required by Eni s control bodies;
(ix) disclosures on certain inquiries conducted by judicial authorities and on petitions by Eni to safeguard its own reputation, referring in particular to crimes or other events regarding Eni or its subsidiaries, and on decisions taken by subsidiaries/departments;
(x) Eni s policies regarding risk management;
(xi) the main aspects of the reorganization of the Group supply activities;
(xii) 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;
(xiii) 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;
(xiv) the essential features of Eni s Annual Report on Form 20-F;
(xv) the report on the administrative and accounting setup of the parent company;
(xvi) the report presented by the Watch Structure established as required by Legislative Decree No.
(xix) the proposal to appoint the Chief Financial Officer as manager responsible for the preparation of the company s financial report, the verification of the adequacy of his powers and means for the fulfillment of this task, the guidelines on the Group internal control system over financial reporting - rules and methodologies , approved by the Board of Directors on June 20, 2007;
(xx) reporting on the team work on the fulfillment as Article18-ter and 18-sexies of Consob Regulation No. 11971.

Compensation Committee

The Compensation Committee is entrusted with proposing tasks in respect of the Board of Directors on the matters of compensation of the Chairman and CEO as well as of Board Committees members, and following the indications of the CEO, on the following: (i) short and long term incentive plans, also stock-based compensation plans; (ii) criteria for the compensation of top managers of the Group; (iii) setting of performance objectives and evaluation of results within the company s performance and incentive plans.
The Committee is composed of Mario Resca (Chairman), Renzo Costi, Marco Pinto and Pierluigi Scibetta.
In the first half of 2007, the Compensation Committee held 3 meetings and accomplished the following: (i) proposed to the Board of Directors the review of the committee s chart on the base of the Self Discipline Code prescription issued by Borsa Italiana in March 2006 and Eni s Code approved by the Board of Directors in December 2006 (the new chart, approved in March 2007, are available on Eni s web site); (ii) examined the objectives of the 2007 performance and incentive plan and appraised 2006 results, to be submitted to the Board of Directors for approval; (iii) drafted a proposal for determining the variable part of the remuneration of the Chairman and CEO based on 2006 performance to be submitted to the Board of Directors; (iv) examined the benchmarks for top management remuneration and the criteria of the annual remuneration policy, in order to draft a proposal to submit to the Board of Directors.

International Oil Committee

The International Oil Committee is entrusted with the monitoring of trends in oil markets and the study of their

231/2001;
(xvii) the report on the Internal Control System, to be included in the Corporate Governance section of the 2006 Annual Report;
(xviii) the proposal to entrust the Internal Audit Manager as manager delegated for internal control;

aspects, having a strategic impact on Eni s activities. The committee is composed of Alberto Clô (Chairman), Dario Fruscio, Marco Reboa and Paolo Scaroni.
In the first half of 2007 the International Oil Committee

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met four times to examine the 2008-2020 Master Plan, a key tool for the formulation of strategies. In particular, the first meeting concerned worldwide energy trends to 2020, being the trends scenario the first section of Eni s Master Plan. The other meetings concerned the main challenges of the worldwide energy sector, Eni s position to deal with this scenario, the vision and the strategic guidelines detailed in the Master Plan.

Transactions with related parties

The transactions entered into by Eni and identified by IAS 24, concern mainly the exchange of goods, provision of services and financing with non consolidated subsidiaries and affiliates as well as other companies owned or controlled by the Italian Government. All such transactions are conducted on an arm s length basis and in the interest of Eni companies. Twice a year Directors, General Managers and managers with strategic responsibilities declare any transaction they enter with Eni SpA or its subsidiaries, even through other persons or persons related to them as per IAS 24.

Amounts and types of trade and financial transactions with related parties are described in the Notes to the Financial Statements (Note No. 33).

Incentive plan for Eni managers with Eni stock

Eni s Shareholders Meeting of May 25, 2006 approved the 2006-2008 Stock option Plan and authorized the Board of Directors to use up to a maximum of 30,000,000 own shares for this plan empowering the Board to draft annual assignation plans and relevant regulations.
Eni has not foreseen a stock grant plan (award of Eni s share for no consideration) for the 2007 incentive scheme.

Stock grant
The main features of the stock grant plans are described in Eni s 2006 Annual Report.
The following is a summary of outstanding, granted and expired grants, as of September 5, 2007.

Year	No. managers	No. shares
2003	816	1,206,000
2004	779	1,035,600
2005	872	1,303,400
		3,545,000
At September 5, 2007		
Shares granted		(2,584,800)
Rights cancelled		(36,900)
Rights outstanding		**923,300**

Stock option
The main features of the 2002-2004 and 2005 stock option plans which provided grantees the right to purchase treasury shares in a 1 to 1 ratio after three years from the award, are described in Eni s 2006 Annual Report.
Eni s Board of Directors with a decision of July 25, 2007, based on the authorization of Eni s Shareholders Meeting, approved the 2006-2008 stock option plan year duration, the number of exercisable options is determined 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 s 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 fiscal years 2007, 2008 and 2009.

which provides for the assignment of a maximum amount of 8,000,000 rights for the purchase of a corresponding number of treasury shares. At the end of the vesting period with a three

The following is a summary of information as of September 5, 2007 on options assigned, exercise prices, options exercised and options cancelled in the 2002-2007 period.

Year	No. managers	Exercise price (euro)	No. shares
2002	314	15.216 [(a)]	3,518,500
2003	376	13.743 [(b)]	4,703,000
2004	381	16.576 [(a)]	3,993,500
2005	388	22.512 [(c)]	4,818,500
2006	338	23.119 [(c)]	7,050,000
2007	332	27.451 [(a)]	6,110,500
			30,194,000
At September 5, 2007			
Options exercised			
2002			(3,325,500)
2003			(4,212,100)
2004			(1,444,500)
2005			(948,000)
2006			(53,700)
			(9,983,800)
Options cancelled			
2002			(79,500)
2003			(120,500)
2004			(72,000)
2005			(58,500)
2006			(235,700)
2007			(20,300)
			(586,500)
Options outstanding as of the end of each period			
2002			113,500
2003			370,400
2004			2,477,000
2005			3,812,000
2006			6,760,600
2007, through September 5			6,110,500
			19,623,700

(a) Arithmetic average of official prices recorded on the Mercato Telematico Azionario in the month preceding the assignment.
(b) Average cost of the treasury shares as of the day prior to the assignment (strike price) higher than the average mentioned in note a.
(c) Weighted-average of arithmetic averages of official prices recorded on the Mercato Telematico Azionario in the month preceding the assignment.

Subsequent events

Relevant subsequent events concerning operations are found in the operation review.

Outlook for 2007

- **Sales volumes of natural gas worldwide** are expected to increase by a small amount from the previous year (actual sales volumes in 2006 were 97.48 bcm). Growth is expected to be achieved in European target markets both in terms of market share and volumes gains, mainly in Spain, France and Germany/Austria markets. Sales volumes in Italy are expected to be flat as a result of a

The outlook for Eni in 2007 remains positive, with key business trends for the year as follows:
- **Production of liquids and natural gas** is forecast to remain stable as compared to the previous year (actual oil and gas production averaged 1.77 mmboe/d in 2006) under the assumption of full-year Brent crude oil prices at $55 per barrel. Production decreases due to escalating social unrest in Nigeria and the loss of the Dación oilfield in Venezuela and mature field production declines are expected to be offset by the contribution from properties acquired in the Gulf of Mexico and Congo as well as ongoing build-up in gas production in Libya.

planned recovery in the second half of 2007, with the main increases expected in the residential segment as a result of ongoing marketing initiatives.
- **Sales volumes of electricity** are expected to increase by approximately 4% from 2006 (actual volumes in 2006 were 31.03 TWh), due to an expected increase in traded volumes.
- **Refining throughputs** are forecast to remain almost unchanged from 2006 (actual throughputs in 2006 were 38.04 mmtonnes), reflecting higher volume performance expected at the Livorno, Gela and Sannazzaro refineries; on the negative side, a

processing contract expired late in 2006 at the Priolo refinery owned by a third party affecting throughputs for the full 2007.

- **Retail sales of refined products** are expected to marginally increase from 2006 (actual volumes sold in 2006 were 12.48 mmtonnes), driven by increased sales in Europe as a result of a greater number of service stations as a result of acquisitions in target markets. Marketing initiatives mean that sales in the Italian market are expected to remain unchanged despite a decline in domestic consumption.

Eni s capital expenditures on exploration and capital projects in 2007 is expected to amount to approximately euro 10.6 billion, including expenditures for developing acquired upstream assets, representing a 35% increase on 2006. Approximately 86% of this capital expenditure programme is expected to be deployed in the Exploration & Production, Gas & Power and Refining & Marketing divisions. Furthermore, acquisitions of assets and interests amounting to euro 9.4 billion are forecast for 2007, of which euro 4.8 billion related to deals finalized in the first half of the year (namely the acquisition of ex-Yukos assets and proved and unproved oil properties onshore Congo), with the residual euro 4.6 billion relating to transactions which will be accounted in investing cash flows for the second half of the year (namely the purchase of upstream assets in the Gulf of Mexico, and refining and marketing assets in Central-Eastern Europe). If Gazprom exercises its call options to purchase a 20% interest in OAO Gazprom Neft and a 51% interest in ex-Yukos gas assets from Eni, net cash outflows used in investing activities will decrease to euro 16.5 billion. On the basis of the expected cash outflows for planned capital expenditures and acquisitions, and shareholders remuneration, while assuming a $55/barrel scenario for the Brent crude oil, Eni foresees its gearing to settle in the low or high end of the 0.3/0.4 range by the end of the year, depending on the exercise of the above mentioned call options by Gazprom.

Commitment to sustainable development

INTRODUCTION

Sustainability is an integral part of Eni s culture and represents the engine of a continuous improvement process within the company. The path Eni started to tread in 2006 to make the management of sustainability more and more integrated, wide reaching and transparent allowed Eni shares to join the **Dow Jones Sustainability Indexes World** and the **FTSE4Good Index**, the acclaimed world indexes of listed companies open only to the ones with excellent performance in the sustainable management of their operations.
Eni s actions, aimed at empowering persons, contributing to the development and welfare of the communities where it operates, caring for the environment, investing in innovation and pursuing energy efficiency and mitigating the risks of climate change led to the attainment of important goals in the first half of 2007.
Eni formalized its new organizational model by issuing Guidelines for defining planning, implementing, controlling and reporting processes and at the same time informing and engaging stakeholders.
Roles and responsibilities have been identified and disseminated throughout Eni s structures and have been integrated with existing systems. Control activities perform checks and relate to higher positions on the stages of completion of projects and sustainability performance. Communication is enhanced by new processes and tools guaranteeing its consistency, reliability and transparency.
Eni s Board of Directors approved its first Sustainability Report along with its 2006 Annual Report. This Report contains the commitments and actions Eni intends to perform as a reaction to sustainability challenges. It also reports on Eni s performance in the areas of governance, human resources, the environment and innovation, as well as on relations with communities and customers. Eni s Sustainability Report has been submitted to shareholders at the Shareholders Meeting of May 24, 2007. At that date also the new section of Eni s internet site dedicated to sustainability has been inaugurated, while a specific site was opened in the corporate intranet. The section on sustainability at **www.eni.it** was totally restructured to allow readers of the Sustainability Report to find more detailed information on the issues discussed in the Report.
The Intranet Sustainability site aims at informing Eni s people on the various aspects of sustainable development using different communication tools (interactive graphics, dossiers, interviews, videos, images) providing various degrees of in-depth information on important contents. It also intends to increase internal culture by engaging Eni s people and stimulating them to share in Eni s sustainability commitments.
In the area of information and communication Eni launched its **30PERCENTO** campaign which aims at disseminating virtuous behaviors among families by means of 24 simple practical suggestions that will help them save up to 30% of their energy bill while at the same time preserving the environment. The campaign is implemented through traditional media (TV, press, radio, cinema and posters) focusing in particular on high information content ones such as the internet and a widely distributed booklet. The initiative was highly appreciated by the public and in the 15 May-30 June period the site of the campaign registered 269,783 contacts. Eni is currently performing a survey in cooperation with Eurisko in order to evaluate the actual impact of this campaign on the behavior of families.
As concerns sustainability policies, in April 2007 Eni issued **Guidelines for the Protection and Promotion**

of Human Rights aimed at stating and reinforcing Eni s

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commitment to human rights. As compared to Eni s Code of Conduct which already mentioned Eni s commitment to operating within the framework of the most relevant international conventions, the new guidelines define the main reference principles and specific behaviors to be adopted in deploying corporate activities both directly and in participation with business partners. As implementation of these guidelines, new covenants for the protection of human rights have been added to contracts signed with contractors in the area of security in Italy and outside Italy.

In March 2007 Eni launched its Welfare Project aimed at identifying and implementing actions for the improvement of the quality of life and welfare of Eni s people increasing their satisfaction for the company they work for. Main areas touched by this project are: psycho-physical welfare, conciliation of work and private life, creation of leisure and health opportunities. In 2007, Eni also launched a specific Health Project aimed at providing to all Eni s people the training, information and material means for a proper management of the stress factors that can affect health and welfare.

In the first months of 2007, Eni conducted consultations with various governmental entities and associations, among them Legambiente, the WWF, Amnesty International, Transparency International, concerning the company s strategies for sustainability and for other specific issues such as energy efficiency, renewable sources, research and innovation, anti-corruption policies and individual case countries, in particular Nigeria. Eni joined the Caring for the Climate: the Business Leadership Platform, endorsed by the leading businesses involved in the United Nation Global Compact. This platform acknowledges the issue of climate change and expresses the will to fight against it by developing research and actions for the reduction of emissions, cooperating and promoting local and global initiatives.

HUMAN RESOURCES AND ORGANIZATION

Employees

At June 30, 2007, Eni s employees totalled 75,841, with an increase of 2,269 employees from December 31, 2006, or 3.1%, reflecting a 284 increase in employees hired in Italy and a 1,985 increase in employees hired and working outside Italy.
Employees hired in Italy were 40,049 (52.8% of all Group employees). Of these, 36,982 were working in Italy, 2,879 outside Italy and 188 on board of vessels. The process of improvement in the quality mix of employees continued in the first half of 2007 with the hiring of 1,121 persons, of which 322 with open-end contracts. A total of 799 persons were hired with this type of contract and with apprenticeship contracts, most of them with university qualifications (477 persons) and 294 persons with a high school diploma. During the year 864 persons left their job at Eni, of these 361 had an open-end contract.
Employees hired and working outside Italy at June 30, 2007 were 35,972, with a 1,985 persons increase due to the positive balance of new hires with fixed-term contracts and persons leaving their job in Saipem and Snamprogetti (1,800 employees).

Organization

In the first half of 2007 Eni adjusted structures and processes to the company s integrated management model. In particular the role of Eni Corporate was further strengthened in the area of orientation and coordination along with the upgrade of structures in charge of internal audit.
In particular, the following were the main lines of intervention:
1. strengthening of Eni Corporate s role in monitoring, orientation and coordination (adoption of a new planning and control model);
2. strengthening of the internal audit structure in order to guarantee compliance with rules and regulations (watch structure, technical secretariat of the watch structure and centralization of internal audit activities);
3. implementation of some reengineering processes for cross company activities (finance, insurance, ICT, corporate documents);
4. centralization and widening of common services to business aimed at improving efficiency and quality (Supply, IT, Legal Affairs).

Employees at period end	(units)	Dec. 31, 2006	**June 30, 2007**	Change	% Ch.
Exploration & Production		8,336	**8,670**	334	4.0
Gas & Power		12,074	**11,861**	(213)	(1.8)
Refining & Marketing		9,437	**9,372**	(65)	(0.7)
Petrochemicals		6,025	**6,845**	820	13.6
Engineering & Construction		30,902	**32,903**	2,001	6.5
Other activities		2,219	**1,409**	(810)	(36.5)
Corporate and financial companies		4,579	**4,781**	202	4.4
		73,572	**75,841**	**2,269**	**3.1**

Industrial Relations

Within a consolidated and structured system of industrial relations Eni fruitfully continued its confrontation with workers unions aimed at the recognition of a regime of mobility preceding retirement for Group employees as provided for by the Italian 2007 budget law. In the first half of 2007 some agreements have been signed with workers unions concerning additional pension payments, social activities and professional training under the sponsorship of Fondimpresa.

The constant dialogue with workers unions allowed Eni to implement the actions foreseen in the Protocol of Intents concerning the Porto Marghera industrial site and to sign two significant reorganization agreements.

Internationally, Eni continued its dialogue with workers unions in particular within the European Works Council and the International Federation of Unions.

Management and development of human resources

In the first half of 2007 Eni continued implementing its program of management rejuvenation to guarantee the substitution of managers who left the company in 2006 as a result of a program of termination incentives. This enhanced the evaluation of development potential of junior and middle managers in order to acquire all information required for the preparation of a succession plan.

All middle managers job positions have been evaluated while the evaluation of junior managers job positions is still underway. These activities are performed in cooperation with a world leader consulting firm, in order to support at best career progressions and compensation decisions also by means of international benchmarking of salaries and reward programs.

Within the program of redefinition of rules and methods of management and development of human resources, Eni updated the performance and potential evaluation methodologies of young promising skilled resources.

With the aim of improving the ability to listen to the requests of Eni s employees and identifying criticalities requiring interventions in order to improve human resources management, Eni designed a climate analysis

Training and internal communication

In the first half of 2007, expenditure for training, participations and training hours were in line with the previous years ones. In particular, there has been a relevant investment in technical-professional training and also courses in foreign languages and computer applications.

In the first half of 2007 a new master course in general management has been planned in conjunction with Sda Bocconi and the Milan Polytechnic, addressed to 30 Eni young managers, started in July. At the end of the course the participants will be awarded a II degree master diploma in general management. This initiative is part of a wider program for training and development of Eni managers.

With the aim of the highest engagement and participation of employees for the attainment of corporate objectives, in the first half of 2007 Eni successfully implemented its Cascade program started with a meeting with Eni s CEO presenting the scenario where Eni is operating and its main objectives to top and key managers, who in turn cascaded this program to their collaborators inserting the indications provided by the CEO in their respective work environments.

In order to strengthen corporate culture and support its commitment to sustainability, Eni approved a training program on sustainability in cooperation with Eni Corporate University

Health

In the second half of 2007 Eni continued its initiatives in the protection of workers health started in 2006 and started a few new ones. In particular:

- Eni defined the teams of medical doctors operating at Eni facilities in Italy and outside Italy, the paramedics and the contracts entered by divisions and subsidiaries with universities and public and private health institutions in order to make the system more efficient and improve the quality of services provided;
- guidelines have been drafted for the new contracts to be entered or the old ones to be renewed in the field of health;
- a procedure has been drafted for the management of

to be performed in the second half of 2007.

issues related to HIV in workplaces;
- the health card project was implemented in the Milan and Rome areas;

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- a new health centre was opened at Eni s headquarters in Rome;
- an early diagnosis project was started with the opening of an office of the league against cancer in Rome,
- telemedicine activities were further developed.

Safety

Eni has always been deeply engaged in the issue of the safety of its workers, of the people living in the areas where its industrial sites are located and of its producing assets. In particular, in the first half of 2007 Eni s initiatives regarded:
- audits of business units in order to check the completeness and functionality of HSE management systems and specific audits on risk elements typical of some type of operations;
- the creation of a network to promote a culture of safety at work (SAFELLOWS network) with the cooperation of all resources employed in safety activities and the operating lines workforce;
- the introduction of a specific module dedicated to monitoring and managing georeferenced data in the Mediterranean area, within the support system for the management of relevant emergencies. This system facilitates the evaluation and organization of response in case of emergency (MEDSTAR project);
- the development of an innovative methodology called HSE process simulation which anticipates and displays HSE issues that could cause problems in terms of delayed authorization of changes to works in progress, etc., in order to mitigate industrial risks associated to new projects;
- the implementation of a system of HSE leading indicators for monitoring safety, health and environmental parameters. Existing systems have been integrated with innovative tools that employ variables not directly related to HSE;
- the participation to training courses on specific issues (non ionizing radiation, fibers for substituting asbestos, HAZOP);
- the establishment of interfunctional working groups for sharing knowledge for the evaluation of advanced technical standards to be adopted in controlling and monitoring work environments, in prevention and workers protection.

RESPONSIBILITY TOWARDS THE ENVIRONMENT

Reference scenario

The attention currently paid to the relevant issues of environmental sustainability and the corresponding regulatory developments at international level, stimulate companies to engage beyond the simple compliance both as concerns locally and globally critical situations.
The precautionary principle that informs current regulations requires that the actions taken by industrial companies to reduce their environmental footprint privilege the preventive approach to the remediation of damage done.
In addition, the current operating context is characterized by increasing risk aversion, thus posing stricter constraints to the freedom of operations , due to the progressive internalization of environmental externalities and also for the growing participation of local stakeholders to decision making processes.
Companies are therefore required to be more transparent on their environmental performance, as they are subject to careful scrutiny by stakeholders. In all its activities, Eni is actively committed to reducing its environmental footprint, decreasing its energy and water consumption, reducing local pollution of air, water and soils as well as waste production and to reclaiming discontinued industrial sites. Special attention is paid to the protection 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.

Rational use of natural resources

The management of natural resources is aimed at a rational and sustainable use of these resources and their protection in all Eni s operations.
The application of the best available technologies for the control of emissions into the atmosphere is one of the pillars of the current environmental regulations (IPPC/AIA, Italian environmental Law No. 152/2006) and finds a responsible partner in Eni that strives to reduce the impact of its production processes on the environment.
In this light, Eni approved capital expenditure for the technological improvement of the treatment of waste fluids, combustion in gas turbines and devices for the reduction of effluents applicable in combined cycle plants for the production of electricity, the control and monitoring of emissions from plant components and transport of fuels.
The main implementation directives for the management of waters concern the reduction in pure water consumption by developing recycling opportunities and the minimization of water discharge that in many instances is obtained at levels higher than those required by applicable laws.
Eni made capital expenditure aimed at the adoption of integrated production cycles with a limited and combined use of water, at the construction of discharge water treatment plants with the most updated technologies and at the construction of monitoring systems capable of providing periodic control of the most significant parameters.
The protection of soils and ground waters is a very relevant aspect for the environment. Great attention is paid to it at the organizational and economic level. For years, Eni has been carrying out numerous programs for the protection of soils and the reclamation of soils and ground waters. Eni s business units are provided with an internal organization that takes care of management and technical aspects, making recourse to highly qualified external professionals to carry on their reclaiming activities.
Eni is also active in the area of waste produced by its industrial units with the aim of reducing its generation

and improving its final destination by increasing recycling and recovery and reducing incineration and landfilling.

Biodiversity

Eni considers biodiversity an integral element of sustainable development and is engaged in the impact evaluation and reduction of its exploration and production activities both onshore and offshore. This engagement takes the form of supporting conservation projects on land and in the sea and of organizing actions that raise attention for biodiversity. The most relevant current projects are addressed to:
- Val d Agri, an ecologically sensitive area rich in animal and vegetable species as confirmed by EU protected sites found in the valley;
- Ecuador, a country provided with ecosystems with an inestimable value, such as tropical forests containing rare species at risk;
- the Mediterranean Sea, where a project is evaluating the ecosystemic impact of platforms;
- the Arctic Sea, where the ecosystem is considered extremely valuable and fragile due to the lack of anthropization;
- Kazakhstan, where Eni is currently organizing a workshop on biodiversity focusing on the Caspian Sea, a natural reserve characterized by many rare species.

THE FUTURE OF ENERGY AND INNOVATION

The future of energy

Hydrocarbons will continue to dominate the energy scenario in the next decades and to represent the most important and strategic energy source due to their availability, flexibility and cost. Eni, a company active in oil and gas activities, will continue to deploy its activities in order to meet increasing energy requirements. At the current state of knowledge, Eni believes that the massive use of fossil fuels can contribute to climate change and is therefore actively engaged in favor of a responsible use of energy and the protection of the environment.
Increasing attention needs to be paid to guaranteeing the security of supplies, which is the main criticality of the world energy system. To this end, strategic partnerships with producing countries, the availability of infrastructure and innovation will play a basic role. In a context of great limitations to access to relevant resources by international companies, Eni is constantly engaged in improving its models of cooperation with producing countries, promoting integrated projects capable of responding to the specific requirements of host countries also aimed at their energy, economic and social development. Faced with the new economic and technological challenges in particular in the new frontiers of conventional and non conventional hydrocarbons (such as the extraction of hydrocarbons from tar sands and extra heavy oils) Eni increased its activities and capital expenditure in R&D and innovation and pays great attention to the impact of such projects on the environment and local communities. In particular, Eni is active in the search for technological discontinuities for the development of energy sources alternative to fossil fuels.
Eni is also oriented to further developing in the area of natural gas consumption of natural gas has been increasing faster than consumption of oil and to upgrading transport infrastructure, with the strategic objective of strengthening its leadership in Europe by maximizing the value of its portfolio of equity gas while contributing to the security of supplies in the countries where it operates.

Actions for mitigating the risks of climate change

The issues of energy safety and climate change, with the related greenhouse gas emissions, are the central issues of the development of energy systems. Eni defined and adopted a carbon management strategy, whose goals are detailed in Eni s 2006 Sustainability Report.
Along these guidelines Eni achieved results that mark it as a low (direct and indirect) CO_2 emission company.
As concerns emission trading, Eni is one of the largest Italian and European operators. In Italy, it is the first company for industrial plants involved (59 plants, of these 57 in Italy).
In order to participate to emission trading schemes, Eni developed a series of coordinated activities and an extensive management organization, that starts from each industrial plant, ascends to business units and is consolidated at corporate level. This organization passed its first test phase successfully in the first months of 2007, when emissions for 2006 were verified and trading took place.
In addition to participating to European emission trading schemes, Eni is also developing a portfolio of projects for emission reduction based on flexible mechanisms under the Kyoto Protocol. In particular in Nigeria the Zero Gas Flaring program started in 1999 continued. This country produced 57% of flaring

emissions caused by Eni s Exploration & Production division in 2006. The program provides for different projects targeting a reduction to less than 5% between flared gas and total gas produced by 2011.

Innovation

In the first half of 2007, Eni invested euro 70 million in research and development (euro 102 million in the first half of 2006), of these 50% were directed to the Exploration & Production segment, 20% to the Refining & Marketing segment, 23% to the Petrochemical segment and 7% to the Engineering & Construction segment.
In the first half of 2007, a total of 16 applications for patents were filed by Eni, 16 by Saipem group and 5 by Polimeri Europa (37 compared with 17 filed in the same period a year ago).
More detailed information on innovation is found on Eni s website (www.eni.it) in the area Activities and Strategies and in the Report on Sustainability.

Main innovation initiatives in the first half of 2007

E&P Division

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 Kirchoff 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. This technique allows to build detailed speed fields preparatory for high resolution seismic imaging. The first field application confirmed the validity of this approach to the reduction of mineral risk.
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.
The first applications on the field completed the development of the simulator of oil systems Steam 2D
Work continued for the implementation of technologies for the simulation of the behavior of fluids in the reservoir with particular attention to the recovery of heavy oils and tar sands by means of thermal processes. A study was completed for the construction of a pilot project in the Egyptian onshore. Studies are underway on fractured formations.
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. Data collected will be processed during the current year. Quality of data confirmed the option of operating in especially complex and sensitive environmental conditions.

Advanced Drilling Systems and Well Testing

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.
The Extreme Lean Profile technique allows to reach greater depths with larger diameters. It can be applied to any kind of well (vertical, deviated, horizontal) reducing time, costs and volumes of detritus removed.
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 that would have not been drillable with conventional techniques due to improved safety in drilling operations.
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.

Sulphur management

Demonstration activities of the sweetening of natural gas with high H2S content and for the massive storage of sulphur with no environmental impact have been started.

Gas to liquids project (GTL)

for describing the evolution of complex geological structures in time and the geo-mechanical description of the field.

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. Information collected allowed to complete the definition of synthesis protocols of the catalyst which will be produced in the second half of 2007 by Axens in the Salindres plant in France and later employed in the pilot tests of the GTL of Sannazzaro in 2008. In parallel, work has started for the finalization of the advanced basic process design of a single reactor plant with a capacity of 15 kbbl/d of syncrude.

Projects jointly managed by the E&P and R&M Divisions

Conversion of heavy crudes and fractions into light products

Testing continued at the Taranto demonstration plant of Eni s proprietary technology EST, a process of catalytic hydroconversion in the slurry phase of non conventional crudes, extra heavy crudes and refining residues that allows to totally convert asphaltenes (the hard fraction of heavy crudes) into distillates. Tests performed in the first half of 2007 allowed to complete the collection of information for designing and building a first industrial plant at one of Eni s refineries.

Technical and economic evaluations are underway for allowing a careful comparison of the EST technology with conversion technologies available on the market for applications in refineries and for estimating the competitive advantage provided by the EST technology if Eni decides to enter the segment of Canadian tar sands.

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

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

GHG Project (Green House Gases)

Work continued on the integrated Green House Gases research program, aimed at verifying the industrial feasibility of the geological sequestration of CO_2 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 and

G&P Division

Natural gas high pressure transport (TAP)

The TAP project is aimed at developing 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 bcm/y;
- pressure equal to or higher than 15 MPa;
- use of high and very high grade steel.

This technology makes it possible to exploit remote fields and to reduce the consumption of gas in transit in compression stations.

In the first half of 2007, testing was completed on pilot lines in X100 steel at the Perdasdefogu experimental polygon in Sardinia. After pressure testing, three blow tests have been performed in order to check the structural post-operational integrity of the lines.

R&M Division

Reformulation of fuels and lubricants

Eni continued to improve its Blu fuels (BluDiesel and BluSuper). It also started a new phase of its Clean Diesel Fuel project that aims at identifying the optimal formula for a diesel fuel with high performance and low particulate emissions comparable to those of a gasoil obtained from the conversion of natural gas into liquids (see GTL project) and the refining schemes for obtaining this product.

Other projects

Ecofining (Green Diesel). This process, developed in cooperation with UOP, consists in the hydrocracking of vegetable oils yielding an oxygen free hydrocarbon product compatible with oil based fuels. This biofuel called Green Diesel is totally sulphur free and aromatics free, has a high cetane number (higher than 80), low density and high quality. In the first half of 2007 the basic design of the first industrial plant has been completed. The 250 ktonnes/y plant will be built in the Livorno refinery.

LCO Upgrading. Eni and Haldor Topsøe A/S started a process for the valorization of LCO, an aromatic by-product of catalytic cracking used for producing fuel oil. This process entails the selective breaking the naftenic ring thus reducing hydrogen consumption as the CO_2 injector well at Cortemaggiore.

compared to the saturation of aromatic structures, with comparable product quality. Based on the positive results obtained, a technical-economic feasibility study will be performed for the construction of an industrial plant in an Eni refinery.

Biofixation of CO_2 by means of micro algae. A research project has been started aimed at testing the technical and economic feasibility of a process based on the biofixation by means of micro algae for the recycling of CO_2 produced by oil refining plants and the purification of discharge waters with production of biomass and possibly biofuel.

Polimeri Europa
Main results obtained were:
- a new grade of polybutadiene with better processability to be used in tyre manufacture;
- the first industrial production of a new polybutadiene for the modification of plastics that should improve the cost/performance ratio;
- synthesis of prototypes of innovative styrene butadiene copolymers for high performance tyre manufacture;
- a run of expanded polyethylene (EPS) in continuous mass in a pilot plant. The product obtained will be tested by qualified customers;
- industrialization of new high performance copolymers based on ethylene and olefins exploiting the recent innovations in the segment of polymerization catalysis;
- experiments on a new catalyst for the industrial synthesis of elastomer polyolefins (EPDM): a copolymer and two terpolymers have been produced;
- consolidation of process parameters and formulae for all grades of new ABS (acrylonitryle-butadiene-styrene) copolymers on two plants: one modified for the production of new polymers for the segment of injection moulding; the other with increased production capacity for grades for the extrusion area;
- consolidation of the range of high impact resistance polystyrene (HIPS) on a dedicated plant after the changes for increasing production capacity. Special grades are being consolidated;
- identification of the structural parameters required and of the synthesis conditions for the production on an industrial scale of a new general purpose polystyrene (GPPS) grade for the crystal segment (XPS).

Corporate
In the first half of 2007 Eni started research projects on solar energy and on the production of biofuels within the Along with petroleum initiative.
As an integration of the activities performed at its research center for renewable energies in Novara Eni is institutions (the Milan Polytechnic, the universities of Ferrara and Pavia, UCSD, Stanford University, Berkley University) and research centers (CNR, CRB Perugia, NREL, SRI; Imperial College, Edinburgh Heriot-Watt University).

Solar energy
Organic
Process and characterization equipment and materials have been bought for the construction of devices. Treatments for the preparation of materials (polytiophenes and others) have been started and negotiations are ongoing with the National Research Council of Bologna and Milan and the Milan university.

Photoproduction of hydrogen
Process equipment and materials have been bought for the construction of equipment for photoproduction of hydrogen. Experiments have started by means of photoanodes made of tungsten oxide in cooperation with the University of Ferrara.

Photoactive materials
Experiments and modeling have started. Negotiations for cooperation with the Heriot-Watt University in Edinburgh are underway.

Concentration solar CSP
For performing a pre-feasibility study, the scope of work was defined in cooperation with Snamprogetti. The choice of a partner providing solar technology is underway.

Biomass
Microorganisms (bacteria, yeasts, algae)
Screening activities are underway on various breeds of microorganisms for a preliminary evaluation of the biomass-biodiesel process flow.

Biomass to liquids
Eni formalized its participation to the European Chrisgas network and started a cooperation with the University of Milan; in addition Eni is negotiating a cooperation with Petrobras on this segment.

Plant monitoring
Eni has started studies for the evaluation of specialized

negotiating agreements with Italian and foreign

plants and is evaluating a cooperation with the Biomass research center in Perugia, the University of Florence and Petrobras.

Territory and Communities

With the aim of promoting a culture of opportunities that increases the value of its presence, Eni launched in Val d Agri a project for the definition of a new model of local sustainability. Developed in conjunction with the Consorzio di RicercAzione Aaster the project aims at promoting sustainable development, stakeholder consultation and a shared definition of models for an efficient use of the royalties deriving from oil production.
Eni s main sustainability interventions in the first half of 2007 concerned:
- Nigeria: the adoption of a sustainability policy by Eni affiliates and the start-up of a project for the use of biomass as renewable energy source;
- Congo: a feasibility study for the expansion of actions against the spreading of malaria;
- Norway: the issue of a policy for indigenous people;
- Libya: the start-up of a post graduate training program aimed at employing local youths;
- Australia: the completion of a social impact management plan for the Blacktip project;
- Kazakhstan - Karachaganak: the continuation of the environmental social impact assessment included in phase III of the project, which provides for stakeholder consultation. Eni also renewed its health unit and equipped a new surgery department at the Uralsk regional hospital;
- Kazakhstan - Kashagan: the annual expenditure for building local infrastructure is quantified in the PSA at 1% of project expenditure. Eni worked at the provision of water, electricity and gas to the Mangistau and Atyrau regions, started projects for the support of local communities and built a health center for first aid and diagnostics at the Aktau hospital.

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.

With regard to market risks, Eni has developed policies and guidelines aiming at managing those risks. These policies and guidelines have been updated recently to take account of changes in the organizational set-up of the Company (amalgamation of Enifin since January 1, 2007) and 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.
Their management follows the over mentioned policies and guidelines which are based on a framework envisaging centralization of the treasury function in two company departments: the parent company Finance Department (till December 31, 2006 relevant activities were managed by Enifin) and Eni Coordination Center, which manage financial requirements and surpluses in the Italian and international financial markets, respectively.
In particular, all the transactions concerning currencies and derivative financial contracts are managed by the parent company. The commodity risk is managed by each business unit, with the parent company 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 two 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 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.
Each business unit is entitled with a preset maximum tolerable level of commodity risk exposure regarding trading and commercial activities; hedging needs from business units are pooled by Eni s central finance departments.
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 (in particular the U.S. dollar) and by the time lag existing between the recording of costs and revenues denominated in currencies other than the functional currency and the actual time of the relevant monetary transaction. Generally, an appreciation of the U.S. dollar versus the euro has a positive impact on Eni s results of operations, and viceversa.
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 accounted for under the hedge accounting method in accordance with IAS 39.
Value at risk deriving from foreign currency exposure is measured daily on the basis of a variance/covariance model, with a 99% confidence level and a 20-day

Interest rate risk
Variations in interest rates affect the market value of financial assets and liabilities of the company and the level of finance charges. Eni enters into interest rate derivative transactions, in particular interest rate swap and cross currency 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 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.

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. This is the strategic risk exposure which is monitored in terms of value-at-risk, albeit not hedged in a systematic way, as discussed above. In order to hedge 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 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 accounted for under the hedge accounting method 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 the first half of 2007 (compared holding period. The translation foreign currency risk exposure on certain strategic holdings is deemed to be immaterial.

with year 2006) referring to interest rate risk and exchange rate in the first section, and the commodity risk in the second section.

(*Value at risk* - parametric method variance/covariance; holding period: 20 days; confidence level: 99%)

(million euro)	First half 2007 High	Low	Avg	At period end	2006 High	Low	Avg	At period end
Interest rate	**1.26**	**0.47**	**0.78**	**0.99**	**5.15**	**0.45**	**2.01**	**1.10**
Exchange rate	**1.25**	**0.03**	**0.19**	**0.17**	**2.02**	**0.02**	**0.24**	**0.21**

(*Value at risk* - Historic simulation method; holding period: 1 day; confidence level: 95%)

($ million)	First half 2007 High	Low	Avg	At period end	2006 High	Low	Avg	At period end
Area oil, products	**35.93**	**4.86**	**17.21**	**10.00**	**35.69**	**5.40**	**17.80**	**8.59**
Area Gas & Power	**48.41**	**20.12**	**36.33**	**42.43**	**46.63**	**18.36**	**31.01**	**22.82**

Credit risk

Credit risk is the potential exposure of the Group to losses in the event of non-performance by any counterparty.
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 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 s guidelines define the characteristics of persons eligible to be counterparty of Eni in derivative contracts and cash management transactions. Eni constantly updates a list of eligible persons which includes highly credit-rated institutions elected among Sovereign states and

At present, the Group believes it has access to 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.
Maximum tolerable levels of liquidity risk are defined in terms of a maximum percentage level of leverage and minimum percentage level of ratio between medium-long term debt and total debt and between fixed rate debt and total medium-long-term debt.

Country risk

financing institutions within the OECD area. Eni has never experienced material non-performance by any counterparty. As of June 30, 2007, Eni has no significant credit risk exposure.

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 liquidate its assets as to be unable to meet short term finance requirements and settle obligations. The Group has long-term debt ratings of AA and Aa2, assigned respectively by Standard & Poor s and Moody s. 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.

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, 2006, 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 2006, 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

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countries, are represented by: (i) lack of well-established and reliable legal systems and uncertainties surrounding enforcement of contractual rights; (ii) unfavorable 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 periodically monitors political, social and economic risks over 60 countries where has invested or will invest, and particularly upstream projects evaluation. Country risk is mitigated in accordance to disposals on risk management defined in the procedure Project risk assessment and management .

Operational risk

Eni is subject to numerous EU, international, national regional and local environmental, health and safety laws and regulations concerning its oil and gas operations, products and other activities. In particular, these laws and regulations require the acquisition of a permit before drilling for hydrocarbons may commence, restrict the types, quantities and concentration of various substances that can be released into the environment in connection with exploration, drilling and production activities, limit or prohibit drilling activities in certain protected areas, impose criminal or civil liabilities for pollution. These environmental laws may also restrict emissions and discharges to surface and subsurface water resulting from the operation of natural gas processing plants, petrochemicals plants, refineries and pipeline systems. Eni s operations are subject to laws and regulations relating to the production, handling, transportation, storage, disposal and treatment of waste materials. Environmental, health and safety laws and regulations have a substantial impact on Eni s operations and there are risks that material expenses and liabilities may be incurred by Eni in future years in relation to compliance with environmental, health and safety laws and

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 tailored on the peculiarities of each business and industrial site.
Coding activities and procedures on operating phases allow to reduce the human component in the plant risk management. This result can be achieved also thanks to the continuous plant improvements, in terms of automatization of plants.
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.

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[1].
These enabled new competitors to enter the Italian gas market, 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

regulations.

circumstance that the Authority for Electricity and Gas is entrusted with certain powers in the matters of

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(1) For the three-year period ending in 2006, allowed thresholds amounted on average to 69% and 50% of domestic consumption in the same period, net of own consumptions, for volumes input to the national network and sales volumes to end clients, respectively.

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/y (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 cm/y, 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[2], 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-pay supply contracts. Particularly, should natural gas demand in Italy grow at a lower pace than management expectations, also in view of expected developments in the supply of natural to Italy, Eni could face a further increase in competitive 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.

gas

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(2) For an explanation of take-or-pay clauses, see Glossary.

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.

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 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.

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 nitrylic 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 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.

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.

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 cm 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.

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.

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.

Olefins (or Alkenes) Hydrocarbons that are particularly active chemically, used for this reason as raw materials in the synthesis of intermediate products and of polymers.

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.

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 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 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 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

and technical conditions applicable at the time of the estimate and according to	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
bbl	=	barrels
kbbl	=	thousand barrels
mmbbl	=	million barrels
bbbl	=	billion barrels
mmtonnes	=	million tonnes
ktonnes	=	thousand tonnes
/d	=	per day
/y	=	per year

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Consolidated accounts for the first half of 2007

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ENI REPORT ON THE FIRST HALF OF 2007 / GROUP FINANCIAL STATEMENTS

Balance sheet

		Dec. 31, 2006		June 30, 2007	
(million euro)	Note	Total amount	*of which with related parties*	Total amount	*of which with related parties*
ASSETS					
Current assets					
Cash and cash equivalent	(1)	3,985		6,368	
Other financial assets held for trading or available for sale:	(2)				
- equity instruments				*2,581*	
- other securities		*972*		*732*	
			972		*3,313*
Trade and other receivables	(3)	18,799	*1,027*	17,648	*1,504*
Inventories	(4)	4,752		4,936	
Current tax assets	(5)	658		589	
Other current assets	(6)	855	*4*	697	
Total current assets		**30,021**		**33,551**	
Non-current assets					
Property, plant and equipment	(7)	44,312		45,999	
Other assets	(8)	629		614	
Inventories - compulsory stock	(9)	1,827		1,899	
Intangible assets	(10)	3,753		3,962	
Investments accounted for using the equity method	(11)	3,886		4,845	
Other investments	(11)	360		364	
Other financial assets	(12)	805	*136*	596	*61*
Deferred tax assets	(13)	1,725		1,650	
Other non-current receivables	(14)	994		1,263	*24*
Total non-current assets		**58,291**		**61,192**	
Assets held for sale	(24)			**193**	
TOTAL ASSETS		**88,312**		**94,936**	
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities					
Short-term financial liabilities	(15)	3,400	*92*	8,131	*97*
Current portion of long-term debt	(19)	890		930	
Trade and other payables	(16)	15,995	*961*	15,531	*955*
Taxes payable	(17)	2,830		3,582	
Other current liabilities	(18)	634	*4*	604	*8*
Total current liabilities		**23,749**		**28,778**	
Non-current liabilities					
Long-term debt	(19)	7,409	*17*	7,080	*17*
Provisions for contingencies	(20)	8,614		8,208	
Provisions for employee benefits	(21)	1,071		936	
Deferred tax liabilities	(22)	5,852		6,427	

Other non-current liabilities	(23)	418	*56*	1,146	*59*
Total non-current liabilities		**23,364**		**23,797**	
Liabilities directly associated to assets held for sale	(24)			**65**	
TOTAL LIABILITIES		**47,113**		**52,640**	
SHAREHOLDERS EQUITY	(25)				
Minority interests		**2,170**		**2,068**	
Eni shareholders equity					
Share capital		4,005		4,005	
Reserves		33,391		37,061	
Treasury shares		(5,374)		(5,693)	
Interim dividend		(2,210)			
Net profit		9,217		4,855	
Total Eni shareholders equity		**39,029**		**40,228**	
TOTAL SHAREHOLDERS EQUITY		**41,199**		**42,296**	
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		**88,312**		**94,936**	

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Profit and loss account

		First half 2006		First half 2007	
(million euro)	Note	Total amount	*of which with related parties*	Total amount	*of which with related parties*
REVENUES	(27)				
Net sales from operations		44,323	*2,258*	41,688	*2,052*
Other income and revenues		372		445	
Total revenues		**44,695**		**42,133**	
OPERATING EXPENSES	(28)				
Purchases, services and other		29,383	*1,690*	27,727	*1,731*
- of which not recurrent expense				*130*	
Payroll and related costs		1,736		1,777	
- of which not recurrent income				*(74)*	
Depreciation, amortization and impairments		3,034		3,306	
OPERATING PROFIT		**10,542**		**9,323**	
FINANCIAL INCOME (EXPENSE)	(29)				
Financial income		2,246	*31*	1,574	*61*
Financial expense		(2,095)	*(6)*	(1,549)	*(37)*
		151		**25**	
INCOME FROM INVESTMENTS	(30)				
Effects of investments accounted for using the equity method		380		348	
Other income from investments		87		143	
		467		**491**	
PROFIT BEFORE INCOME TAXES		**11,160**		**9,839**	
Income taxes	(31)	**(5,547)**		**(4,673)**	
Net profit		**5,613**		**5,166**	
Pertaining to:					
- Eni		5,275		4,855	
- minority interest	(25)	338		311	
		5,613		**5,166**	
Earnings per share pertaining to Eni (euro per share):	(32)				
- basic		1.42		1.32	
- diluted		1.42		1.32	

Contents

Statements of changes in shareholders equity

(million euro)	Eni shareholders equity											
	Share capital	Legal reserve of Eni SpA	Reserve for treasury shares	Cumulative translation exchange differences reserve	Other reserves	Retained earnings	Treasury shares	Interim dividend	Net profit for the period	Total	Minority interests	Total shareholders equity
Balance at December 31, 2005	**4,005**	**959**	**5,345**	**941**	**5,351**	**17,381**	**(4,216)**	**(1,686)**	**8,788**	**36,868**	**2,349**	**39,217**
Net profit for the first half 2006									**5,275**	**5,275**	**338**	**5,613**
Net income (expense) directly recognized in equity												
Variation of the fair value of securities available for sale					(5)					(5)		(5)
Exchange differences from translation of financial statements denominated in currencies other than euro				(902)						(902)	(26)	(928)
				(902)	**(5)**					**(907)**	**(26)**	**(933)**
Total (expense) income of the period				**(902)**	**(5)**				**5,275**	**4,368**	**312**	**4,680**
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)								1,686	(4,086)	(2,400)		(2,400)
Dividend distribution of other companies											(220)	(220)
Allocation of 2005 residual net profit						4,702			(4,702)			
Authorization to share repurchase			2,000			(2,000)						
Shares repurchased							(978)			(978)		(978)
Treasury shares sold under incentive plans for Eni managers			(18)		11	7	18			18		18
			1,982		**11**	**2,709**	**(960)**	**1,686**	**(8,788)**	**(3,360)**	**(22)**	**(3,580)**
Other changes in shareholders equity												
Sale to Saipem Projects SpA of Snamprogetti SpA						247				247	(247)	
Sale of consolidated companies to third parties											(36)	(36)
Cost related to stock options						6				6		6
Reclassification of distributable reserves of Eni SpA				(5,219)	5,219							
Other changes			2		(5)	5	(2)					
Exchange differences arising on the distribution				(117)		(180)				(297)	(127)	(424)

of dividends and other changes												
			2	**(117)**	**(5,224)**	**5,297**	**(2)**			**(44)**	**(410)**	**(454)**
Balance at June 30, 2006	**4,005**	**959**	**7,329**	**(78)**	**133**	**25,387**	**(5,178)**		**5,275**	**37,832**	**2,031**	**39,863**
Net profit for the second half 2006									**3,942**	**3,942**	**268**	**4,210**
Income (expense) directly recognized in equity												
Change in the fair value of securities available for sale					(8)					(8)		(8)
Change in the fair value of cash flow hedge derivatives					(15)					(15)		(15)
Exchange differences from translation of financial statements denominated in currencies other than euro				(364)						(364)	(3)	(367)
				(364)	**(23)**					**(387)**	**(3)**	**(390)**
Total (expense) income of the period				**(364)**	**(23)**				**3,942**	**3,555**	**265**	**3,820**
Transactions with shareholders												
Interim dividend (euro 0.60 per share)								(2,210)		(2,210)		(2,210)
Dividend distribution of other companies											(2)	(2)
Payments by minority shareholders											22	22
Shares repurchased							(263)			(263)		(263)
Treasury shares sold under incentive plans for Eni managers			(67)		43	14	67			57		57
Difference between the book value and strike price of stock options exercised by Eni managers						7				7		7
			(67)		**43**	**21**	**(196)**	**(2,210)**		**(2,409)**	**20**	**(2,389)**

continued Statements of changes in shareholders equity

(million euro)	Eni shareholders equity: Share capital	Legal reserve of Eni SpA	Reserve for treasury shares	Cumulative translation exchange differences reserve	Other reserves	Retained earnings	Treasury shares	Interim dividend	Net profit for the period	Total	Minority interests	Total shareholders equity
Other changes in shareholders equity												
Net effect related to the purchase of treasury shares by Saipem SpA and Snam Rete Gas SpA											(306)	(306)
Purchase and sale of consolidated companies											31	31
Cost related to stock options						8				8		8
Reclassifications					247	(247)						
Exchange differences arising on the distribution of dividends and other changes				44		(1)				43	129	172
Balance at December 31, 2006 (NOTE 25)				**44**	**247**	**(240)**				**51**	**(146)**	**(95)**
	4,005	**959**	**7,262**	**(398)**	**400**	**25,168**	**(5,374)**	**(2,210)**	**9,217**	**32,029**	**2,170**	**41,199**
Net profit for the first half 2007 (NOTE 25)									**4,855**	**4,855**	**311**	**5,166**
Net income (expense) directly recognized in equity												
Change in the fair value of securities available for sales (NOTE 25)					(8)					(8)		(8)
Change in the fair value of cash flow hedge derivatives (NOTE 25)					(528)					(528)		(528)
Exchange differences from translation of financial statements denominated in currencies other than euro				(348)						(348)	(2)	(350)
				(348)	**(536)**					**(884)**	**(2)**	**(886)**
Total (expense) income of the period				**(348)**	**(536)**				**4,855**	**3,971**	**309**	**4,280**
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 25)								2,210	(4,594)	(2,384)		(2,384)
Dividend distribution of other companies											(227)	(227)
Allocation of 2006 residual net profit						4,623			(4,623)			
Shares repurchased (NOTE 25)							(339)			(339)		(339)

Treasury shares sold under incentive plans for Eni managers (NOTE 25)			(20)		12	8	20			20		20
Difference between the book value and strike price of stock options exercised by Eni managers						4				4		4
			(20)		**12**	**4,635**	**(319)**	**2,210**	**(9,217)**	**(2,699)**	**(227)**	**(2,926)**
Other changes in shareholders equity												
Cost related to stock options						8				8		8
Net effect related to the purchase of treasury shares by Saipem SpA and Snam Rete Gas SpA											(196)	(196)
Exchange differences arising on the distribution of dividends and other changes				117		(198)				(81)	12	(69)
				117		**(190)**				**(7)**	**(184)**	**(257)**
Balance at June 30, 2007 (NOTE 25)	**4,005**	**959**	**7,242**	**(629)**	**(124)**	**29,613**	**(5,693)**		**4,855**	**40,228**	**2,068**	**42,296**

Statements of cash flows

(million euro)	Note	First half 2006	First half 2007
Net profit of the period		5,613	5,166
Depreciation and amortization	(28)	2,846	3,269
Revaluations, net		(305)	(258)
Net change in provisions for contingencies		38	(80)
Net change in the provisions for employee benefits		(4)	(60)
Gain on disposal of assets, net		(60)	(26)
Dividend income	(30)	(57)	(131)
Interest income		(164)	(301)
Interest expense		298	197
Exchange differences		(41)	(68)
Income taxes	(31)	5,547	4,673
Cash generated from operating profit before changes in working capital		13,711	12,381
(Increase) decrease:			
- inventories		(493)	(158)
- trade and other receivables		1,109	1,317
- other assets		(206)	77
- trade and other payables		748	(158)
- other liabilities		(154)	(155)
Cash from operations		14,715	13,304
Dividends received		283	307
Interest received		157	209
Interest paid		(86)	(169)
Income taxes paid		(4,401)	(3,968)
Net cash provided from operating activities		**10,668**	**9,683**
- of which with related parties	(34)	*1,527*	*647*
Investments:			
- tangible assets	(7)	(2,588)	(3,353)
- intangible assets	(10)	(466)	(904)
- consolidated subsidiaries and businesses		(45)	(1,085)
- investments		(12)	(3,850)
- securities		(281)	(71)
- financing receivables		(305)	(408)
- change in payables and receivables in relation to investments and capitalized depreciation		(179)	91
Cash flow from investments		(3,876)	(9,580)
Disposals:			
- tangible assets		70	145
- intangible assets		5	13
- consolidated subsidiaries and businesses		5	8
- investments		7	10
- securities		606	307
- financing receivables		728	503
- change in payables and receivables in relation to disposals		(23)	14

Cash flow from disposals		1,398	1,000
Net cash used in investing activities [(*)]		**(2,478)**	**(8,580)**
- of which with related parties	(34)	*(289)*	*(358)*

(million euro)	Note	First half 2006	First half 2007
Borrowing of non-current debt		2,603	2,351
Payments of non-current debt		(2,825)	(2,422)
Reductions of current debt		(921)	4,705
		(1,143)	**4,634**
Net capital contributions by minority shareholders			1
Acquisition of treasury shares different from Eni SpA		(191)	(337)
Acquisition of additional interests in consolidated subsidiaries		(7)	
Sale of additional interests in consolidated subsidiaries		17	
Dividends to Eni shareholders		(2,400)	(2,384)
Dividends to other shareholders		(220)	(227)
Net purchase of treasury shares		(960)	(319)
Net cash used in financing activities		**(4,904)**	**1,368**
- of which with related parties	(34)	*(34)*	*(17)*
Effect of change in consolidation (inclusion/exclusion of companies become relevant/irrelevant)		*(1)*	*(4)*
Effect of exchange differences in cash and cash equivalent		*(140)*	*(84)*
Net cash flow for the period		**3,145**	**2,383**
Cash and cash equivalent at beginning of the period	(1)	**1,333**	**3,985**
Cash and cash equivalent at end of the period	(1)	**4,478**	**6,368**

(*) Net cash used in investing activities includes some investments which Eni, due to their nature (temporary cash investments or carried on in order to optimize management of treasury operations) are considered as a reduction of net borrowings as defined in the Financial Review in the Operating and Financial Review .

(million euro)	First half 2006	First half 2007
Financing investments:		
- securities		(70)
- financing receivables	(16)	(36)
	(16)	**(106)**
Disposal of financing investments:		
- securities	428	306
- financing receivables	54	30
	482	**336**
Net cash flows from financing activities	**466**	**230**

SUPPLEMENTAL CASH FLOW INFORMATION

(million euro)	First half 2006	First half 2007
Effect of investment of companies included in consolidation and businesses		
Current assets	68	
Non-current assets	129	1,607
Net borrowings	53	
Current and non-current liabilities	(92)	(522)
Net effect of investments	**158**	**1,085**
Sale of unconsolidated subsidiaries	(60)	
Purchase price	**98**	**1,085**
less:		
Cash and cash equivalent	(53)	
Cash flow on investments	**45**	**1,085**
Effect of disposal of consolidated subsidiaries and businesses		
Current assets	9	
Non-current assets		1
Net borrowings	(1)	24
Current and non-current liabilities	(4)	(25)
Net effect of disposals	**4**	
Gain on disposal	1	8
Minority interest		
Selling price	**5**	**8**
less:		
Cash and cash equivalent		
Cash flow on disposals	**5**	**8**

Transactions that did not produce cash flows

Acquisition of equity investments in exchange of businesses contribution:

(million euro)	First half 2006	First half 2007
Effect of business contributions		
Current assets	23	
Non-current assets	213	
Net borrowings	(44)	
Non-current and current liabilities	(53)	
Net effect of contributions	**139**	
Minority interest	(36)	
Gain on contribution	18	
Acquisition of investments	**121**	

Basis of presentation

The interim consolidated financial statements have been laid out in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission following the procedure contained in 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. The interim consolidated financial statements have been prepared under IAS 34 Interim Financial Reporting ; financial statements are the same adopted in the annual report. For hydrocarbon exploration and production, accounting policies followed at an international level have been applied, with particular reference to amortization according to the Unit-of-Production method, buy-back contracts and Production Sharing Agreements.
The interim consolidated financial statements have been prepared by applying the cost method except for items that under IFRS must be recognized at fair value as described in the evaluation criteria.
The interim consolidated financial statements include the statutory accounts of Eni SpA and of all Italian and foreign companies in which Eni SpA holds the right to directly or indirectly exercise control, determine financial and management decisions and obtain economic and financial benefits.
Insignificant subsidiaries are not included in the scope of consolidation. A subsidiary is considered insignificant when it does not exceed two of these limits: (i) total assets or liabilities: euro 3,125 thousand; (ii) total revenues: euro 6,250 thousand; (iii) average number of employees: 50 units. Moreover, companies for which the consolidation does not produce significant economic and financial effects are not included in the scope of consolidation. Such companies generally represent subsidiaries that work on behalf of other companies as the sole operator in the management of upstream oil contracts; these companies are financed on a proportional basis according to budgets approved, by the companies involved in the project, to which the company periodically reports costs and receipts deriving from the contract. 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 not material[1].
Subsidiaries excluded from consolidation, joint ventures, associates and other interests are accounted for as described below under the item Financial fixed assets .
The interim consolidated financial statements have been approved by Eni s Board of Directors on September 20, 2007 and audited under a limited review by PricewaterhouseCoopers SpA. A limited review implies significantly less work as compared to a full audit performed according the standards governing external audits.
Considering their materiality, amounts of the financial statements and related disclosures are expressed in millions of euro.

Principles of consolidation

Interests in companies included in the scope of consolidation

Assets and liabilities, expense and income related to fully consolidated companies are wholly incorporated into the interim consolidated financial statements; the book value of these interests is eliminated against the corresponding fraction of the shareholders equity of the companies owned, attributing to each item of the balance sheet the current value at the date of acquisition of control. Any positive residual difference as regards to the acquisition cost is recognized as Goodwill . Negative residual differences are charged against the profit and loss account.
Any positive residual difference between the cost for the acquisition of the share that exceeds the control (minorities acquisition) and the corresponding fraction of shareholders equity acquired is recognized as Goodwill .
Gains or losses on the sale of shares in consolidated subsidiaries are recorded in the profit and loss account for the

amount corresponding to the difference between proceeds from the sale and the divested portion of net equity sold. Fractions of shareholders equity and net profit of minority interest are recognized under specific items in the interim consolidated financial statements. Minority interest is determined based on the current value attributed to assets and liabilities at the date of the acquisition of control, excluding any related goodwill.

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(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.

Inter-company transactions

Income deriving from inter-company transactions unrealized towards third parties is eliminated. Receivables, payables, revenues and costs, guarantees, commitments and risks among consolidated companies are eliminated as well. Inter-company losses are not eliminated, since they reflect an actual decrease in the value of divested assets.

Foreign currency translation

Interim financial statements of consolidated companies denominated in currencies other than the euro are converted into euro applying exchange rates prevailing at period end to assets and liabilities, the historical exchange rates to equity accounts and the average rates for the period to profit and loss account (source: Ufficio Italiano Cambi). Exchange rate differences from conversion deriving from the application of different exchange rates for assets and liabilities, shareholders equity and profit and loss account are recognized under the item Other reserves within shareholders equity for the portion relating to the Group and under the item Minority interest for the portion related to minority shareholders. The exchange rate differences reserve is charged to the profit and loss account when the investments are sold or the capital employed is repaid. Interim financial statements of foreign subsidiaries which are translated into euro are denominated in the functional currencies of the country where the enterprise operates. The US dollar is the prevalent functional currency for the enterprises that do not adopt the euro.

Evaluation criteria

The most significant evaluation criteria used for the preparation of the interim consolidated financial statements are shown below.

Current assets

Financial assets held for trading and financial assets available for sale, except for interests in investments associated to a derivative instrument, are stated at fair value; economic effects are charged to the profit and loss account item Financial income (expense) and under shareholders equity within Other reserves . In the later case, changes in fair value recognized under shareholders equity are charged to the profit and loss account when they are impaired or realized.
Financial assets available for sale representing interests in investments associated to a derivative instrument 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 to the profit and loss account of the changes in fair value of the derivative instrument.
The fair value of financial instruments is represented 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 the market operators and the prices obtained in similar actual transactions in the market. When the conditions for the purchase or sale of financial assets provide for the settlement of the transaction and the delivery of the assets within a given number of days determined by entities controlling market or by agreements (e.g., purchase of securities on regulated markets), the transaction is entered at the date of settlement. Receivables are stated at their amortized cost (see item Financial fixed assets below).
Transferred financial assets are eliminated when the transaction, together with the cash flows deriving from it, lead to the substantial transfer of all risks and benefits associated to the property. Inventories, including compulsory stocks and excluding contract work in progress, are stated at the lower of purchase or production cost and net realizable value represented by the proceeds the company expects to collect from the sale of the inventories in the normal course of business.
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 recorded on the basis of contractual considerations by reference to the stage of completion of a contract measured on a cost-to-cost basis. Advances are deducted from inventories within the limits of 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 is agreed in a foreign currency, is translated to euro using the current exchange rates at period end and effects are reflected in the profit and loss account.

Hedging instruments are described in the section Derivative instruments .

Non-current assets

Property, plant and equipment[2]

Tangible assets, including investment properties, are recognized using the cost model and stated at their purchase or production cost including ancillary costs which can be directly attributed to them as required to make the asset ready for use. In addition, when a substantial amount of time is required to make the asset ready for use, the purchase price or production cost includes the financial expenses incurred that would have theoretically been saved if the investment had not been made.

In the case of current obligations for the dismantling and removal of assets and the reclamation 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. Revisions of estimates for these provisions, for the passage of time and for changes in the discount rate are recognized under Provisions for contingencies[3]

No revaluation is made even in application of specific laws.

Assets carried under financial leasing or concerning arrangements that do not take the legal form of a financial lease but produce a substantive transfer of risks and rewards of ownership, are recognized at fair value, net of taxes due from the lessor or, if lower, at the amount of future minimum lease payments, and are included in the tangible assets, with a corresponding entry to the financial payable to the lessor, and depreciated using the criteria detailed below. When the renewal is not reasonably certain, assets carried under financial leasing are depreciated over the period of the lease if shorter than the useful life of the asset.

Renewals, improvements and transformations which extend future economic benefits of the assets capitalized.

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, that is an estimate of the period for 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 presumable 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 in bulk 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.

The costs for the substitution 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. Ordinary maintenance and repair costs are expensed when incurred.

When events occur that lead to a presumable reduction in the book value of tangible assets, their recoverability is assessed by comparing their book value with the recoverable amount, represented by the greater of fair value less costs of disposal and value in use. In the absence of a 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 determined by discounting the expected cash flows deriving 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 residual useful life of the asset, giving more importance to independent assumptions. Discounting is carried out at a rate that takes into account the implicit risk in the segments 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 reverses previously recorded impairment charges and records it as income from asset revaluation in the profit and loss account for the related period. This asset revaluation is the lower of the recoverable amount and the book value increased by the amount of previously incurred impairments net of related amortization that would have been made if the impairment had not been made.

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(2) Recognition and evaluation criteria of exploration and production activities are described in the section Exploration and production activities below.

(3) 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, transportation (downstream) and chemical long-lived assets generally are recognized, as indeterminate settlement dates for the asset retirements prevented estimation 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.

Intangible assets

Intangible assets include assets which lack identifiable physical qualities, 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 can be traced back to a legal or contractual right, 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 cash inflows generated by the underlying asset and to restrict the access of others to those cash flows.
Intangible assets are stated at cost as determined by the criteria used for tangible assets. No revaluation is made even in application of specific laws.
Intangible assets with a defined useful life are amortized systematically over the duration of their useful life estimated as the period over which the assets will be used by the company; the recoverability of their book value is verified in accordance with the criteria described in the section Tangible assets .
Goodwill and other intangible assets with an indefinite useful life are not amortized. The recoverability of their carrying value is checked 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 attributed thereto, exceeds the cash generating unit s recoverable amount, the difference is recognized as impairment and it is primarily charged against goodwill up to its amount; any amount in excess is charged on a pro-rata basis against the book value of the assets that form the cash generating unit. Impairment charges against goodwill are not revalued[4]. Negative goodwill is recognized in the profit and loss account.
Costs of technological development activities are capitalized when: (i) the cost attributable to the intangible asset 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 cash inflows.

Exploration and production activities[5]

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 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 Unit of Production (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 capitalized, to reflect their nature of investment and 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 and amortized generally on a UoP basis, as their useful life is closely related to

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(4) Impairment charges are not revalued 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.

(5) IFRS do not establish specific criteria for hydrocarbon exploration and production activities. Eni continues to use existing accounting policies for exploration activities and evaluation of mineral assets previously applied before the introduction of IFRS 6 Exploration for and evaluation of mineral resources .

the availability of feasible reserves. This method provides for residual costs at the end of each quarter to be amortized through 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 investment 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
Revenues and oil and gas reserves related to Production Sharing Agreements and buy-back contracts are settled on the basis of contractual clauses related to the repayment of costs incurred following the exploration, development and operating activities (cost oil) and to the relevant amount of realized productions (profit oil).

ASSET RETIREMENT OBLIGATION
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 Tangible assets .

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 governmental entities, have been met. Grants not related to capital expenditure are recognized in the profit and loss account.

Financial fixed assets

INVESTMENTS
Investments in subsidiaries excluded from consolidation, joint ventures and associates are accounted for using the equity method. If it does not result in a misrepresentation of the company s financial condition and consolidated results, subsidiaries, joint ventures and associates excluded from consolidation may be accounted for at cost, adjusted for impairment losses. When the reasons for their impairment cease to exist, investments accounted for at cost are revalued within the limit of the impairment made and their effects are charged to the profit and loss account item 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 ascertained, investments are accounted for at cost, adjusted for impairment losses; impairment losses may not be revalued[6].
The risk deriving from losses exceeding shareholders equity is recognized in a specific provision to the extent the parent company is required to fulfill 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 corrected 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. The economic effects of the valuation according to the amortized cost method are charged as Financial income (expense) .

(6) Impairment charges are not revalued 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.

Financial liabilities

Debt is carried at amortized cost (see item Financial fixed assets above).

Provisions for contingencies

Provisions for contingencies concern risks and charges of a definite nature and whose existence is certain or probable but for which at period end the amount or date of occurrence remains uncertain. Provisions are made when: (i) there is a current obligation, either legal or implicit, deriving from a past event; (ii) it is probable that the fulfillment of that obligation will result in an outflow of resources embodying economic benefits; and (iii) the amount of the obligation can be reliably estimated. Provisions are stated at the value that represents the best estimate of the amount that the company would reasonably pay to fulfill the obligation or to transfer it to third parties at the end of the period. When the financial effect of time is significant and the payment date of the obligations can be reasonably estimated, the provisions are discounted back at the company s average rate of leverage. The increase in the provision due to the passing of time is charged to the profit and loss account in the item 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 in the period in which 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 interim consolidated 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 uncertain 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 post-employment benefits

Post-employment benefit plans are defined on the basis of plans, including those unformalized, that due to their terms be either defined contributions or defined benefits. 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 plans, net of any plan assets, are determined on the basis of actuarial assumptions and charged on accrual basis during the employment period required to obtain the benefits; the evaluation of liabilities is made by independent actuaries.
The actuarial gains and losses of defined benefit plans, deriving from a change in the actuarial assumptions used or from a change in the conditions of the plan, are charged to the profit and loss account, proportionally through the residual average working life of the employees participating to the plan, in the limits of the share of the discounted profit/loss not charged beforehand, that exceeds the greater of 10% of the fair value of liabilities and 10% of the fair value of the plan assets (corridor method).
Obligations for long-term benefits are determined by adopting actuarial assumptions; the effect of changes in actuarial assumptions or of 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 shareholders equity. Gains following subsequent sales are recorded as an increase in shareholders equity.

Revenues and costs

Revenues from sales of products and services rendered are recognized upon transfer of risks and rewards associated with the property or upon settlement of the transaction. In particular, revenues are recognized:
- for crude oil, generally upon shipment;
- for natural gas, when the natural gas is delivered to the customer;

- for petroleum products sold to retail distribution networks, generally upon delivery to the service stations, whereas all other sales are generally recognized upon shipment;
- for petrochemical products and other products, generally upon shipment.

Revenues are recognized upon shipment when, at that date, the risks of loss are transferred to the acquirer. Revenues from the sale of crude oil and natural gas produced in properties in which Eni has an interest together with other producers are recognized on the basis of Eni s 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 are recognized with respect to the accrued revenues, if it is possible to reasonably determine the stage of completion and there are no relevant uncertainties concerning the amounts and the existence of the revenue and related costs; otherwise it is recognized within the limits of the recoverable costs incurred.

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.

Revenues are stated net of returns, discounts, rebates and bonuses, as well as directly related taxation. Exchanges of goods and services with similar nature and value do not give rise to revenues and costs as they do not represent sale transactions.

Costs are recognized when the related goods and services are sold, consumed or allocated, or when their future benefits cannot be determined. Costs related to the amount of emissions, determined on the basis of the average prices of the main European markets at the end of the period, are reported in relation to the amount of the carbon dioxide emissions that exceed the amount assigned; revenues related to the amount of emissions are reported when recognized following the 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, consistent with their actual remunerative nature. The cost is determined based on the fair value of the rights awarded to the employee at the date of the award and is not subject to subsequent adjustments; the portion on an accrual basis is calculated pro rata over the period to which the incentive refers (vesting period)[7]. The fair value of stock grants is represented by the current value of the shares at the date of the award, reduced by the current value of the expected dividends in the vesting period.

The fair value of stock options is the value of the option calculated with appropriate valuation techniques that take into account the exercise conditions, current price of the shares, expected volatility and the risk-free interest rate. The fair value of the stock grants and stock options is shown as a contra-entry to 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 do not satisfy conditions for the recognition in the balance sheet, are generally considered current costs and expensed as incurred.

Exchange rate differences

Revenues and costs concerning transactions in currencies other than the functional currency are stated at the exchange rate on the date that the transaction is completed.

Monetary assets and liabilities in currencies other than functional currency are converted by applying the end of period 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 stated at the initial exchange rate; when they are evaluated at fair value, recoverable amount or realizable value, the exchange rate applied is that of the day of recognition.

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.

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(7) 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.

Income taxes

Current income taxes are determined on the basis of estimated taxable income; the estimated liability is recognized in the item 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 period end 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. Deferred tax assets are recognized when their realization is considered probable.
Deferred tax assets and liabilities are recorded under 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 .
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 net 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.

Interim financial statements

Assets and liabilities of the balance sheet are classified as current and non-current. Items of the profit and loss account are presented by nature. Statements of changes in shareholders equity present profit and loss for the period, transactions with shareholders and other changes of the shareholders equity.
Statements of cash flows are presented using the indirect method, whereby net profit is adjusted for the effects of transactions of a non-cash nature.

Use of accounting estimates

The preparation of these consolidated financial statements under IFRS requires management to make accounting estimates that are based on complex or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic considering the information available at the date of the estimate. The application of these estimates and assumptions affects the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of income and expenses during the period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. Summarized below are the critical accounting estimates that require the more subjective judgment of our management. Such assumptions or estimates regard the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect future results.

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 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 categorized as proved undeveloped. Volumes will subsequently be recategorized 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 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 decreases depreciation, depletion and amortization expense. On the contrary, 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 less likely the property is to be impaired.

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 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.
Goodwill and other intangible assets with indefinite useful life are not amortized but they are checked at least annually to determine whether their carrying amount is recoverable and in any case, when trigger events arise that would lead the entity to assume the value of an asset is impaired. 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 obligation

Obligations related to the removal of tangible equipment and the restoration of land or seabeds require significant estimates in calculating the amount of the obligation and determining the amount required to be recorded in the interim consolidated financial statements. Estimating future asset removal costs is difficult and requires management to make estimates and judgments due to the fact that most removal obligations will come to term many years into the future and contracts and regulations are often unclear as to what constitutes removal.

Asset removal technologies and costs are constantly changing, as well as political, environmental, safety and public relations considerations. 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 is adopted. The recognized asset retirement obligations are based upon 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 combination

Accounting for the acquisition of a business requires the allocation of the purchase price to most assets and liabilities acquired at fair value. Any positive residual difference is recognized as Goodwill . Negative residual differences are charged against 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, productions 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 interim 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 costs 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. 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; (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 actuarial gains and losses, unrecognized 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 counterpart will accept them.

Notes to the Consolidated Financial Statements

Current activities

1 Cash and cash equivalent

Cash and cash equivalent of euro 6,368 million (euro 3,985 million at December 31, 2006) included financing receivables originally due within 90 days for euro 227 million (euro 240 million at December 31, 2006) and consisted of deposits with financial institutions with a notice greater than 48 hours. The increase of euro 2,383 million primarily concerned Eni Coordination Center SA (euro 969 million) and Eni SpA (euro 929 million).

2 Other financial assets held for trading or available for sale

Other financial assets held for trading or available for sale of euro 3,313 million (euro 972 million at December 31, 2006) consisted of the following:

(million euro)	Dec. 31, 2006	June 30, 2007
Equity instruments		**2,581**
Securities held for operating purposes:		
- listed Italian treasury bonds	329	441
- listed securities issued by Italian and foreign merchant banks	80	66
- non-quoted securities	11	11
	420	**518**
Securities held for non-operating purposes:		
- listed Italian treasury bonds	508	205
- listed securities issued by Italian and foreign merchant banks	40	3
- non-quoted securities	4	6
	552	**214**
	972	**3,313**

Equity instruments of euro 2,581 million concerned 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 currently listed at the London Stock Exchange with floating shares that represent a 5% of the share capital. 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 equaling the bid price, as modified by subtracting dividends received and adding possible share capital increases, a contractual remuneration on the capital employed and financing collateral expenses. In accordance with the fair value option provided for by IAS 39, Eni evaluated its 20% interest in OAO Gazprom Neft at fair value with changes in fair value recognized through the profit or loss account instead of net equity. Eni elected this way in order to eliminate a recognition inconsistency that would otherwise arise from measuring both the equity instrument and the related call option on different basis. 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 equaling the option strike price as of June 30, 2007.
Securities of euro 732 million (euro 972 million at December 31, 2006) were available for sale. At December 31, 2006 and June 30, 2007 Eni did not own financial assets held for trading.

The effects of the valuation at fair value of securities consisted of the following:

(million euro)	Value at Dec. 31, 2006	Realization to the profit and loss account	Value at June 30, 2007
Fair value	**8**	**(11)**	**(3)**
Deferred tax liabilities/assets	2	(3)	(1)
Other reserves of shareholders equity	6	(8)	(2)

Securities held for operating purposes of euro 518 million (euro 420 million at December 31, 2006) concerned coverage securities of technical reserves of Eni s insurance companies for euro 515 million (euro 417 million at December 31, 2006).
The fair value of securities was determined based on market quotations.

3 Trade and other receivables

Trade and other receivables of euro 17,648 million (euro 18,799 million at December 31, 2006) consisted of the following:

(million euro)	Dec. 31, 2006	June 30, 2007
Trade receivables	15,230	13,388
Financing receivables:		
- for operating purposes - short-term	242	299
- for operating purposes - current portion of long-term receivables	4	15
- for non-operating purposes	143	192
	389	**506**
Other receivables:		
- from disposals	100	167
- other	3,080	3,587
	3,180	**3,754**
	18,799	**17,648**

Receivables were recorded net of the allowance for impairment losses of euro 929 million (euro 874 million at December 31, 2006):

(million euro)	Value at Dec. 31, 2006	Additions	Deductions	Other changes	Value at June 30, 2007
Trade receivables	587	57	(8)	(19)	617
Financial receivables and other	287	35	(1)	(9)	312
	874	**92**	**(9)**	**(28)**	**929**

Trade receivables of euro 13,388 million decreased by euro 1,842 million. This decrease concerned for euro 2,154 million the Gas & Power segment and included the exchange rate differences due to the translation of financial statements prepared in currencies other than euro for euro 75 million. Trade receivables included advances paid as a guarantee of contract work in progress for euro 67 million (euro 70 million at December 31, 2006).
Financing receivables made for operating purposes of euro 314 million (euro 246 million at December 31, 2006) concerned concessions, primarily, to unconsolidated subsidiaries, joint ventures and affiliates.
Other receivables of euro 3,754 million (euro 3,180 million at December 31, 2006) consisted of the following:

(million euro)	Dec. 31, 2006	June 30, 2007
Accounts receivable from:		
- joint venture operators in exploration and production	1,376	1,582
- Italian governmental entities	266	283

- insurance companies	223	108
	1,865	**1,973**
Prepayments for services	440	336
Receivables relating to factoring operations	191	212
Other receivables	684	1,233
	3,180	**3,754**

Receivables relating to factoring operations for euro 212 million (euro 191 million at December 31, 2006) relate to Serfactoring SpA and essentially concerned advances for factoring operations with recourse and receivables for factoring operations without recourse.
Receivables with related parties are described in Note 34 - Transactions with related parties.
The valuation at fair value of trade and other receivables did not have any significant effect.

4 Inventories

Inventories of euro 4,936 million (euro 4,752 million at December 31, 2006) consisted of the following:

	Dec. 31, 2006					**June 30, 2007**				
(million euro)	Crude oil, gas and petroleum products	Chemical products	Work in progress long-term contracts	Other	Total	Crude oil, gas and petroleum products	Chemical products	Work in progress long-term contracts	Other	Total
Raw and auxiliary materials and consumables	436	258		682	1,376	440	208		803	1,451
Products being processed and semi finished products	43	20		8	71	55	32		13	100
Work in progress long-term contracts			353		353			633		633
Finished products and goods	2,063	536		62	2,661	1,834	606		92	2,532
Advances	1		287	3	291			219	1	220
	2,543	**814**	**640**	**755**	**4,752**	**2,329**	**846**	**852**	**909**	**4,936**

Inventories were net of the valuation allowance of euro 66 million (euro 92 million at December 31, 2006):

(million euro)	**Value at Dec. 31, 2006**	**Additions**	**Deductions**	**Other changes**	**Value at June 30, 2007**
	92	1	(17)	(10)	**66**

5 Current tax assets

Current tax assets of euro 589 million (euro 658 million at December 31, 2006) consisted of the following:

(million euro)	**Dec. 31, 2006**	**June 30, 2007**
Italian tax	394	295
Foreign tax	264	294
	658	**589**

Current tax assets concerned value added tax credits for euro 168 million (euro 303 million at December 31, 2006), income tax receivables of euro 140 million (euro 116 million at December 31, 2006) and excise taxes customs duties on natural gas and customs expenses for euro 61 million (euro 86 million at December 31, 2006).

6 Other current assets

Other current assets of euro 697 million (euro 855 million at December 31, 2006) consisted of the following:

(million euro)	Dec. 31, 2006	June 30, 2007
Fair value of non-hedging derivatives	569	495
Fair value of cash flow hedge derivatives	37	3
Fair value of fair value hedge derivatives	1	
Other assets	248	199
	855	**697**

Fair value of non hedging derivative contracts of euro 495 million (euro 569 million at December 31, 2006) consisted of the following:

	Dec. 31, 2006		June 30, 2007	
(million euro)	Fair value	Commitments	Fair value	Commitments
Non-hedging derivatives on exchange rate				
Interest Currency Swap	137			