Eni preliminary results for 2006

February 22, 2007

Index

Summary financial data

(€ million)

Fourth Quarter 2005	2006	Change	% Ch.		Full Year 2005	2006	Change	% Ch.
21,506	**21,416**	(90)	(0.4)	Net sales from operation	73,728	**86,105**	12,377	16.8
4,396	**3,957**	(439)	(10.0)	Operating profit	16,827	**19,327**	2,500	14.9
4,931	**4,776**	(155)	(3.1)	Adjusted operating profit (1)	17,558	**20,490**	2,932	16.7
2,105	**1,520**	(585)	(27.8)	Net profit pertaining to Eni	8,788	**9,217**	429	4.9
0.56	**0.41**	(0.15)	(26.6)	- per ordinary share (euro) (2)	2.34	**2.49**	0.15	6.6
1.34	**1.06**	(0.28)	(20.4)	- per ADS ($) (2) (3)	5.81	**6.26**	0.45	7.7
2,396	**2,355**	(41)	(1.7)	Adjusted net profit pertaining to Eni (1)	9,251	**10,412**	1,161	12.5
2,072	**1,780**	(292)	(14.1)	Net cash provided by operating activities	14,936	**17,003**	2,067	13.8
2,464	**2,944**	480	19.5	Capital expenditure	7,414	**7,833**	419	5.7

(1) For a detailed of adjusted operating profit and net profit see page 39.
(2) Fully diluted. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by the ECB for the periods presented.
(3) One American Depository Share is equal to two Eni ordinary shares.

Key market indicators

Fourth Quarter 2005	2006	Change	% Ch.		Full Year 2005	2006	Change	% Ch.
56.90	**59.68**	2.8	4.9	Average price of Brent dated crude oil (1)	54.38	**65.14**	10.76	19.8
1.189	**1.290**	0.101	8.5	Average EUR/USD exchange rate (2)	1.244	**1.256**	0.012	1.0
47.86	**46.26**	(1.60)	(3.3)	Average price in euro of Brent dated crude oil	43.71	**51.86**	8.15	18.6
5.05	**2.18**	(2.87)	(56.8)	Average European refining margin (3)	5.78	**3.79**	(1.99)	(34.4)
4.25	**1.69**	(2.56)	(60.2)	Average European refining margin in euro	4.65	**3.02**	(1.63)	(35.1)
2.3	**3.6**	1.3	56.5	Euribor - three-month rate (%)	2.2	**3.1**	0.9	40.9
4.3	**5.3**	1.0	23.3	Libor - three-month dollar rate (%)	3.5	**5.2**	1.7	48.6

(1) In USD per barrel. Source: Platt's Oilgram.
(2) Source: BCE.
(3) In USD per barrel Mediterranean Brent dated crude oil. Eni calculations based on Platt's Oilgram.

Summary operating data

Fourth Quarter 2005	2006	Change	% Ch.		Full Year 2005	2006	Change	% Ch.
				Daily production:				
1,132	**1,079**	247	(4.7)	total liquids (kbbl/d)	1,111	**1,079**	(32)	(2.9)
3,885	**4,132**	7	6.4	natural gas (1) (mmcf/d)	3,602	**3,955**	353	9.8
1,806	**1,796**	**(10)**	**(0.6)**	**hydrocarbons** (1) (kboe/d)	**1,737**	**1,770**	**33**	**1.9**
10,564	**10,406**	(158)	(1.5)	Natural gas sales in Europe (mmcf/d)	9,076	**9,435**	359	4.0
530	**572**	42	8.0	- of which upstream sales (mmcf/d)	563	**544**	(19)	(3.4)
6.07	**6.07**			Electricity production sold (TWh)	22.77	**24.82**	2.05	9.0
247	**248**	1	0.6	Retail sales of refined products in Europe Agip Brand (kbbl/d)	248	**249**	1	0.5
1,289	**1,323**	34	2.6	Sales of petrochemicals products (ktonnes)	5,376	**5,264**	(112)	(2.1)

(1) Includes own consumption of natural gas (50,000 and 48,000 boe/day in the fourth quarter of 2006 and 2005, respectively; 50,000 and 44,000 boe/day in year 2006 and 2005, respectively).

Basis of presentation

Eni's preliminary results for 2006, unaudited, have been prepared in accordance with the evaluation and measurement criteria contained in the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and adopted by the European Commission according to the procedure set forth in Article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

Financial information relating to profit and loss account data are presented as of December 31, 2006 and the fourth quarter of 2006 and as of December 31, 2005 and the fourth quarter of 2005. Financial information relating to balance sheet data are presented on December 31, 2006 and December 31, 2005. Tables are comparable with those of 2005 financial statements and the first half report.

Disclaimer
This report contains certain forward-looking statements particularly those regarding capital expenditure, development and management of oil and gas resources, dividends, share repurchases, allocation of future cash flow from operations, future operating performance, gearing, targets of production and sale growth, new markets, and the progress and timing of projects. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; management's ability in carrying out industrial plans and in succeeding in commercial transactions; future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; 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 from operations and changes in average net borrowings for the fourth quarter cannot be extrapolated for the full year.

Financial Results

Profit and Loss Account

(€ million)

Fourth Quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
21,506	21,416	(90)	(0.4)	Net sales from operations	73,728	86,105	12,377	16.8
318	288	(30)	(9.4)	Other income and revenues	798	769	(29)	(3.6)
(15,684)	(15,860)	(176)	1.1	Operating expenses	(51,918)	(61,126)	(9,208)	17.7
(290)	*(181)*	*108*		*of which non recurring items*	*(290)*	*(206)*	*84*	
(1,744)	(1,887)	(143)	8.2	Depreciation, amortization and writedowns	(5,781)	(6,421)	(640)	11.1
4,396	**3,957**	**(439)**	**(10.0)**	**Operating profit**	**16,827**	**19,327**	**2,500**	**14.9**
(98)	52	150	(153.1)	Net financial income (expense)	(366)	161	527	(144.0)
146	157	11	7.5	Net income from investments	914	903	(11)	(1.2)
4,444	**4,166**	**(278)**	**(6.3)**	**Profit before income taxes**	**17,375**	**20,391**	**3,016**	**17.4**
(2,237)	(2,468)	(231)	10.3	Income taxes	(8.128)	(10.568)	(2.440)	30.0
50.3	*59.2*	*8.8*		*Tax rate*	*46.8*	*51.8*	*5.0*	
2,207	**1,698**	**(509)**	**(23.1)**	**Net profit**	**9,247**	**9,823**	**576**	**6.2**
				of which:				
2,105	**1,520**	**(585)**	**(27.8)**	**Net profit pertaining to Eni**	**8.788**	**9.217**	**429**	**4,9**
102	178	76	74.5	Net profit of minorities	459	606	147	32,0
2,105	**1,520**	**(585)**	**(27.8)**	**Net profit pertaining to Eni**	**8.788**	**9.217**	**429**	**4,9**
(131)	213	344		Exclusion of inventory holding (gains) losses	(759)	33	792	
422	622	200		Exclusion of special items:	1.222	1.162	(60)	
290	199	(91)		- non recurring items	290	218	(72)	
132	423	291		- other special items	932	944	12	
2,396	**2,355**	**(41)**	**(1.7)**	**Adjusted net profit pertaining to Eni**	**9.251**	**10.412**	**1.161**	**12,5**

Break-down of adjusted net profit by business segment:

(€ million)

Fourth Quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
				Adjusted net profit by division				
1,572	1,304	(268)	(17.0)	Exploration & Production	6,186	7,279	1,093	17.7
640	873	233	36.4	Gas & Power	2,552	2,862	310	12.1
221	115	(106)	(48.0)	Refining & Marketing	945	629	(316)	(33.4)
64	141	77	120.3	Petrochemicals	227	174	(53)	(23.3)
118	131	13	11.0	Engineering and Construction	328	400	72	22.0
(90)	(85)	5	(5.6)	Other activities	(297)	(301)	(4)	1.3
(46)	57	103	(223.9)	Corporate and financial companies	(142)	54	196	(138.0)
19	(3)	(22)	(115.8)	Unrealized profit in inventory	(89)	(79)	10	(11.2)
2,498	2,533	35	1.4		9,710	11,018	1,308	13.5
				of which:				
102	178	76	74.5	Net profit of minorities	459	606	147	32,0
2,396	**2,355**	**(41)**	**(1.7)**	**Adjusted net profit pertaining to Eni**	**9.251**	**10.412**	**1.161**	**12,5**

Fourth quarter

Group Result

Eni's net profit for the fourth quarter of 2006 was €1,520 million, down €585 million from the fourth quarter of 2005, or 27.8%, due essentially to: (i) a lower operating performance (down €439 million, or 10%), due to the adverse impact of the appreciation of the euro over the dollar (8.5%), higher exploration expense and weaker refining activity, partly offset by the improved operating performance of the Gas & Power and Petrochemicals divisions; (ii) a higher Group tax rate, from 50.3% to 59.2%, primarily due to the Algerian Government's introduction of a windfall tax on upstream earnings, effective as from August 1, 2006. This included higher current taxation and a deferred tax charge (for a total of €328 million, of which €149 pertaining to taxation for the period).

Eni's adjusted net profit at €2,355 million was slightly lower from the fourth quarter of 2005 (down 1.7%). Adjusted net profit is calculated by excluding an inventory holding loss of €213 million and special charges of €622 million (both amounts net of the related tax effect).

Special charges for the quarter were principally related to a deferred tax charge, reflecting the windfall tax levied by the Algerian Government as discussed above, asset impairments, consisting mainly of impairments of assets in the Exploration & Production and the Petrochemicals divisions, and risk provisions with respect to fines imposed by certain regulatory and antitrust Authorities, environmental provisions and redundancy incentives.

Divisional performance

The decline in the Group adjusted net profit for the fourth quarter was attributable to a reduction in profits reported in the:

- **Exploration & Production division** (down €268 million or 17%), due to a lower operating performance (down €386 million) impacted by currency translation effects and increased exploration expenses. These expenses were partially offset by higher realisations in dollars (oil up 5%; natural gas up 11.2%);
- **Refining & Marketing division** (down €106 million or 48%), due to a lower operating performance (down €231 million) adversely impacted by the weaker refining environment (Brent margins were down 2.87 $/bbl or 56.8% from one year ago) and the appreciation of the euro over the dollar, partly offset by the benefit derived from the higher profitability of processed crudes. Other negatives during the quarter included a deterioration of operating results of marketing activities in Italy due to the adverse impact of mild weather conditions on sales of refined products for heating uses.

These declines were partly offset by better adjusted net profit reported in the:

- **Gas & Power division** (up €233 million, or 36.4%), primarily reflecting the benefit from the partial reversal of a provision accrued in 2005 financial statements as an estimate of the impact of regulation enacted by the Authority for Electricity and Gas with Resolution No. 248/2004. Operating performance improved from one year ago as a result of higher natural gas selling margins, supported by a favourable trading environment. Volumes of natural gas sold by consolidated subsidiaries (down 192 mmcf/d, or 2%) and volumes distributed through low pressure pipelines to the Italian retail market were both down from a year ago due to mild weather conditions. Increasing adjusted net profit for the sector was also a result of the stronger performance of certain equity-accounted entities;
- **Petrochemicals division** (up €77 million, or 120.3%), reflecting an improved operating performance (up €80 million) resulting from a recovery in margins.

Full Year
Group Result

Eni's net profit for 2006 was a record €9,217 million, up €429 million compared to 2005, or 4.9%. This increase reflected a better operating performance (up €2,500 million), partially offset by a higher Group tax rate, which rose from 46.8% to 51.8%. The increase in the Group tax rate was recorded mainly in the Exploration & Production division due to: (i) the Algerian windfall tax on upstream earnings (€328 million, of which €149 million pertaining to taxation for the period); (ii) an increase in the supplemental tax rate implemented by the British Government, applicable to profit before taxes earned by operations in the North Sea, effective as from the start of 2006 affecting both current taxation and deferred tax liabilities (€198 million of which €107 million, pertaining to taxation for the period).

Eni's adjusted net profit for the year was up 12.5% to €10,412 million. Adjusted net profit is calculated by excluding an inventory holding loss of €33 million and special charges of €1,162 million (both amounts are net of the related fiscal effect).
Special charges for the year were principally related to asset impairments, impacting mainly assets in the Exploration & Production division, environmental provisions, redundancy incentives risk provisions with respect to certain fines imposed by certain regulatory and antitrust Authorities, and a deferred tax charge, reflecting the windfall tax levied by the Algerian Government and the supplemental tax rate in the UK, as mentioned above.

Return on average capital employed (ROACE) calculated on an adjusted basis for the twelve-month period ending December 31, 2006 was 22.7% (20.5% in 2005).
Eni's results benefited from a favourable trading environment, with a higher Brent crude oil price (up 19.8% compared to 2005) and higher selling margins on petrochemical products. These positives were partially offset by declining refining margins (margin on Brent were down 34.4%) Selling margins on natural gas were underpinned by a favourable trading environment. The euro appreciated by 1% over the dollar.

Divisional Performance

The Group adjusted net profit for the year was supported by the increase reported in the:

- **Exploration & Production division** (up €1,093 million, or 17.7%), reflecting a better operating performance (up €2.860 million) as a result of higher realisations in dollars (oil up 22.4% and natural gas up 17.8%) combined with increased production volumes sold (up 10.2 mmboe). These positives were offset in part by higher operating costs and amortisation charges, and increased exploration expenses. Adjusted net profit for the year was also negatively affected by the effects of exchange rates and a higher tax rate (from 51.8 to 53.9%);
- **Gas & Power division** (up €310 million, or 12.1%), reflecting a better operating performance (up €351 million) resulting from higher natural gas selling margins due to a favourable trading environment and the reduced impact of the tariff regime implemented by the Authority for Electricity and Gas with Resolution No. 248/2004. Growth in natural gas sales by consolidated subsidiaries (up 304 mmcf/d, or 3.8%) and in volumes transported outside Italy contributed positively. On a negative note, transportation activities in Italy posted lower operating results due to the tariff regime enacted by the Authority for Electricity and Gas with Resolution No. 166/2005 and distribution activities suffered from lower volumes. Adjusted net profit for the year was supported by a better performance of certain equity-accounted entities;
- **Engineering and Construction division** (up €72 million or 22%), reflecting a better operating performance against the backdrop of favourable trends in the demand for oilfield services.

These increases were partly offset by lower adjusted net profit reported in the Refining & Marketing division (down €316 million, or 33.4%), due to a poor operating performance (down €424 million) dragged down by a weak refining environment, the appreciation of the euro over the dollar and the impact of higher level of planned maintenance activity at refineries. Divisional results were also adversely impacted by the weaker performance of marketing activities in Italy due to lower sales as a consequence of the mild weather conditions of the fourth quarter.

Analysis of profit and loss account items

Net sales from operations

(€ million)

Fourth quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
6,419	6,152	(267)	(4.2)	Exploration & Production	22,531	27,173	4,642	20.6
7,419	8,170	751	10.1	Gas & Power	22,969	28,368	5,399	23.5
9,555	8,579	(976)	(10.2)	Refining & Marketing	33,732	38,210	4,478	13.3
1,657	1.740	83	5.0	Petrochemicals	6,255	6,823	568	9.1
1,809	1,969	160	8.8	Engineering and Construction	5,733	6,979	1,246	21.7
222	161	(61)	(27.5)	Other activities	863	823	(40)	(4.6)
272	345	73	26.8	Corporate and financial companies	1,239	1,174	(65)	(5.2)
(5,847)	(5,700)	147	(2.5)	Consolidation adjustment	(19,594)	(23,445)	(3,851)	19.7
21,506	**21,416**	**(90)**	**(0.4)**		**73,728**	**86,105**	**12,377**	**16.8**

Fourth quarter

Eni's net sales from operations for the fourth quarter of 2006 were €21,416 million, down €90 million from the fourth quarter of 2005, or 0.4%, reflecting primarily the negative impact of the 8.5% appreciation of the euro versus the dollar and lower sales of natural gas (down 2%) and refined products (down 3.5%) due to mild weather conditions, offset in part by higher product prices in all of Eni's main operating segments.

Full Year

Eni's net sales from operations (revenues) for 2006 were €86,105 million, up €12,377 million from 2005, or 16.8%, primarily reflecting higher product prices in all of Eni's main operating segments, higher volumes sold of hydrocarbons and natural gas and higher activity levels in the Engineering & Construction segment, offset in part by the negative impact of the appreciation of the euro versus the dollar (up 1%).

Revenues generated by the Exploration & Production segment were €27,173 million, up €4,642 million, or 20.6%, primarily reflecting higher realizations in dollars (oil up 22.8%, natural gas up 17.8%) and higher oil and gas production sold (up 10 mmboe). These positives were partially offset by the appreciation of the euro over the dollar (up 1%).

Revenues generated by the Gas & Power segment were €28,368 million, up €5,399 million, or 23.5%, primarily reflecting increased natural gas prices related in particular to a favourable trading environment, higher natural gas volumes sold by consolidated subsidiaries (up 3.14 bcm, or 3.8%) and higher electricity production sold (up 2.05 tWh, or 9%).

Revenues generated by the Refining & Marketing segment were €38,210 million, up €4,478 million, or 13.3%, primarily reflecting higher international prices for oil and refined products.

Revenues generated by the Petrochemical segment were €6,823 billion, up €568 million, or 9.1%, primarily reflecting an increase in average selling prices.

Revenues generated by the Engineering & Construction segment were €6,979 million, up €1,246 million, or 21.7%, primarily reflecting higher activity levels in the offshore and onshore construction businesses and a higher utilization rate of vessels and higher tariffs in the offshore drilling area.

Operating expenses

(€ million)

Fourth quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch. 2006
14,838	**14,884**	46	0.3	Purchases, services and other	48,567	**57,477**	8,910	18.3
290	***182***	*(108)*		*of which: - non recurring items*	*290*	***206***	*(84)*	
400	***117***	*(283)*		*- other special items*	*1,300*	***423***	*(877)*	
846	**976**	130	15.4	Payroll and related costs	3,351	**3,649**	298	8.9
44	***101***	*57*		*of which: - provision for redundancy incentives*	*79*	***178***	*99*	
15,684	**15,877**	**193**	**1.2**		**51,918**	**61,143**	**9,225**	**17.8**

Operating expenses for 2006 (€61,143 million) were up €9,225 million from 2005, or 17.8%, reflecting primarily: (i) higher prices for oil-based and petrochemical feedstocks and for natural gas, affected also by higher charges related to the climatic emergency of the first quarter of 2006; (ii) higher operating costs in the Exploration & Production segment, in particular the increase in operating costs resulted from the higher share of development projects in hostile environments and reflected sector-specific inflation; (iii) higher costs for refinery maintenance. These negative factors were offset in part by the impact of the appreciation of the euro over the dollar.

Operating expenses include non-recurring charges of €206 million in 2006 related essentially to a provision related to fines imposed by certain antitrust and regulatory authorities; in 2005 non-recurring charges of €290 million concerned a provision related to a fine levied by the Italian Antitrust Authority. Other special charges included in operating costs in 2006 (€423 million) related to environmental provisions (€292 million), in particular in the Refining & Marketing segment and Syndial; in 2005 other special items of €1,300 million concerned essentially environmental provisions (€835 million) recorded in particular in the Refining & Marketing segment and Syndial, and provisions to the risk reserve (€379 million) related in particular to insurance charges deriving from the extra premium due for 2005 and for the next five years (assuming normal accident rates) related to the participation of Eni to Oil Insurance Ltd. These higher charges took account of the exceptionally high rate of accidents which occurred in the 2004-2005 two year period.

Labor costs (€3,649 million) were up €298 million, or 8.9%, reflecting primarily higher redundancy incentives, an increase in unit labor cost in Italy and higher average workforce outside Italy, partly offset by a reduction in average workforce in Italy.

Employees

(Units)

	31 December			
	2005	2006	Change	% Ch.
Exploration & Production	8,030	8,336	306	3.8
Gas & Power	12,324	12,074	(250)	(2.0)
Refining & Marketing	8,894	9,437	543	6.1
Petrochemicals	6,462	6,025	(437)	(6.8)
Engineering and Construction	28,684	30,902	2,218	7.7
Other activities	2,636	2,219	(417)	(15.8)
Corporate and financial companies	5,228	4,579	(649)	(12.4)
	72,258	73,572	1,314	1.8

As of December 31, 2006, the total number of employees were 73,572, with an increase of 1,314 employees from December 31, 2005 (up 1.8%).
Employees in Italy totalled 39,765. The decline of 427 employees was related mainly to the balance of hiring and dismissals (391 employees) and the decrease related to changes in consolidation (a total of 41 employees) resulting from: (i) the conferral of Fiorentina Gas to the newly incorporated Eni's affiliate Toscana Energia (Eni's interest 48.7%); (ii) the sale of water treatment activities in Ferrara; (iii) the purchase of Siciliana Gas and Siciliana Gas Vendite SpA. In 2006, a total of 2,208 employees were hired, of these 1,486 with open-ended contracts, and 2,599 employees were dismissed (of these 1,960 employees with open-ended contracts).
Employees outside of Italy totalled 33,807, with a 1,741 employee increase related in particular to the hiring of fixed-term employees by Saipem, in particular in Kazakhstan.

Depreciation, amortization and impairments

(€ million)

Fourth Quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
1,325	**1,418**	93	7.0	Exploration & Production	3,945	**4,646**	701	17.8
169	**185**	16	9.5	Gas & Power	684	**687**	3	0.4
123	**101**	(22)	(17.9)	Refining & Marketing	462	**434**	(28)	(6.1)
30	**33**	3	10.0	Petrochemical	118	**124**	6	5.1
44	**56**	12	27.3	Engineering and Construction	176	**195**	19	10.8
4	**2**	(2)	(50.0)	Other activities	16	**6**	(10)	(62.5)
43	**21**	(22)	(51.2)	Corporate and financial companies	112	**70**	(42)	(37.5)
(4)	**(7)**	(3)	...	Unrealized profit in inventory	(4)	**(9)**	(5)	...
1,734	**1,809**	**75**	**4.3**	**Total amortizations**	**5,509**	**6,153**	**644**	**11.7**
10	**78**	**68**	**...**	**Impairments**	**272**	**268**	**(4)**	**(1.5)**
1,744	**1,887**	**143**	**8.2**		**5,781**	**6,421**	**640**	**11.1**

In 2006 depreciation and amortization charges (€6.153 million) were up €644 million, or 11.7%, from 2005 mainly in the Exploration & Production segment (€701 million) reflecting primarily higher exploration expenditure and increased development costs incurred for developing new fields and maintaining production levels in mature fields combined with the effects of higher production.
Impairments (€268 million) concerned essentially mineral assets in the Exploration & Production segment, intangible assets in the Gas & Power segment and tangible assets in the Petrochemical segment.

Operating profit

(€ million)

Fourth quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
4,396	**3,957**	**(439)**	**(10.0)**	**Operating profit**	**16,827**	**19,327**	**2,500**	**14.9**
(209)	341	550		Exclusion on inventory holding (gains) losses	(1,210)	88	1,298	
744	478	(266)		Exclusion *special items:*	1,941	1,075	(866)	
				of which:				
290	*182*	*(108)*		*- non recurring items*	*290*	*206*	*(84)*	
454	*296*	*(158)*		*- other special items*	*1,651*	*869*	*(782)*	
4,931	**4,776**	**(155)**	**(3.1)**	***Adjusted operating profit***	**17,558**	**20,490**	**2,932**	**16.7**
				Breakdown by division:				
3,581	3,195	(386)	(10.8)	Exploration & Production	12,903	15,763	2,860	22.2
890	1,269	379	42.6	Gas & Power	3,531	3,882	351	9.9
379	148	(231)	(60.9)	Refining & Marketing	1,214	790	(424)	(34.9)
74	154	80	108.1	Petrochemicals	261	219	(42)	(16.1)
142	152	10	7.0	Engineering and Construction	314	508	194	61.8
(92)	(77)	15	(16.3)	Other activities	(296)	(299)	(3)	1.0
(74)	(53)	21	(28.4)	Corporate and financial companies	(228)	(240)	(12)	5.3
31	(12)	(43)		Unrealized profit in inventory (1)	(141)	(133)	8	
4,931	**4,776**	**(155)**	**(3.1)**		**17,558**	**20,490**	**2,932**	**16.7**

(1) Unrealized profit in inventory concerned intra-group sales of goods and services recorded at in the equity of the purchasing business segment.

Fourth quarter

Adjusted operating profit, excluding an inventory holding loss of €341 million and special charges of €478 million, amounted to €4,776 million, a decline of €155 million from 2005 (down 3.1%), related in particular to the declines recorded in the following segments: (i) Exploration & Production (down €386 million) reflecting the negative impact of exchange rates and higher exploration expenditure, offset in part by higher realized prices for oil and gas; (ii) Refining & Marketing (down €231 million, or 60.9%) affected in particular by a negative refining trading environment. These declines were offset in part by a positive performance of the following segments: (i) Gas & Power (up €379 million) reflecting the benefit from the partial reversal of a provision accrued in 2005 financial statements as an estimate of the impact of regulation implemented by the Authority for Electricity and Gas with resolution No. 248/2004, and higher natural gas selling margins, offset in part by a decline in volumes sold by subsidiaries and volumes distributed due to mild weather conditions; (ii) Petrochemicals (up €80 million) related to higher selling margins.

Full Year

Adjusted operating profit, excluding an inventory holding loss of €88 million and special charges of €1,075 million, amounted to €19,327 million, an increase of €2,500 million from 2005 (up 14.9%), related in particular to: (i) the Exploration & Production segment (up €2,860 million, or 22.2%), reflecting higher realizations and higher production sold (up 10.2 mmboe, or 1.7%); (ii) the Gas & Power segment (up €351 million, or 9.9%) due to higher natural gas selling margins, a softer impact of resolution No. 248/2004 of the Authority for Electricity and Gas and higher sales of consolidated companies (up 304 mmcf/d, or 3.8%); (iii) the Engineering and Construction segment (up €194 million, or 61.8%) due to a positive performance against the backdrop of favourable oil services markets. These increases were offset in part by the decline of the Refining & Marketing segment (down €424 million, or 34.9%) due to a negative refining trading environment and the impact of longer standstills of refineries due to planned maintenance.

Net financial income

2006 net financial income (€161 billion) was up €527 million from 2005 when net financial charges of €366 were recorded. The increase reflected: (i) the positive change in the fair value evaluation of financial derivative instruments recorded in the profit and loss account instead of being recognized in connection with related assets, liabilities and commitments because Eni's financial derivative instruments do not meet the criteria to be assessed as hedging instruments under IFRS; (ii) higher interest income deriving from a higher average availability of cash and cash equivalents offset in part by the impact of higher interest rates on dollar loans (Libor up 1.7 percentage points) and on euro loans (Euribor up 0.9 percentage points).

Net income from investments

(€ million)

Full Year	Exploration & Production	Gas & Power	Refining & Marketing	Engineering and Construction	Group
Effect of the application of the equity method of accounting	37	509	194	66	806
Dividends	68	3	26		98
Net gains from disposal	(6)	21			17
Other net income (loss) from investments	(14)	(7)			(18)
	85	**526**	**220**	**66**	**903**
of which *special items*		*(37)*	*(36)*		*(72)*

Net income from investments in 2006 were €903 million and concerned primarily: (i) Eni's share of income of affiliates accounted for with the equity method (€98 million), in particular affiliates in the Gas & Power and Refining & Marketing segments. The effects of the equity method of accounting include the gain (€73 million net to Eni) recorded by Galp Energia SGPS SA on the sale of regulated assets in the natural gas business to Rede Electrica Nacional, classified as special; (ii) dividends received by affiliates accounted for at cost (€98 million, of which €57 million related to Nigeria LNG); (iii) gains on disposal (€17 million).

Break-down of net income from investments

(€ million)

Fourth quarter				Full Year		
2005	2006	Change		2005	2006	Change
156	**206**	50	Effect of the application of the equity method of accounting	737	**806**	69
4	**4**		Dividends	33	**98**	65
(2)	**(4)**	(2)	Net effect on disposal	171	**17**	(154)
(12)	**(49)**	(37)	Other income (losses) from investments	(27)	**(18)**	9
146	**157**	**11**		**914**	**903**	**(11)**

The €11 million decrease in net income from investments from 2005 was due essentially to lower gains related in particular to the recording in 2005 of the gain on the sale of Italiana Petroli SpA (€132 million), whose effects were offset in part by improved results of operations of affiliates in the Gas & Power segment, in particular Unión Fenosa Gas SA (Eni's interest equating to 50%) and Blue Stream Pipeline Co BV (Eni's interest equating to 50%) and higher dividends distributed by Nigeria LNG.

Income taxes

(€ million)

Fourth quarter				Full Year		
2005	2006	Change		2005	2006	Change
			Profit before income taxes			
1,086	1,105	19	Italy	5,779	5,566	(213)
3,358	3,061	(297)	Outside Italy	11,596	14,825	3,239
4,444	**4,166**	**(278)**		**17,375**	**20,391**	**3,016**
			Income taxes			
530	480	(50)	Italy	2,206	2,237	31
1,707	1,988	281	Outside Italy	5,922	8,331	2,409
2,237	**2,468**	**231**		**8,128**	**10,568**	**2,440**
(317)	*138*	*455*	of which *special items:*	*(609)*	*165*	*774*
			***Tax rate* (%)**			
48.8	43.4	(5.4)	IItaly	38.2	40.2	2.
50.8	65.9	14.1	Outside Italy	51.1	56.2	5.1
50.3	**59.2**	**8.9**		**46.8**	**51.8**	**5**

Income taxes were €10,568 million, up €2,440 million from 2005 and reflected primarily higher income before taxes (€3,016 million). The 5 percentage points increase in statutory tax rate (from 46.8 to 51.8%) related mainly to: (i) the introduction of a windfall tax on upstream earnings in Algeria (€328 million, of which €149 million pertaining to taxation for the period); (ii) an increase in the supplemental tax rate implemented by the British Government, applicable to profit before taxes earned by operations in the North Sea, effective as from the start of the year, affecting both current taxation and deferred tax liabilities (with an overall impact of €198 million of which €107 million pertaining to taxation for the period); (iii) provisions for the settlement of a tax claim in Venezuela.

Minority interests

Minority interests were €606 million and concerned primarily Snam Rete Gas SpA (€287 million) and Saipem (€311 million).

Consolidated balance sheet [1]

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.

(€ million)

	12.31.2005	09.30.2006	12.31.2006	Change vs 12.31.2005	Change vs 09.30.2006
Fixed assets					
Property, plant and equipment, net	45,013	43,408	44,309	(704)	901
Other tangible assets		656	629	629	(27)
Inventories - compulsory stock	2,194	1,962	1,827	(367)	(135)
Intangible assets, net	3,194	3,285	3,756	562	471
Investments, net	4,311	4,234	4,267	(44)	33
Accounts receivable financing and securities related to operations	775	640	557	(218)	(83)
Net accounts payable in relation to capital expenditure	(1,196)	(912)	(1,090)	106	(178)
	54,291	**53,273**	**54,255**	**(36)**	**982**
Net working capital					
Inventories	3,563	4,440	4,743	1,180	303
Trade accounts receivable	14,101	12,858	15,312	1,211	2,454
Trade accounts payable	(8,170)	(8,136)	(10,546)	(2,376)	(2,410)
Taxes payable and reserve for net deferred income tax liabilities	(4,857)	(6,867)	(5,372)	(515)	1,495
Reserve for contingencies	(7,679)	(7,741)	(8,604)	(925)	(863)
Other operating assets and liabilities[2]	(526)	(553)	(601)	(75)	(48)
	(3,568)	**(5,999)**	**(5,068)**	**(1,500)**	**931**
Employee termination indemnities and other benefits	(1,031)	(1,054)	(1,076)	(45)	(22)
Capital employed, net	**49,692**	**46,220**	**48,111**	**(1,581)**	**1,891**
Shareholders' equity including minority interests	39,217	42,370	41,346	2,129	(1,024)
Net borrowings	10,475	3,850	6,765	(3,710)	2,915
Total liabilities and shareholders' equity	**49,692**	**46,220**	**48,111**	**(1,581)**	**1,891**

(1) For a reconciliation to the statutory balance sheet see Eni's Report on the first half of 2006 "Reconciliation of summarized group balance sheet and statement of cash flows to statutory schemes" pages 45 and 46.
(2) Include operating financing receivables and securities related to operations for euro 246 million (euro 492 million and euro 261 million at December 31, 2005 and September 30, 2006 respectively) and securities covering technical reserves of Padana Assicurazioni SpA for euro 417 million (euro 453 million and euro 550 million at December 31, 2005 and September 30, 2006).

The appreciation of the euro over other currencies, in particular the dollar (at December 31, 2006 the EUR/USD exchange rate was 1.317 as compared to 1.180 at December 31, 2005, up 11.6%) determined with respect to 2006 year-end an estimated decrease in the book value of net capital employed of about €2,250 million, in net equity of about €1,600 million and in net borrowings of about €650 million as a result of currency translations at December 31, 2006.

At December 31, 2006, net capital employed totalled €47,994 million, representing a decrease of €1,698 million from December 31, 2005.

Property, plant and equipment (€54,255 million) is substantially in line with December 31, 2005 (€54, 291 million). Provisions for depreciation, amortization and write-downs (€6.421 million) and the effect of the appreciation of the euro over the dollar in the translation of financial statements of subsidiaries operating with currencies other than the euro (€2,100 million) offset capital expenditure for the period (€7,833 million).

Other assets included, for a book value of dollar €829 million (corresponding to €629 million at the year end EUR/USD exchange rate), the assets related to the service contract for mining activities in the Dación area of the Venezuelan branch of Eni's subsidiary Eni Dación BV. With effective date April 1, 2006, the Venezuelan State oil company Petróleos de Venezuela SA (PDVSA) unilaterally terminated the service contract governing activities at the Dación oil field where Eni acted as a contractor, holding a 100% working interest. As a consequence, starting on the same day, operations at the Dación oil field are conducted by PDVSA. Eni proposed to PDVSA to agree on terms in order to recover the fair value of its Dación assets. On November 2006, Eni started an arbitration proceedings against Venezuela to preserve its rights. This proceeding is before the International Centre for Settlement of Investment Dispute (ICSID), a World Bank organization which resolves disagreements in relation to the violation of bilateral treaties for the protection of investments. Despite this action, Eni is still ready to negotiate a solution with PDVSA to obtain a fair compensation for its assets. Eni believes it has the right to be entitled to a compensation proportioned to the fair value of the relevant assets as consequence of the expropriation following the unilateral cancellation. This fair value, according to internal evaluations and evaluations made by qualified independent oil engineers companies, should not be lower than the book value of assets which has not been impaired.

The share of the Exploration & Production, Gas & Power and Refining & Marketing segments on net capital employed was 89.9% (90.9% at December 31, 2005).

Return On Average Capital Employed (ROACE)

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

(€ million)

Full year 2006	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit for the period	**7,279**	**2,862**	**629**	**11,018**
Exclusion of after tax financial expenses	-	-	-	79
Adjusted net profit unlevered	7,279	2,862	629	11,097
Capital employed, net:				
- at the beginning of period	20,206	18,978	5,993	**49,692**
- at the end of period	18,590	18,891	5,766	**48,027**
Average capital employed, net	19,398	18,935	5,880	**48,860**
ROACE (%)	37.5	15.1	10.7	**22.7**

(€ million)

Full Year 2005	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit for the period	6,186	2,552	945	**9,710**
Exclusion of after tax financial expenses	-	-	-	42
Adjusted net profit unlevered	6,186	2,552	945	**9,752**
Capital employed, net:				
- at the beginning of period	17,954	18,387	5,081	**45,983**
- at the end of period	20,206	18,898	5,326	**48,933**
Average capital employed, net	19,080	18,643	5,204	**47,458**
ROACE (%)	32.4	13.7	18.2	**20.5**

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)

	12.31.2005	09.30.2006	12.31.2006	Change vs 12.31.2005	Change vs 09.30.2006
Debts and bonds	12,998	11,006	**11,697**	(1,301)	691
Cash and cash equivalents	(1,333)	(6,459)	**(3,985)**	(2,652)	2,474
Securities not related to operations	(931)	(418)	**(552)**	379	(134)
Non-operating financing receivables	(259)	(279)	**(395)**	(136)	(116)
Net borrowings	10,475	3,850	**6,765**	(3,710)	2,915
Shareholders' equity including minority interest	39,217	42,370	**41,229**	2,012	(1,141)
Leverage	0.27	0.09	**0.16**	(0.11)	(0.07)

Net borrowings at December 31, 2006 were €6,765 million, representing a decrease of €3,710 million from 31 December 2005 due mainly to cash inflow generated by operating activities (€17,003 million). Currency translation effects also contributed to the reduction in net borrowings.
Debts and bonds amounted to €11,697 million, of which €4,326 million were short-term (including the portion of long-term debt due within twelve months for €890 million) and €7,371 million were long-term.

At December 31, 2006, leverage was 0.16, compared with 0.27 at December 31, 2005.

Net borrowings increased by €2,915 million from September 30, 2006 (€3,850 million) as cash inflow generated by operating activities (€1,780 million) partially covered the financial requirements for capital expenditure and investments amounting to €2,963 million, the payment of an interim dividend for fiscal year 2006 by the parent company Eni SpA (€2,210 million) and the repurchase of own shares for €105 million. Currency translation effects (approximately €200 million) contributed positively.

Changes in shareholders’ equity

(€ million)

Shareholders’ equity at December 31, 2005		**39,217**
Net profit for the period	9,823	
Dividends to shareholders	(4,610)	
Shares repurchased	(1,241)	
Issue of ordinary share capital for employee share schemes	85	
Dividends paid by consolidated subsidiaries to shareholders	(222)	
Effect on equity of the shares repurchased by consolidated subsidiaries (Snam Rete Gas/Saipem)	(306)	
Exchange differences from translation of financial statements denominated in currencies other than euro	(1,628)	
Other changes	(111)	
Total changes		2,012
Shareholders’ equity at December 31, 2006		**41,229**

Net equity at December 31, 2006 (€41,229 million) was up €2,012 million from December 31, 2005, due primarily to net profit before minority interest (€9,823 million), offset in part by the payment of Eni's 2005 dividends, the purchase of own shares and currency translation effects.

Reclassified cash flow statement and change in net borrowings (1)

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

(€ million)

Fourth Quater			Full Year		
2005	2006		2005	2006	Change
2,207	1,698	Net profit before minority interest	9,247	9,823	576
		Adjustments to reconcile to cash generated from operating income before changes in working capital:			
2,051	1,568	- amortization and depreciation and other non monetary items	6,518	5,753	(765)
(30)	(4)	- net gains on disposal of assets	(220)	(59)	161
2,379	2,318	- dividends, interest, taxes and other changes	8,471	10,439	1,968
		Cash generated from operating income			
6,607	**5,580**	**before changes in working capital**	**24,016**	**25,956**	**1,940**
(1,675)	(917)	Changes in working capital related to operations	(2,422)	(1,094)	1,328
(2,860)	(2,883)	Dividends received, taxes paid, interest (paid) received	(6,658)	(7,859)	(1,201)
2,072	**1,780**	**Net cash provided by operating activities**	**14,936**	**17,003**	**2,067**
(2,464)	(2,944)	Capital expenditure	(7,414)	(7,833)	(419)
(66)	(19)	Investments	(127)	(95)	32
40	201	Disposals	542	328	(214)
255	407	Other cash flow related to capital expenditure, investments and disposals	293	361	68
(163)	**(575)**	***Free cash flow***	**8,230**	**9,764**	**1,534**
(49)	(247)	Borrowings (repayment) of debt related to financing activities	(109)	216	325
2,499	837	Changes in short and long-term financial debt	(540)	(684)	(144)
(3,438)	(2,412)	Dividends paid and changes in minority interests and reserves	(7,284)	(6,443)	841
(42)	(77)	Effect of changes in consolidation and exchange differences	33	(201)	(234)
(1,193)	**(2,474)**	**Net cash flow for the period**	**330**	**2,652**	**2,322**

Fourth Quater			Full Year		
2005	2006		2005	2006	Change
		Change in net borrowings			
(163)	**(575)**	***Free cash flow***	**8,230**	**9,764**	**1,534**
(19)		Net borrowings of acquired companies	(19)		19
		Net borrowings of divested companies	21	1	(20)
(501)	72	Exchange differences on net borrowings and other changes	(980)	388	1.368
(3,438)	(2,412)	Dividends paid and changes in minority interests and reserves	(7,284)	(6,443)	841
(4,121)	**(2,915)**		**(32)**	**3,710**	**3,742**

(1) For a reconciliation of the summarized group cash flow statement to the statutory cash flow statement see Eni's Report on the first half of 2006 "Reconciliation of summarized group balance sheet and cash flow statement to statutory schemes" pages 46 and 47.

Cash generated by operating activities came in at €17,003 million and with cash from divestments (€329 million), including net borrowings transferred of €1 million) allowed to cover: (i) financial requirements for capital expenditure and investments for €7,928 million; (ii) dividend payments amounting to €4,832 million, of which €2,400 million pertained to the payment of the balance of the dividend for fiscal year 2005 and €2,210 million pertained to the payment of an interim dividend for fiscal year 2006 by the parent company Eni SpA. Snam Rete Gas and Saipem also distributed dividends amounting to €207 million; (iii) the repurchase of own shares for €1,241 million by Eni SpA and for €477 million by Snam Rete Gas SpA and Saipem SpA and exchange rate differences of €650 million which allowed to reduce net borrowings by €3,710 million.

From January 1, to December 31, 2006 a total of 53.13 million Eni shares were purchased by the company for a total cost of €1,241 million (representing an average cost of €23.35 per share). Since the inception of the share buy-back programme on September 1, 2000 Eni has repurchased 335 million shares, equal to 8.36% of its share capital, at a total cost of €5,512 million (representing an average cost of €16.45 per share).

Capital expenditure

(€ million)

Fourth Quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
1,517	**1,937**	420	27.7	Exploration & Production	4,965	**5,203**	238	4.8
411	**453**	42	10.2	Gas & Power	1,152	**1,174**	22	1.9
317	**272**	(45)	(14.2)	Refining & Marketing	656	**645**	(11)	(1.7)
33	**47**	14	42.4	Petrochemical	112	**99**	(13)	(11.6)
114	**188**	74	64.9	Engineering and Construction	349	**591**	242	69.3
22	**38**	16	72.7	Other activities	48	**72**	24	50.0
50	**48**	(2)	(4.0)	Corporate and financial Companies	132	**88**	(44)	(33.3)
	(39)	(39)	...	Unrealized profit in inventory		**(39)**	(39)	...
2,464	**2,944**	**480**	**19.5**	**Capital expenditure**	**7,414**	**7,833**	**419**	**5.7**

Capital expenditure amounted to €7,833 million, of which 89.7% related to the Exploration & Production, Gas & Power and Refining & Marketing segments.

Exploration & Production

(€ million)

Fourth Quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
34	**139**	**105**	**308.8**	**Acquisitions of proved and unproved property**	**301**	**152**	**(149)**	**(49,5)**
	139	139	...	Italy		139	139	...
				North Africa		10	10	...
8		(8)	...	West Africa	60		(60)	...
26		(26)	...	Rest of World	241	3	(238)	(98,8)
321	**706**	**385**	**119.9**	**Exploration**	**656**	**1,348**	**692**	**105.5**
18	38	20	111.1	Italy	38	128	90	...
85	91	6	7.1	North Africa	153	270	117	76.5
45	366	321	...	West Africa	75	471	396	...
61	75	14	23.0	North Sea	126	174	48	38.1
112	136	24	21.4	Rest of World	264	305	41	15.5
1,137	**1,056**	**(81)**	**(7.1)**	**Development**	**3,952**	**3,629**	**(323)**	**(8.2)**
141	133	(8)	(5.7)	Italy	411	403	(8)	(1.9)
275	209	(66)	(24.0)	North Africa	1,007	701	(306)	(30.4)
254	294	40	15.7	West Africa	889	864	(25)	(2.8)
87	121	34	39.1	North Sea	385	406	21	5.5
380	299	(81)	(21.3)	Rest of World	1,260	1,255	(5)	(0.4)
25	**36**	**11**	**44.0**	**Other**	**56**	**74**	**18**	**32.1**
1,517	**1,937**	**420**	**27.7**		**4,965**	**5,203**	**238**	**4.8**

Capital expenditure in the Exploration & Production segment amounted to €5,203 million and concerned essentially development) directed mainly outside Italy, in particular Kazakhstan, Angola and Egypt. Development expenditure in Italy concerned in particular the continuation of work for well drilling, plant and infrastructure in Val d'Agri and sidetrack and infilling work in mature areas. Exploration expenditure was directed for about 90% outside Italy. Exploration concerned the following countries in particular: Angola, Egypt, Norway, Nigeria and the Gulf of Mexico; in Italy, essentially the offshore of Sicily, the Po Valley and Central Italy. Exploration expenditure included the acquisition of new acreage of 152,000 square kilometres (99% operated by Eni). In 2006 capital expenditure increased by €238 million, or 4.8% from 2005 due mainly to higher exploration expenditure in Egypt and Nigeria.

Gas & Power

(€ million)

Fourth Quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
				Capital expenditure				
366	397	31	8.5	Italy	1,066	1,014	(52)	(4.9)
45	56	11	24.4	Outside Italy	86	160	74	86.0
19	**22**	**3**	**15.8**	**Market**	**40**	**63**	**23**	**57.5**
0	**0**	0	...	Italy	2	**0**	(2)	...
19	**22**	3	15.8	Outside Italy	38	**63**	25	65.8
80	**54**	**(26)**	**(32.5)**	**Distribution**	**182**	**158**	**(24)**	**(13.2)**
243	**287**	**44**	**18.1**	**Transport**	**691**	**724**	**33**	**4.8**
217	**253**	36	16.6	Italy	643	**627**	(16)	(2.5)
26	**34**	8	30.8	Outside Italy	48	**97**	49	102.1
69	**90**	**21**	**30.4**	**Power Generation**	**239**	**229**	**(10)**	**(4.2)**
411	**453**	**42**	**10.2**		**1,152**	**1,174**	**22**	**1.9**

Capital expenditure in the Gas & Power segment totalled €1,174 million and related essentially to: (i) development and maintenance of Eni's primary transmission network in Italy (€627 million); (ii) the continuation of the construction of combined cycle power plants (€229 million) in particular at Ferrara and Brindisi; (iii) development and maintenance of Eni's natural gas distribution network in Italy (€158 million).

Refining & Marketing

(€ million)

Fourth Quarter					Full Year			
2005	**2006**	**Change**	**% Ch.**		**2005**	**2006**	**Change**	**% Ch.**
317	**272**	**(45)**	**(14.2)**	**Capital expenditure**	**656**	**645**	**(11)**	**(1.7)**
283	**241**	(42)	(14.8)	Italy	585	**547**	(38)	(6.5)
34	**31**	(3)	(8.8)	Outside Italy	71	98	27	38.0
154	**139**	**(15)**	**(9.7)**	**Refining, Supply and Logistic**	**349**	**376**	**27**	**7.7**
154	139	(15)	(9.7)	Italy	349	376	27	7.7
114	**90**	**(24)**	**(21.1)**	**Marketing**	**225**	**223**	**(2)**	**(0.9)**
80	59	(21)	(26.3)	Italy	154	125	(29)	(18.8)
34	31	(3)	(8.8)	Outside Italy	71	98	27	38.0
49	**43**	**(6)**	**(12.2)**	**Other activities**	**82**	**46**	**(36)**	**(43.9)**
317	**272**	**(45)**	**(14.2)**		**656**	**645**	**(11)**	**(1.7)**

Capital expenditure in the Refining & Marketing segment amounted to €645 million and concerned: (i) refining, supply and logistics (€376 million) in Italy and flexibility improvement actions, in particular the start-up of construction of a new hydrocracking unit at the at the Sannazzaro refinery; (ii) upgrade of the refined product distribution network in Italy (€125 million); (iii) upgrade of the fuel distribution network and the purchase of service stations in the rest of Europe (€98 million).

Capital expenditure in the Oilfield Services, Construction and Engineering segment amounted to €591 million and concerned: (i) the conversion of the Margaux tanker ship into an FPSO vessel that will operate in Brazil on the Golfinho 2 field; (ii) maintenance and upgrading of equipment; (iii) beginning of fabrication and installation of facilities in the offshore phase of the Kashagan project in Kazakhstan.

Capital expenditure in the Petrochemical segment amounted to €99 million and concerned mainly environmental protection actions and compliance with safety and health regulations.

Outlook

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 from the previous year (1.77 mmboe/d in 2006). Mature field decline in Italy and the North Sea is expected to be offset by production growth in Libya, due to the build-up of the Western Libyan Gas Project;
- Sales volumes of natural gas in Europe are forecast to increase from 2006 levels (9,436 mmcf/d). Major increases are expected in the Iberian Peninsula, German/Austrian and French markets;
- Sold production of electricity is expected to increase from 2006 levels (24.82 TWh) due to the ramp-up of production capacity in Brindisi and the planned start-ups of new capacity at the Ferrara power plant.
- Refining throughputs on Eni's account are forecast to decline slightly from 2006 (761 kbbl/d) due to the termination of the contract for processing certain volumes of crude at Priolo refinery's facilities owned by a third party to be offset by higher throughputs expected at Gela, Livorno and Sannazzaro refineries;
- **R**etail sales of refined products are expected to slightly increase in Italy due to planned marketing initiatives, and in the rest of Europe due to new acquisitions of service stations in target markets.

In 2007, management expects to expand capital expenditure from 2006 level (€7.83 billion in 2006). Increases will be apportioned to the development of oil and natural gas reserves, upgrading of refineries and the retail network, and upgrading of natural gas import and transport infrastructure.

Financial and Operating review by business segment

Exploration & Production

(€ million)

Fourth Quarter					Full Year			
2005	**2006**	**Change**	**% Ch.**		**2005**	**2006**	**Change**	**% Ch.**
				Results				
6,419	**6,152**	(267)	(4.2)	Net sales from operations	22,531	**27,173**	4,642	20.6
3,561	**3,141**	(420)	(11.8)	Operating profit	12,592	**15,580**	2,988	23.7
				Exclusion of inventory holding (gains) losses				
20	**54**	34		Exclusion of special items:	311	**183**	(128)	
(43)	***51***	*94*		*- asset impairments*	*247*	***231***	*(16)*	
	(7)	*(7)*		*- gains on disposal of assets*		***(61)***	*(61)*	
6	***10***			*- provision for redundancy incentives*	*7*	***13***		
57	**0**	(57)		- provision to the reserve for contingencies	57		(57)	
3,581	**3,195**	**(386)**	**(10.8)**	**Adjusted operating profit**	**12,903**	**15,763**	**2,860**	**22.2**
(21)	**(22)**	(1)		Net financial incomes (expenses) [(1)]	(80)	**(59)**	21	
(10)	**(18)**	(8)		Net incomes (expenses) from investments [(1)]	10	**85**	75	
(1,978)	**(1,851)**	127		Income taxes [(1)]	(6,647)	**(8,510)**	(1,863)	
56	***59***	*3,0*		*Tax rate adjusted*	*51.8*	***53.9***	*2.1*	
1,572	**1,304**	**(268)**	**(17.0)**	**Adjusted net profit**	**6,186**	**7,279**	**1,093**	**17.7**
				Results also include:				
1,265.00	**1,414.00**	149	11.8	amortisations and depreciations	4,101	**4,776**	675	16.5
274.00	***419.00***	*145*	*52.9*	*- of which amortisations of exploration expenditure*	*618*	***1.075***	*457*	*73.9*
				Average realisations				
52.26	**54.85**	2,59	5,0	Liquids[(2)] ($/bbl)	49.09	**60.09**	11.00	22.4
171.27	**190.39**	19,12	11,2	Natural gas ($/mmcf)	158.94	**187.25**	28.31	17.8
43.53	**45.53**	**2,00**	**4,6**	**Total hydrocarbons ($/boe)**	**41.06**	**48.87**	**7.81**	**19.0**
				Average oil marker prices				
56.90	**59.68**	2.78	4.9	Brent dated ($/bbl)	54.38	**65.14**	10.76	19.8
47.86	**46.26**	(1.60)	(3.3)	Brent dated (€/bbl)	43.71	**51.86**	8.15	18.6
59.99	**59.94**	(0.05)	(0.1)	*West Texas Intermediate ($/bl)*	56.44	**66.00**	9.56	16.9
432.96	**235.20**	(197.76)	(45.7)	*Gas Henry Hub ($/kmc)*	311.48	**238.02**	(73.46)	(23.6)

(1) Excludes *special items*
(2) Includes condensates

Result

Fourth quarter

The adjusted operating profit of the Exploration & Production division totalled €3,195 million, down €386 million or 10.8% from the fourth quarter of 2005 reflecting primarily: (i) an adverse impact of approximately €331 million resulting from the appreciation of the euro versus the dollar; (ii) an increased exploration expense (up €145 million; €159 million on a constant exchange rate basis). These negatives were partly offset by higher realisations in dollars (oil up 5%, natural gas up 11.2%).
The adjusted net profit was €1,304 million, down €268 million over the fourth quarter of 2005 (or 17%), also impacted by a higher adjusted tax rate, from 55.7% to 58.7%, primarily due to the Algerian windfall tax.

Special charges excluded from the adjusted operating profit were €54 million in the fourth quarter relating primarily to asset impairments. Other special charges for the quarter included primarily the deferred tax impact of the Algerian windfall tax for €179 million.

Full Year

The adjusted operating profit for the year was €15,763 million, up €2,860 million from one year ago, reflecting higher realisations in dollars (oil up 22.4%, natural gas up 17.8) combined with higher sold production volumes (up 10.2 mmboe or 1.7%). This better operating performance was partly offset by: (i) increased production costs and amortisation charges related in particular to the higher cost of developing new fields and maintaining production levels at mature fields and sector-specific inflation; (ii) an increased exploration expense; (iii) the effect of the appreciation of the euro over the dollar (approximately €157 million). This better operating performance was partly offset by an increase in the adjusted tax rate (up 2.1% from 51.8% to 53.9%), resulting in a 17.7% increase in the adjusted net profit for the year.
Special charges excluded from the adjusted operating profit were €183 million and reflected mineral asset impairments offset in part by gains on the disposal of mineral assets. Other special charges included the deferred tax impact of the windfall tax in Algeria, the supplemental tax rate applicable to profit earned in the North Sea enacted by the British Government and a charge for the settlement of a taxation proceeding against a Venezuelan authority for a combined amount of €342 million.

Production

Fourth Quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
1,806	**1,796**	**(10)**	**(0.6)**	**Daily production of oil and natural gas** [1] (kboe/d)	**1.737**	**1.770**	**33**	**1,9**
254	232	(22)	(8.7)	Italy	261	238	(23)	(8.8)
522	571	49	9.4	North Africa	480	555	75	15,6
372	372	0	0,0	West Africa	343	372	29	8,5
291	291	0	0,0	North Sea	283	282	(1)	(0.4)
367	330	(37)	(10.1)	Rest of world	370	323	(47)	(12.7)
161.0	**159.2**	**(2.2)**	**(1.1)**	**Oil and natural gas production sold** (mboe) [1]	**614.9**	**625.1**	**10.2**	**1.7**

(1) Includes Eni's share of production of joint ventures accounted for under the equity method of accounting.

Fourth Quarter				Full Year		
2005	2006	% Ch.		2005	2006	% Ch.
1,132	**1,079**	**(4.7)**	**Production of liquids** (kbbl/d) (1)	**1,111**	**1,079**	**(2.9)**
85	80	(5.9)	Italy	86	79	(8.1)
315	334	6.0	North Africa	308	329	6.8
334	315	(5.7)	West Africa	310	322	3.9
176	181	2.8	North Sea	179	178	(0.6)
222	169	(23.9)	Rest of world	228	171	(25.0)

Fourth Quarter				Full Year		
2005	2006	% Ch.		2005	2006	% Ch.
3,885	**4,132**	**6.4**	**Production of natural gas (mmcf/d)** (1)	**3,602**	**3,955**	**9.8**
953	883	(7.3)	Italy	1,024	918	(10.4)
1,201	1,377	14.7	North Africa	989	1,307	32.2
212	318	50.0	West Africa	177	282	59.3
671	636	(5.2)	North Sea	600	600	
848	918	8.3	Rest of world	812	848	4.4

(1) Includes Eni's share of production of entities accounted for under the equity method of accounting.

Fourth quarter

Oil and natural gas production in the fourth quarter averaged 1,796 kboe/d virtually unchanged from the fourth quarter of 2005 (down 0.6%). Production for the quarter was impacted by the unilateral cancellation of the Dación field contract by the Venezuelan state company PDVSA with effect from April 1, 2006 (down 61 kboe/d). Production increases were driven primarily by start-ups/full production of large gas projects (Libya, Nigeria, Australia and Croatia) and liquid production growth in Libya, the United States and Kazakhstan, where the positive contribution was offset in part by mature field decline and the impact of outages and disruptions in Nigeria due to security issues.

Daily production of oil and condensates for the fourth quarter (1,079 kbbl/d) increased mainly in: (i) Libya due to full production at Bahr Essalam (Eni's interest 50%), and El Feel (Eni's interest 23.3%); (ii) Kazakhstan due to a better field performance; (iii) in the United States, due to the full recovery of production at facilities damaged by hurricanes in the third and fourth quarters of 2005; (iv) Norway due to full production at the Kirstin field (Eni's interest 8.25%) Production decreased in Venezuela and Nigeria. Daily production of natural gas for the fourth quarter (4,132 mmcf/d) increased mainly in Libya (achievement of full production at the Bahr Essalam field), Nigeria (start-up of trains 4 and 5 of the Bonny LNG plant), Australia (start-up of the gas phase of the Bayu Undan field) and Croatia (start-up of the Ika, Ida and Ivana C-K fields). Declines in production were attributable mainly to mature field decline in Italy and in the United Kingdom.

Full Year

In 2006, daily production of oil and gas averaged 1,770 kboe/d, increasing by 32 kboe/d from 2005 (up 1.9%), despite the impact of the loss of production of the Dación oil field in Venezuela (down 46 kboe/d) and of adverse entitlement effects (down 22kboe/d) in PSAs and buy-back contracts due to higher oil prices. Libya, Egypt, Nigeria, Australia and Croatia were the main growth areas in natural gas, while

2 In PSAs the national oil company awards the execution of exploration and production activities to the international oil company (contractor). The contractor bears the mineral and financial risk of the initiative and, when successful, recovers capital expenditure and costs incurred in the year (Cost oil) by means of a share of production. This production share varies along with international oil prices. In certain PSAs changes in international oil prices also affect the share of production to which the contractor is entitled in order to remunerate its capital employed (Profit oil). A similar scheme applies to buy-back contracts.

oil production increased in Angola and Libya. Declines in production were attributable to mature fields and technical problems in Nigeria due to social unrest. Production outside Italy covered 87% of the total (85% in 2005).
Daily production of oil and condensates for the full year (1,079 kbbl/d) increased mainly in: (i) Angola due to the full production of the Kissanje and Dikanza fields in Phase B of the development of Kizomba in Block 15 (Eni's interest 20%) and the start-up of the Benguela/Belize/Lobito/Tomboco fields in Block 14 (Eni's interest 20%): (ii) Libya, due to the reaching of full production at the Bahr Essalam offshore field (Eni's interest 50%) as part of the Western Libyan Gas Project and the El Feel field (Eni's interest 23.3%). Production decreased in Venezuela and Nigeria, where these negatives were offset in part by the reaching of full production at Bonga in OML 118 permit (Eni's interest 12.5%) and Italy due to technical problems occurred at the FPSO unit in the Aquila field and to production declines.

Daily production of natural gas for the full year (3,995 mmcf/d/d) increased mainly in: (i) Lybia, due to the reaching of full production at the Bahr Essalam offshore field (Eni's interest 50%): (ii) Egypt, for full production/start-up of the Barboni and Anshuga fields the increase in the number of production wells at the eI Temsah 4 platform in the offshore of the Nile Delta and increased supplies to the Damietta liquefaction plant (Eni's interest 40%); (iii) Nigeria due to increased supplies to the Bonny LNG plant (Eni's interest 10.4%) related to the start-up of trains 4 and 5; (iv) Australia, due to the start-up of supplies to the Darwin liquefaction plant linked to the Bayu Undan liquid and gas field (Eni's interest 12.04%); (v) Croatia, due to the start-up of the Ika, Ida and Ivana CK fields (Eni's interest equating to 50%) in the Adriatic offshore. These increases were offset in part by a decline registered in Italy resulting from the production decline of mature fields.

Hydrocarbon production sold amounted to 625.1 million boe. The 20.8 million boe difference over production was due essentially to own consumption of natural gas (18.4 million boe).

Eni's proved reserves of oil and natural gas at December 31, 2006 stood at 6,436 million boe (oil and condensates 3,481 million barrels; natural gas 2,955 million boe), decreasing 401 million boe from December 31, 2005, or 6%.

The following table describes the evolution of proved reserves in 2006:

(mboe)		
Net proved reserves at December 31, 2005		**6,837**
Revisions, extensions and discoveries and improved recovery	417	
Production	(646)	(229)
		6,608
Divestment of proved property		(2)
Unilateral cancellation by PDVSA of the contract concerning the Dación field		(170)
Net proved reserves at December 31, 2006		**6,436**

Additions to proved reserves booked in 2006 were 417 million boe and derived from: (i) extensions and discoveries (161 million boe) in particular in Kazakhstan, Algeria, Libya and Egypt; (ii) improved recovery (105 million boe) in particular in Algeria, Angola, Egypt and Nigeria, and (iii) net upward revisions of 151 million boe mainly in Kazakhstan, Egypt and Libya.

The unilateral cancellation of the service contract for the Dación oilfield by the Venezuelan State oil company PDVSA determined a decrease in the Eni's proved reserves of 170 million barrels.

In 2006 Eni's proved reserves replacement ratio was 65% (38% all sources, including the loss of proved reserves at the Venezuelan Dación oilfield and other disposals) representing 10 years of remaining production at the current rate (10.8 as at December 31, 2005).

Considering the adverse entitlement impact in certain PSAs and buy-back contracts resulting from higher oil prices (Brent price was $58.925 dollars/barrel at December 31, 2005) and assuming Brent constant at $40 per barrel when determining entitlements in PSAs, the three-year average proved reserve replacement ratio would be 106%.
At December 31, 2006, Eni's proved developed reserves stood at 4,059 million boe (oil and condensates 2,144 million barrels, natural gas 1,915 million boe) or 63% of total proved reserves (63% as of December 31, 2005).

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

Gas & Power

€ million)

Fourth Quarter					Full Year			
2005	**2006**	**Change**	**% Ch.**		**2005**	**2006**	**Change**	**% Ch.**
				Results				
7,419	**8,170**	751	10.1	Net sales from operations	22,969	**28,368**	5,399	23.5
641	**1,303**	662	103.3	Operating profit	3,321	**3,802**	481	14.5
(32)	**(41)**	(9)		Exclusion of inventory holding (gains) losses	(127)	**(67)**	60	
281	**7**	(274)		Exclusion of special items	337	**147**	(190)	
				of which:				
290	**2**	(292)		- non-recurring items	290	**22**	(268)	
(9)	**(4)**	5		Others special items	47	**125**	678	
1		*(1)*		*asset impairments*	*1*	***51***	*50*	
3	***2***	*(1)*		*environmental provisions*	*31*	***44***	*13*	
3	***15***	*12*		*provisions for redundancy incentives*	*8*	***37***	*15*	
(16)	***(8)***	*8*		other	*7*	***(7)***		
890	**1,269**	**379**	**42.6**	**Adjusted operating profit**	**3,531**	**3,882**	**351**	**9.9**
890	**1,269**	**379**	**42.6**	**Adjusted operating profit by business**	**3,531**	**3,882**	**351**	**9.9**
516	***832***	*316*	*61.2*	*Market and Distribution*	*1,777*	***2,062***	*285*	*16.0*
254	***286***	*32*	*12.6*	*Transport in Italy*	*1,162*	***1,087***	*(75)*	*(6.5)*
109	***144***	*35*	*32.1*	*Transport outside Italy*	*448*	***579***	*131*	*29.2*
11	***7***	*(4)*	*(36.4)*	*Power generation*	*144*	***154***	*10*	*6.9*
13	**(1)**	(14)		Net financial incomes (expenses) [(a)]	37	**16**	(21)	
76	**97**	21		Net incomes (expenses) from investments[(a)]	370	**489**	119	
(339)	**(492)**	(153)		Income taxes[(a)]	(1,386)	**(1,525)**	(139)	
34.6	**36**			Adjusted tax rate (%)	35.2	**34.8**		
640	**873**	**233**	**36.4**	**Adjusted net profit**	**2,552**	**2,862**	**310**	**12.1**

(a) Excludes *special items*.

Result

Fourth quarter

The adjusted operating profit of the Gas & Power division totalled €1,269 million, up €379 million or 42.6% from the fourth quarter of 2005 reflecting primarily: (i) the partial reversal of a provision accrued in the 2005 financial statements as an estimate of the impact of regulation implemented by the Authority for Electricity and Gas with Resolution No. 248/2004 ; (ii) higher natural gas selling margins supported by a favourable trading environment, relating in particular to movements in the euro vs. the dollar exchange rates.

These positive factors were partly offset by a decline in natural gas sales by consolidated subsidiaries (down 192 mmcf/d or 2%) and lower volumes distributed through low-pressure pipelines to the Italian retail market due to mild weather conditions.

The adjusted net profit of the Gas & Power division increased by €233 million also reflecting the increased contribution of certain equity-accounted entities, in particular Unión Fenòsa Gas in Spain.
Special charges for the quarter (€7 million) referred to redundancy incentives.

3 The impact of the regulatory regime was determined based on the indexation mechanism set out by Resolution No. 248/2004 from the Authority for Electricity and Gas, and certain resolutions enacting Resolution No. 248/2004, this in spite of the fact that Resolution No. 248/2004 was annulled by an administrative body due to certain formal flaws.

Full Year

The adjusted operating profit of the Gas & Power division rose by €351 million or 9.9% to €3,882 million, primarily reflecting higher selling margins on natural gas against the backdrop of a favourable trading environment and the reduced impact of the tariff regime implemented by the Authority for Electricity and Gas with Resolution No. 248/2004. Growth in natural gas sales by consolidated subsidiaries (up 304 mmcf/d, or 3.8%), in volumes transported outside Italy due to the coming on line of volumes transported through the Greenstream gasline from Libya, and in electricity production sold (up 2.05 TWh, or 9%) contributed positively. These positives were partly offset by a lower operating result from transportation activities in Italy due to the tariff regime enacted by the Authority for Electricity and Gas with Resolution No. 166/2005 and a lower operating result from distribution activities due to lower volumes. Also higher purchase costs were incurred in the first quarter of the year, owing to a climatic emergency.
Full year adjusted net profit of €2,862 million increased by €310 million from 2005 (up 12.1%) and also benefited from the improved performance of certain equity-accounted entities.
Special charges for the full year recorded in the operating profit (€147 million) included certain non-recurring charges pertaining to fines imposed by the Authority for Electricity and Gas, and impairments of certain intangible assets, redundancy incentives and environmental provisions. Other special items pertained to Eni's share of a gain recorded by the Galp affiliate on the sale of certain regulated gas assets.

Sales

(millions of cubic feet)

Fourth Quarter 2005	Fourth Quarter 2006	% Ch.		Full Year 2005	Full Year 2006	% Ch.
6,015	**5,470**	**(9.1)**	***Italy to third parties*** (*)	**5,077**	**4,944**	**(2.6)**
1,535	1,386	(9.7)	Wholesalers (selling companies)	1,166	1,132	(2.9)
215	*215*	*0.0*	*Gas realase*	*189*	*194*	*2.6*
4,265	3,869	(9.3)	End Customers	3,722	3,619	(2.8)
1,432	*1,344*	*(6.2)*	*Industrial users*	*1,265*	*1,290*	*2.0*
1,804	*1,651*	*(8.5)*	*Power generation*	*1,703*	*1,613*	*(5.3)*
1,029	*875*	*(14.9)*	*Residential*	*755*	*716*	*(5.1)*
564	**595**	**5.4**	**Own consumption** (*)	**536**	**593**	**10.6**
2,702	**3,063**	**13.4**	***Rest of Europe*** (*)	**2,268**	**2,687**	**18.5**
84	**46**	**(45.5)**	**Outside Europe**	**113**	**74**	**(35.0)**
9,366	**9,174**	**(2.0)**	**Sales and own consumption of subsidiaries**	**7,994**	**8,298**	**3.8**
787	**756**	**3.9**	**Sales of affiliates** (Eni's share)	**685**	**740**	**8.1**
12	*4*	*...*	*Italy* (*)	*7*	*2*	*(71.4)*
741	*702*	*(5.2)*	*Rest of Europe* (*)	*626*	*666*	*6.3*
35	*50*	*44.4*	*Outside Europe*	*52*	*73*	*38.9*
10,153	**9,930**	**(2,2)**	**Total natural gas sales and own consumption**	**8,679**	**9,038**	**4.1**
10,564	**10,406**	**(1.5)**	**Sales of natural gas in Europe**	**9,076**	**9,435**	**4.0**
10,034	9,834	(2.0)	G&P in Europe (*)	8,513	8,892	4.4
530	572	8.0	*Upstream* in Europe	563	544	(3.4)
6,07	**0,00**	**0,0**	**Electricity production sold** (TWh)	**22.77**	**24.82**	**9.0**

(*) Market sectors denoted with an asterisk are included within "G&P in Europe",

Fourth quarter

Natural gas sales in Europe for the fourth quarter amounted to 10,406 mmcf/d (including own consumption and sales by affiliates), down 158 mmcf/d from the fourth quarter of 2005 due primarily to the negative impact of mild weather conditions on sales in the Italian market (down 514 mmcf/d or 7.8%). All market segments posted lower volumes: the thermoelectric sector (down 154 mmcf/d), the residential and commercial sector (down 154 mmcf/d), the wholesaler sector (down 149 mmcf/d) and the industrial sector (down 88 mmcf/d).

The decline in the domestic market was partly offset by growth in other European markets (up 322 mmcf/d or 4%) in particular in sales under long-term supply contracts to Italian importers and supplies to the Austrian, German and French markets.
Sales of natural gas by Eni's affiliates, net to Eni and net of Eni's supplies, were 702 mmcf/d, 39 mmcf/d lower, related mainly to GVS and related to: (i) GVS (Eni's interest 50%) with 303 mmcf/d; (ii) Unión Fenosa Gas (Eni's interest 50%) with 242 mmcf/d.
Eni transported 2,871 mmcf/d of natural gas on behalf of third parties, up 169 mmcf/d from the fourth quarter of 2005, or 2.5%.
Electricity production sold was 6.07 tWh, substantially stable from a year ago.

Full Year

Natural gas sales in Europe (9,435 mmcf/d, including own consumption and Eni's share of affiliates sales) were up 359 mmcf/d from 2005, or 4%, due to higher sales in the rest of Europe (459 mmcf/d, up 15.9%), higher supplies of natural gas to Eni's wholly-owned subsidiary EniPower's for power generation (57 mmcf/d, up 10.6%) offset in part by lower sales by subsidiaries in Italy (133 mmcf/d, down 2.6%).

In an increasingly competitive market, natural gas sales of subsidiaries in Italy (4,944 mmcf/d) declined by 133 mmcf/d from 2005, due to lower supplies related to mild weather conditions in the fourth quarter, negatively affecting sales volumes to the power generation segment (down 90 mmcf/d), to residential and commercial users (down 39 mmcf/d) and to wholesalers (down 34 mmcf/d) offset in part by higher sales to the industrial sector (up 25 mmcf/d). Sales under the so called gas release (194 mmcf/d) increased by 5 mmcf/d from 2005.

In 2006, natural gas sales of subsidiaries in the rest of Europe increased by 419 mmcf/d to 2,687 mmcf/d, or 18.5%, reflecting a growth in (i) sales under long-term supply contracts to Italian importers (up 233 mmcf/d) for the progressive reaching of full supplies from Libyan fields; (ii) supplies to the Turkish market (up 118 mmcf/d); (iii) Germany and Austria (up 81 mmcf/d) essentially due to increased spot sales to Gaz de France and Econgas and higher supplies to other industrial operators; (iv) France (up-mmcf/d) relating to higher supplies to industrial operators. This positive was partly offset by a decrease in sales in Hungary (down 28 mmcf/d) and Northern Europe (down 10 mmcf/d).

Sales of natural gas by Eni's affiliates in the rest of Europe, net to Eni and net of Eni's supplies, amounted to 666 mmcf/d, up 40 mmcf/d mainly to Unión Fenosa Gas and concerned: (i) GVS (Eni's interest 50%) with 284 mmcf/d; (ii) Unión Fenosa Gas (Eni's interest 50%) with 210 mmcf/d.

Eni transported 2,990 mmcf/d of natural gas on behalf of third parties in Italy, an increase of 66 mmcf/d from 2005, up 2.34%.

In 2006, electricity production sold increased by 2.05 TWh to 24.82 TWh (up 9%), reflecting the continuing ramp-up of new production capacity, in particular at the Brindisi plant (up 3.05 TWh), whose effects were offset in part by the standstill of the Ravenna power plant (down 0.85 TWh).

Refining & Marketing

(€ million)

Fourth Quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
				Results				
9,555	8,579	(976)	(10,2)	Net sales from operations	33,732	38,210	4.478	13,3
329	**(386)**	**(713)**	**...**	**Operating profit**	**1,857**	**3,219**	**(1,538)**	**(82,8)**
(177)	386	563		Exclusion of inventory holding (gains) losses	(1,064)	215	1,279	
227	148	(79)		Exclusion of special items	421	256	(165)	
				of which:				
	109	109		*Non-recurring items*		109	109	
227	39	(188)		Other special items	421	147	(274)	
5	*13*	*8*		*- impairments*	*5*	*14*	*9*	
157	*27*	*(130)*		*- environmental charges*	*337*	*111*	*(226)*	
13	*30*	*17*		*- provision for redudancy incentives*	*22*	*47*	*25*	
8	*(4)*	*(4)*		*- provision to the reserve for contingencies*	*39*	*(8)*	*(31)*	
44	*(35)*	*(79)*		*- other*	*18*	*(33)*	*(51)*	
379	**148**	**(231)**	**(60,9)**	**Adjusted operating profit**	**1,214**	**790**	**(424)**	**(34,9)**
0	0			Net financial incomes (expenses) [(a)]	0			
29	31	2		Net incomes (expenses) from investments [(a)]	231	184	(47)	
(187)	(64)	123		Income taxes [(a)]	(500)	(345)	155	
45,8	*35,6*			Adjusted tax rate *(%)*	*34,6*	*35,4*		
221	**115**	**(106)**	**(48)**	**Adjusted net profit**	**945**	**629**	**(316)**	**(33,4)**
				Global indicator refining margin				
5,05	2,18	(2,87)	(56,8)	Brent dated ($/bbl)	5,78	3,79	(1,99)	(34,4)
4,25	1,69	(2,56)	(60,2)	Brent dated (€/bbl)	4,65	3,02	(1,63)	(35,1)
7,73	4,87	(2,86)	(37,0)	Ural ($/bbl)	8,33	6,50	(1,83)	(22,0)

(a) Excluding *special items.*

Result

Fourth quarter

The adjusted operating profit of the Refining & Marketing division was €148 million, down €231 million, or 60.9% from the fourth quarter of 2005 primarily reflecting: (i) lower realised refining margins attributable to an unfavourable trading environment (Brent margins were down $2.87/bbl or 56.8% from a year ago), exacerbated by the negative impact of the appreciation of the euro over the dollar. These negatives were partly offset by the benefit deriving from the higher profitability of processed crudes and the decline in operating performance of Italian marketing activities due to the adverse impact of mild weather conditions on sales of refined products for heating uses.

The adjusted net profit for the fourth quarter was €115 million, down €106 million, or 48%, from the fourth quarter of 2005, primarily reflecting the decrease in the operating profit.

Special charges excluded from the adjusted operating profit were €148 million in the fourth quarter, reflecting primarily the impact of a non recurring charge related to a fine imposed by the Italian Antitrust Authority, and environmental provisions and provisions for redundancy incentives.

Full Year

The adjusted operating profit for the full year was €790 million, down €424 million, or 34.9%, from a year ago reflecting primarily: (i) lower realised refining margins reflecting the unfavourable trading environment and the appreciation of the euro versus the dollar, combined with the impact of longer refinery standstills due to planned maintenance partly offset by the higher profitability of processed crudes; (ii) a decline in the operating performance of Italian marketing activities due to lower volumes sold which were negatively affected by the mild weather conditions registered in the fourth quarter and the divestment of Italiana Petroli carried out in September 2005. On the positive side marketing activities in the rest of Europe performed well as a result of higher retail margins and higher volumes sold.

The adjusted net profit for 2006 was €629 million, down €316 million, or 33.4%, from 2005, reflecting primarily a decrease in the operating profit.

Special charges excluded from the adjusted operating profit were €256 million, reflecting primarily the impact of a non recurring charge related to a fine imposed by the Italian Antitrust Authority, and environmental provisions and provisions for redundancy incentives.

Throughputs and sales

(kbbl/d)

Fourth Quarter				Full Year		
2005	2006	% Ch.		2005	2006	% Ch.
			Refinining throughputs and sales (kbbl/d)			
715	718	0.4	Refining throughputs on own account Italy	684	667	(2.5)
98	95	(3.1)	Refining throughputs on own account Rest of Europe	91	94	3.3
572	584	2.1	Refining throughputs of wholly-owned refineries	547	543	(0.7)
100	100		Utilization rate of balanced capacity (%)	100	100	
175	171	(2.3)	Retail sales Italy Agip brand	175	173	(1.1)
			Retail sales Italy IP brand	26		..
72	77	6.9	Retail sales rest of Europe	73	76	4.1
225	205	(8.9)	Wholesale Italy	210	202	(3.8)
86	84	(2.3)	Wholesale Rest of Europe	82	84	2.4
9	8	(11.1)	Wholesale Rest of World	8	8	
517	501	(3.1)	Other sales	459	480	4.6
1,084	1,046	(3.5)	Sales	1,033	1,023	(1.0)
			Refined product sales by region			
624	602	(3.5)	Italy	606	598	(1.3)
159	161	1.3	Rest of Europe	155	160	3.2
301	283	(6.0)	Rest of World	271	264	(2.6)

Fourth quarter

Refining throughputs on Eni's account for the fourth quarter of 2006 in Italy and outside Italy were 813 kbbl/d, in line with the fourth quarter of 2005, due principally to higher throughputs processed at the Venice, Livorno and Taranto refineries. This was partly offset by lower volumes processed at the Sannazzaro refinery, at the Gela refinery and at the third party Priolo refinery (as a result of the accident occurred late in April), in addition to decreased throughputs in the Czech Republic.
Sales of refined products for the fourth quarter decreased by 38 kbbl/d to 1,046 kbbl/d, compared to the fourth quarter of 2005, due to lower sales on both the Agip branded network and the wholesale markets in Italy (down 24 kbbl/d), partly offset by increased volumes sold in retail markets of the rest of Europe (up 5 kbbl/d).
Sales in the retail market in Italy decreased by 4 kbbl/d to 171 kbbl/d, due primarily to an increased competition. Sales in the wholesale market in Italy decreased by 20 kbbl/d to 205 kbbl/d, due primarily to the impact of mild weather adversely affecting heating product sales (LPG and home heating oil).
Sales in retail markets in the rest of Europe increased by 5 kbbl/d to 77 kbbl/d, as a result of the effect of a higher market share in Germany and the purchase and lease of service stations in Germany and Spain.

Full Year

Refining throughputs on Eni's own account for the full year were 761 kbbl/d, down 14 kbbl/d or 1.9%, from 2005, owing to lower throughputs on third party refineries (in particular Priolo). Steady refining throughputs were achieved at Eni's own refineries as a result of improved performance at the Venice refinery, partly offset by the impact of planned maintenance standstills of the Sannazzaro and Livorno refineries.

The wholly-owned refineries utilisation rate was 100%, reflecting balanced capacity.

For the full year, sales of refined products decreased by 10 kbbl/d to 1,023 kbbl/d, due primarily to lower sales on both the Agip branded network and wholesale markets in Italy (down 10 kbbl/d), partly offset by increased volumes sold in the rest of Europe (up 5 kbbl/d).

The 26 kbbl/d lost retail sales in Italy due to the divestment of Italiana Petroli carried out in September 2005 was partially offset by Eni's ongoing supply of significant volumes of fuels and other products to the divested company under a five-year supply contract.

Sales of refined products on the Agip branded network in Italy declined by 2 kbbl/d to 173 kbbl/d, due to competitive pressure; market share decreased from 29.7% to 29.3%. Sales on wholesale markets in Italy decreased by 8 kbbl/d to 202 kbbl/d, due primarily to the decline registered in the fourth quarter as discussed above. Sales of refined products increased in both the retail and wholesale markets in the rest of Europe, principally in Germany, Spain and Austria.
Sales on the wholesale market in Italy decreased by 8 kbbl/d to 202 kbbl/d, due primarily to the decline registered in the fourth quarter, as mentioned above. Sales of refined products increased in both the retail and wholesale markets in the rest of Europe, principally in Germany and Spain..

Petrochemicals

(€ million)

Fourth Quarter					Full Year			
2005	**2006**	**Change**	**% Ch.**		**2005**	**2006**	**Change**	**% Ch.**
1,657	1,737	80	4.8	**Results**	6,255	6,820	565	9.0
37	72	35	94.6	**Operating profit**	202	172	(30)	(14.9)
	(4)	(4)		Exclusion of inventory holding (gains) losses	(19)	(60)	(41)	
37	86	49		Exclusion of *special item*	78	107	29	
				of which:				
	13	13		*Non-recurring items*		13	13	
37	73	36		Other *special items:*	74	94	20	
4	*14*	*10*		*- impairments*	*4*	*19*	*15*	
6	*11*	*5*		*- environmental charges*	*36*	*31*	*(5)*	
17		*(17)*		*- provision for redudancy incentives*	*17*		*(17)*	
11	*50*	*39*		*- provision to the reserve for contingencies*	*29*	*50*	*21*	
(1)	*(2)*	*(1)*		*- other*	*(8)*	*(6)*	*2*	
74	**154**	**80**	**108.1**	**Adjusted operating profit**	**261**	**219**	**(42)**	**(16.1)**
2	1	(1)	(50.0)	Net financial income (expenses) (1)	3	2	(1)	(33.3)
(12)	(14)	(2)	16.7	Income taxes (1)	(37)	(47)	(10)	27
64	**141**	**77**	**120.3**	**Adjusted net profit**	**227**	**174**	**(53)**	**(23.3)**

(1) Excluding *special items*

Result

Fourth quarter

In the fourth quarter of 2006 adjusted operating profit was €154 million, up €80 million from the fourth quarter of 2005, or 108.1%, reflecting primarily higher product selling margins, in particular in basic petrochemicals.
Special charges excluded from the adjusted operating profit were €86 million in the fourth quarter, reflecting primarily asset impairments, the impact of a non recurring charge related to a fine imposed by an antitrust authority, and provisions for redundancy incentives.

Full Year

Adjusted operating profit was €219 million, half of the year affecting all businesses with the exception of polyethylene, due to increases in the cost of oil-based feedstocks not transferred to selling prices and to the impact of the accident occurred at the Priolo refinery in April resulting in lower product availability. These negative factors were offset in part by the positive effect of Eni's sales mix along with an improved industrial and commercial performance.
Special charges excluded from the adjusted operating profit were €107 million in the fourth quarter, reflecting primarily asset impairments, the impact of a non recurring charge related to a fine imposed by an antitrust authority, and provisions for risks and redundancy incentives.

Product availability and sales

(thousand tonnes)

Fourth Quarter					Full Year			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
1,879	**1,789**	**(90)**	**(4.8)**	**Production**	**7,282**	**7.072**	**(210)**	**(2.9)**
1,289	**1,323**	**34**	**2.6**	**Sales**	**5,376**	**5,264**	**(112)**	**(2.1)**
746	781	35	4.7	Basic petrochemicals	3,022	2,881	(141)	(4.7)
229	226	(3)	(1.31)	Styrenes and elastomers	1,003	989	(14)	(1.4)
314	316	2	0.6	Polythylenes	1,351	1,394	43	3.2

Fourth quarter

Sales of petrochemical products (1,323 ktonnes) were up 34 ktonnes, or 2.6%, from the fourth quarter of 2005. Increases concerned: (i) basic petrochemicals related to a positive trend in demand; (ii) styrenes due to higher product availability resulting from the fact that sales in the third quarter of 2005 were affected by standstills and shutdowns and operational issues at the Mantova site. These positives were offset in part by a weak performance of the elastomer business, due to a slow recovery after maintenance of the Ferrara and Ravenna sites and weak demand in the intermediate business that caused a 20.3% decline in sales.

Production (1,789 ktonnes) declined by 90 ktonnes from the fourth quarter of 2005 (or 4.8%) in the elastomer and polyethylene businesses due to the standstill of the Priolo cracker, and in the basic petrochemicals business due to the negative performance of the Gela and Dunkerque sites, compared to a positive performance at Brindis and Porto Marghera.

Full Year

Sales of petrochemical products (5,264 ktonnes) were down 112 ktonnes, or 2.1% from 2005. Declines concerned: (i) basic petrochemicals (down 4.7%), due to lower feedstock availability, resulting from the outage of the Priolo cracker as a consequence of the accident occurred in late April at the nearby refinery; (ii) elastomers (down 2.5%) due to the slow recovery of Ferrara and Ravenna after maintenance in the first half of the year; (iii) intermediates (down 10.6%) due to weak demand. These negatives were offset in part by increased sales of polyethylene (up 3.2%) and aromatics (in particular xylenes up 4.8%) due to higher demand.

Production (7,072 ktonnes) declined by 210 ktonnes from 2005 (down 2.9%) in particular in elastomers, polyethylene and basic petrochemicals, where lower production due to the standstill of the Priolo refinery was offset in part by higher production at Porto Marghera, Sarroch and Dunkerque. Styrene production increase. In 2005 it had been damaged by outages and technical issues.

Engineering and Construction

(€ million)

Fourth Quarter					Full Year			
2005	**2006**	**Change**	**% Ch.**		**2005**	**2006**	**Change**	**% Ch.**
1,809	1,946	137	7.6	Results	5,733	6,956	1,223	21.3
135	149	14	10.4	**Operating profit**	307	505	198	64.5
7	3	(4)		Exclusion of *special item*	7	3	(4)	
142	**152**	**10**	**7.0**	**Adjusted operating profit**	**314**	**508**	**194**	**61.8**
46	47	1	2.2	Net financial income (expenses) (1)	141	66	(75)	(53.2)
(70)	(68)	2	(2.9)	Income taxes (1)	(127)	(174)	(47)	37.0
37.2	*34.2*	*(3.1)*		*Tax rate adjusted*	*27.9*	*30.3*	*2.4*	
118	**131**	**13**	**11.0**	**Adjusted net profit**	**328**	**400**	**72**	**22.0**

(1) Excluding *special items*

Result

Fourth quarter

Adjusted operating profit for the fourth quarter of 2006 was €152 million, up €10 million from the fourth quarter of 2005. This increase was recorded in particular in the following areas: (i) Offshore drilling, due to higher tariffs for the Scarabeo 3 and Scarabeo 5 semisubmersible platforms; (ii) Onshore drilling, due to the beginning of works in the Caspian area.

Adjusted net profit of €131 million increased by €13 million from the fourth quarter of 2005 due to a better operating performance.

Full Year

Adjusted operating profit for 2006 was €508 million, up €194 million from 2005. This increase was recorded in particular in the following areas: (i) Offshore, due to higher activity in the Caspian region and Nigeria; (ii) Offshore drilling, due to higher tariffs for the Scarabeo 3 and Scarabeo 5 semisubmersible platforms and higher activity levels of the Perro Negro 5 jack-up and Scarabeo 4 semisubmersible platform; (iii) Onshore due to higher activity related essentially to the start-up of some large projects acquired in 2005.

Adjusted net profit of €400 million increased by €72 million from 2005 (up 22%) due to a better operating performance, offset in part by losses of affiliates.

(€ million)

	Full Year			
	2005	2006	Change	% Ch.
Orders acquired [1]	**8,395**	**11,172**	**2,777**	**33.1**
Offshore	3,096	3,681	585	18.9
Onshore	4,720	4,923	203	4.3
Offshore drilling	367	2,230	1,863	507.6
Onshore drilling	212	338	126	59.4
Eni	887	2,692	1,805	203.5
Third parties	7,508	8,480	972	12.9
Italy	858	1,050	192	22.4
Outside Italy	7,537	10,122	2,585	34.3

	31.12.2005	12.31..2006	Change	% Ch.
Order backlog at period end [1]	**10,122**	**13,191**	**3,069**	**30.3**
Offshore	3,721	4,283	562	15.1
Onshore	5,721	6,285	564	9.9
Offshore drilling	382	2,247	1,865	488.2
Onshore drilling	298	376	78	26.2
Eni	695	2,602	1,907	274.4
Third parties	9,427	10,589	1,162	12.3
Italy	1,209	1,280	71	5.9
Outside Italy	8,913	11,911	2,998	33.6

(1) Includes the Bonny project for € 28 million in order backlog.

Among the main orders acquired in the first nine months of 2006 were:

- an EPC contract for Saudi Aramco for the construction of four trains for gas and crude separation with a total capacity of 1,200 kbbl/d/d and facilities for production within the development of the onshore Khursaniyah field in Saudi Arabia;
- a contract for the conversion of an oil tanker into an FPSO unit with production capacity of 60 kbbl/d and storage capacity of 1,800 kbbl/d for the development of the Gimboa field offshore Angola at a depth of 700 meters for Sonangol P&P;
- an EPIC contract for Burullus Gas Co for the construction of underwater systems for the development of eight new wells within the expansion plan of the Scarab/Saffron and Simian fields offshore the Nile Delta;
- a 16-month long contract for the use of the semisubmersible drilling platform Scarabeo 7 in Nigeria for Exxon Mobil.

Orders acquired amounted to €11,172 million, of these projects to be carried out outside Italy represented 90%, while orders from Eni companies amounted to 24% of the total. Eni's order backlog was €13,191 million at December 31, 2006 (€10,122 million at December 31, 2005). Projects to be carried out outside Italy represented 90% of the total order backlog, while orders from Eni companies amounted to 20% of the total.

Non-GAAP measures

Reconciliation of reported operating profit by division and net profit to adjusted operating and net profit

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

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

Adjusted operating profit and adjusted net profit are non-GAAP financial measures under either IFRS, or U.S. GAAP. Management includes them to help facilitate comparison of base business performance across periods and to 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 capital employed by each business segment.

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

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

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

Finance charges or incomes 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. Also the effect of the fair value evaluation of derivative financial instruments held for trading purposes and exchange rate differences are excluded from the adjusted net profit of business segments. Therefore, the adjusted net profit of business segments includes finance charge or income deriving from certain segment-operated assets, i.e. interest income on certain receivable financing and securities related to operations and finance charge pertaining to the accretion of certain provisions recorded on a discounted basis (as in the case of the asset retirement obligations in the Exploration and Production segment).

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

(€ million)

Fourth Quarter 2006

	E&P	G&P	R&M	Petrochemicals	Engineering and Construction	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	3,141	1,303	(386)	72	149	(221)	(89)	(12)	3,957
Exclusion of inventory holding (gains) losses		(41)	386	(4)					341
Exclusion of special items									
of which:									
Non-recurring (income) charges		(2)	109	13		62			182
Other special charges	54	9	39	73	3	82	36		296
environmental charges		2	27			62	11		102
asset impairments	51		13	50	1	12			127
gains on disposal of assets	(7)								(7)
provisions to the reserve for contingencies			4	11					15
increase insurance charges									
provision for redundancy incentives	10	15	30	14	2	1	29		101
other		(8)	(35)	(2)		7	(4)		(42)
Special items of operating profit	*54*	*7*	*148*	*86*	*3*	*144*	*36*		*478*
Adjusted operating profit	3,195	1,269	148	154	152	(77)	(53)	(12)	4,776
Net financial (expense) income *	(22)	(1)				(7)	87		57
Net income from investments *	(18)	97	31	1	47	(1)	1		158
Income taxes *	(1,851)	(92)	(64)	(14)	(68)		22	9	(2,458)
Adjusted tax rate	*58.7*	*36.0*	*35.8*						*49.2*
Adjusted net profit	**1,304**	**873**	**115**	**141**	**131**	**(85)**	**57**	**(3)**	**2,533**
of which:									
- net profit of minorities									178
- adjusted net profit pertaining to Eni									**2,355**
Reported net profit pertaining to Eni									**1,520**
Exclusion of inventory holding (gains) losses									213
Exclusion of special items									622
- Non-recurring (income) charges									*199*
- Other special charges									*423*
Adjusted net profit pertaining to Eni									**2,355**

* Excluding *special items*.

(€ million)

Fourth Quarter 2005	E&P	G&P	R&M	Petrochemicals	Engineering and Construction	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	3,561	641	329	37	135	(297)	(41)	31	4,396
Exclusion of inventory holding (gains) losses		(32)	(177)						(209)
Exclusion of special items									
of which:									
Non-recurring (income) charges		290							290
Other special charges	20	(9)	227	37	7	205	(33)		454
environmental charges		3	157			146	8		314
asset impairments	(43)	1	5	11	4	47	2		27
gains on disposal of assets									
provisions to the reserve for contingencies			8	6		(4)	(119)		(109)
increase insurance charges	57	6	30	17		4	64		178
provision for redundancy incentives	6	3	13	4	3	3	12		44
other		(22)	14	(1)		9			
Special items of operating profit	*20*	*281*	*227*	*37*	*7*	*205*	*(33)*		*744*
Adjusted operating profit	3,581	890	379	74	142	(92)	(74)	31	4,931
Net financial (expense) income *	(21)	13					(91)		(99)
Net income from investments *	(10)	76	29	2	46		(1)		142
Income taxes *	(1,978)	(339)	(187)	(12)	(70)	2	120	(12)	(2,476)
Adjusted tax rate	*55.7*	*34.6*	*45.8*						*49.8*
Adjusted net profit	**1,572**	**640**	**221**	**64**	**118**	**(90)**	**(46)**	**19**	**2,498**
of which:									
- net profit of minorities									102
- adjusted net profit pertaining to Eni									**2,396**
Reported net profit pertaining to Eni									**2,105**
Exclusion of inventory holding (gains) losses									(131)
Exclusion of special items									422
- Non-recurring (income) charges									*290*
- Other special charges									*132*
Adjusted net profit pertaining to Eni									**2,396**

* Excluding *special items*.

(€ million)

Full Year 2006

	E&P	G&P	R&M	Petrochemicals	Engineering and Construction	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	15,580	3,802	3219	172	505	(622)	(296)	(133)	19,327
Exclusion of inventory holding (gains) losses		(67)	215	(60)					88
Exclusion of special item									
of which:									
Non-recurring (income) charges		22	109	13		62			206
Other special charges	183	125	147	94	3	261	56		869
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		(7)	(33)	(6)		21	2		(23)
Special items of operating profit	*186*	*147*	*256*	*107*	*3*	*323*	*56*	*0*	*1,075*
Adjusted operating profit	15,763	3,882	790	219	508	(299)	(240)	(133)	20,490
Net financial (expense) income *	(59)	16	0	0	0	(7)	205	0	155
Net income from investments *	85	489	184	2	66	5	0	0	831
Income taxes *	(8,510)	(1,525)	(345)	(47)	(174)	0	89	54	(10,458)
Adjusted 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
- adjusted net profit pertaining to Eni									**10,412**
Reported net profit pertaining to Eni									**9,217**
Exclusion of inventory holding (gains) losses									33
Exclusion of special items									1,162
- Non-recurring (income) charges									*218*
- Other special charges									*944*
Adjusted net profit pertaining to Eni									**10,412**

* Excluding *special items*.

(€ million)

Full Year 2005

	E&P	G&P	R&M	Petrochemicals	Engineering and Construction	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	12,592	3,321	1,857	202	307	(934)	(377)	(141)	16,827
Exclusion of inventory holding (gains) losses		(127)	(1,064)	(19)					(1,210)
Exclusion of special items									
of which:									
Non-recurring (income) charges		290							290
Other special charges	311	47	421	78	7	638	149		1,651
environmental charges		31	337			413	54		835
asset impairments	247	1	5	29	4	75	2		363
gains on disposal of assets									0
provisions to the reserve for contingencies			39	36		126			201
increase insurance charges	57	6	30	17		4	64		178
provision for redundancy incentives	7	8	22	4	3	6	29		79
other		1	(12)	(8)		14			(5)
Special items of operating profit	*311*	*337*	*421*	*78*	*7*	*638*	*149*	*0*	*1,941*
Adjusted operating profit	12,903	3,531	1,214	261	314	(296)	(228)	(141)	17,558
Net financial (expense) income *	(80)	37	0	0	0	0	(296)	0	(339)
Net income from investments *	10	370	231	3	141	(1)	23	0	777
Income taxes *	(6,647)	(1,386)	(500)	(37)	(127)	0	359	52	(8,286)
Adjusted tax rate	*51.8*	*35.2*	*34.6*						*46.0*
Adjusted net profit	**6,186**	**2,552**	**945**	**227**	**328**	**(297)**	**(142)**	**(89)**	**9,710**
of which:									
- net profit of minorities									459
- adjusted net profit pertaining to Eni									**9,251**

Reported net profit pertaining to Eni	**8,788**
Exclusion of inventory holding (gains) losses	(759)
Exclusion of special items	1,122
- Non-recurring (income) charges	*290*
- Other special charges	*932*
Adjusted net profit pertaining to Eni	**9,251**

* Excluding *special items*.

Analysis of *special item*

(€ million)

Fourth Quarter 2005	Fourth Quarter 2006		Full Year 2005	Full Year 2006
		Special items		
		of which:		
290	182	Non-recurring (income) charges	290	206
454	296	Other special charges	1,651	869
314	102	environmental charges	835	292
27	127	asset impairments	363	369
	(7)	gains on disposal of assets		(61)
69	15	provisions to the reserve for contingencies	379	114
178	0	*of which: increase insurance charges*		178
44	101	provision for redundancy incentives	79	178
	(42)	other	(5)	(23)
744	**478**	**Special items of operating profit**	**1,941**	**1,075**
(1)	5	Net financial expenses (income)	27	(6)
(4)	1	Net income from investments	(137)	(72)
		of which:		
		gain on the disposal of Italiana Petroli (IP)	*(135)*	
		gain on Galp Energia SGPS SA (disposal assets Rede Electrica National)		*(73)*
(317)	138	Income taxes	(609)	165
		of which:		
		supplemental tax rate UK		*91*
	179	*windfall tax Algeria*		*179*
	2	*legal proceeding in Venezuela*		*77*
422	**622**	**Total special items of net profit**	**1,222**	**1,162**

Informations on bonds

Bonds maturing in the 18-month period starting on December 31, 2006

(€ million)

Issuing company	Amount at December 31, 2006 (1)
Eni Coordination Center SA	634
Eni USA Inc	153
	787

(1) Amounts in euro at December 31, 2006 include instalments with interest accrued.

Bonds issued in the 2006 (guaranteed by Eni SpA)

Issuing company	Nominal amount (million)	Currency	Currency Amount at December 31, 2006 (€ million) (1)	Maturity	Rate	%
Eni Coordination Center SA	5000	JPY	32	2014	fixed	1,560
Eni Coordination Center SA	45	USD	34	2013	variable	
Eni Coordination Center SA	100	GBP	153	2011	fixed	5,120
			219			

(1) Amounts in euro at December 31, 2006 include instalments with interest accrued.

Accounts of the parent company Eni SpA

Profit and loss account

(€ million)	2005	2006	Change	% Ch.
Revenues				
Net sales from operations	44,794	52,987	8,193	18.3
Other income and revenues	231	186	(45)	(19.5)
Total revenues	**45,025**	**53,173**	**8,148**	**18.1**
Operating expenses				
Purchases, services and other	(39,537)	(48,248)	(8,711)	22.0
of which non recurring items	*(290)*	*(150)*	*140*	*(48.3)*
Payroll and related costs	(780)	(932)	(152)	19.5
Depreciation, amortization and impairments	(872)	(829)	43	(4.9)
Operating profit	**3,836**	**3,164**	**(672)**	**(17.5)**
Financial income (expense)	**(29)**	**35**	**64**	**(220.7)**
Income from investments	**3,606**	**3,785**	**179**	**5.0**
Profit before income taxes	**7,413**	**6,984**	**(429)**	**(5.8)**
Income taxes	(1,371)	(1,163)	208	(15.2)
Net profit	**6,042**	**5,821**	**(221)**	**(3.7)**
Exclusion of inventory holding (gains) losses	(672)	118	790	(117.6)
Replacement cost net profit	**5,370**	**5,939**	**569**	**10.6**

Condensed balance sheet

(€ million)	12.31.2005	12.31.2006	Change
Fixed assets			
Property, plant and equipment, net	4,954	5,507	553
Inventories - compulsory stock	1,766	1,701	(65)
Intangible assets, net	858	948	90
Investments, net	20,805	21,086	281
Accounts receivable financing and securities related to operations	29	28	(1)
Net accounts payable in relation to capital expenditure	(445)	(313)	132
	27,967	**28,957**	**990**
Net working capital	**95**	**(23)**	**(118)**
Employee termination indemnities and other benefits	**(255)**	**(308)**	**(53)**
Capital employed, net	**27,807**	**28,626**	**819**
Shareholders' equity	**26,872**	**26,935**	**63**
Net borrowings	**935**	**1,691**	**756**
Total liabilities and shareholders' equity	**27,807**	**28,626**	**819**