Report on the first quarter of 2007

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Contents

STATISTIC RECAP

Summary financial data

Fourth Quarter 2006	(€ million)	First Quarter 2006	First Quarter 2007	Change	% Ch.
21,416	Net sales from operations	23,584	21,913	(1,671)	(7.1)
3,957	Operating profit	5,595	5,105	(490)	(8.8)
4,776	Adjusted operating profit [a]	5,533	5,253	(280)	(5.1)
1,520	Net profit [b]	2,974	2,588	(386)	(13.0)
0.41	- per ordinary share (€) [c]	0.80	0.70	(0.10)	(12.5)
1.06	- per ADR ($) [b][c]	1.92	1.83	(0.09)	(4.7)
2,355	Adjusted net profit [a][b]	2,954	2,680	(274)	(9.3)
0.64	- per ordinary share (€) [b]	0.79	0.73	(0.06)	(7.6)
1.65	- per ADR ($) [b][c]	1.90	1.91	0.01	0.5
1,778	Net cash provided by operating activities	5,863	5,563	(300)	(5.1)
2,944	Capital expenditure	1,340	2,013	673	50.2

(a) For a detailed explanation of adjusted operating profit and adjusted net profit see pag 34.
(b) Profit attributable to Eni shareholders.
(c) Fully diluted. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by the ECB for the periods presented.
(d) One ADR (American Depositary Receipt) is equal to two Eni ordinary shares.

Key market indicators

Fourth Quarter 2006		First Quarter 2006	First Quarter 2007	Change	% Ch.
59.68	Average price of Brent dated crude oil [a]	61.75	57.75	(4.00)	(6.5)
1.290	Average EUR/USD exchange rate [b]	1.202	1.310	0.108	9.0
46.26	Average price in euro of Brent dated crude oil	51.37	44.08	(7.29)	(14.2)
2.18	Average European refining margin [c]	2.95	3.06	0.11	3.7
1.69	Average European refining margin in euro	2.45	2.34	(0.11)	(4.5)
3.6	Euribor - three month rate (%)	2.6	3.8	1.2	46.2
5.3	Libor - three month dollar rate (%)	4.7	5.3	0.6	12.8

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

Summary operating data

Fourth Quarter 2006			First Quarter 2006	First Quarter 2007	Change	% Ch.
1,796	Production of hydrocarbons [a]	(kboe/d)	1,827	1,734	(93)	(5.1)
1,079	Liquids	(kbbl/d)	1,143	1,030	(113)	(9.9)
4,132	Natural gas [a]	(mmcf/d)	3,920	4,061	141	3.6
26.93	Worldwide gas sales	(bcm)	31.20	28.14	(3.06)	(9.8)
1.06	*of which: Upstream sales in Europe*		*1.12*	*1.07*	*(0.05)*	*(4.5)*
7.79	Electricity sold	(TWh)	7.73	7.61	(0.12)	(1.6)
3.13	Retail sales of refined products in Europe	(mmtonnes)	2.93	2.88	(0.05)	(1.7)
1,323	Petrochemical product sales	(ktonnes)	1,411	1,417	6	0.4

(a) Includes own consumption of natural gas (51 kboe/d in the first quarter of 2007, 48 kboe/d in the first quarter of 2006 and 50 kboe/d in the fourth quarter of 2006).

BASIS OF PRESENTATION

Eni's accounts at March 30, 2007, unaudited, have been prepared in accordance with the criteria defined by the Commissione Nazionale per le Società e la Borsa (CONSOB) in its regulation for companies listed on the Italian Stock Exchange.

Financial information relating to the profit and loss account are presented for the first quarter of 2007 and for the first and fourth quarter of 2006. Financial information relating to balance sheet data are presented at March 31, 2007, March 31, 2006 and December 31, 2006. Tables are comparable with those of 2006 financial statements and first half report.

Eni's accounts at March 31, 2007 have been prepared in accordance with the evaluation and measurement criteria contained in the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

Non-GAAP financial measures disclosed throughout this report are accompanied by explanatory notes and tables to help investors to gain a full understanding of said measures in line with guidance provided for by recommendation CESR/05-178b.

Disclaimer

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

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

Financial review

PROFIT AND LOSS ACCOUNT AND DIVISIONAL HIGHLIGHTS

Fourth Quarter 2006	(€ million)	First Quarter 2006	2007	Change	% Ch.
21,416	Net sales from operations	23,584	21,913	(1,671)	(7.1)
302	Other income and revenues	209	281	72	34.4
(15,874)	Operating expenses	(16,739)	(15,462)	1,277	7.6
(182)	*of which non recurring items*				
(1,887)	Depreciation, amortization and impairments	(1,459)	(1,627)	(168)	(11.5)
3,957	**Operating profit**	**5,595**	**5,105**	**(490)**	**(8.8)**
52	Net financial income (expense)	42	(133)	(175)	..
157	Net income from investments	240	202	(38)	(15.8)
4,166	**Profit before income taxes**	**5,877**	**5,174**	**(703)**	**(12.0)**
(2,468)	Income taxes	(2,747)	(2,431)	316	11.5
59.2	*Tax rate (%)*	*46.7*	*47.0*	*0.3*	
1,698	Net profit	3,130	2,743	(387)	(12.4)
	pertaining to:				
1,520	**- Eni**	**2,974**	**2,588**	**(386)**	**(13.0)**
178	- minority interest	156	155	(1)	(0.6)

Eni's net profit for the first quarter of 2007 was €2,588 million, down €386 million from the first quarter of 2006, or 13.0%, due essentially to a lower operating performance (down €490 million, or 8.8%) as result of a decline in the Exploration & Production division, partially offset by a positive performance delivered by Eni's downstream and the Engineering & Construction businesses. This reduction in net profit was also due to higher net financial expenses mainly owing to losses on the fair value evaluation of certain financial derivative instruments.

Fourth Quarter 2006	(€ million)	First Quarter 2006	2007	Change	% Ch.
1,520	**Net profit pertaining to Eni**	**2,974**	**2,588**	**(386)**	**(13.0)**
213	Exclusion of inventory holding (gain) loss	(59)	97	156	
622	Exclusion of special items:	39	(5)	(44)	
	of which:				
184	*- non-recurring items*				
438	*- other special items*	*39*	*(5)*	*(44)*	
2,355	**Eni's adjusted net profit [(a)]**	**2,954**	**2,680**	**(274)**	**(9.3)**

(a) For a definition and reconciliation of reported operating profit and reported net profit to adjusted results, which exclude inventory holding gains/losses and special items, "Reconciliation of reported operating profit and net profit to results on an adjusted basis" page 34.

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

Special charges concerned essentially environmental charges and employee redundancy incentives, offset by a gain from the settlement reached by Syndial and Dow Chemical on some contractual issues pending between the two companies.

Return on Average Capital Employed (ROACE) calculated on an adjusted basis for the twelve-month period ending March 31, 2007 was 22.7% (21.8% for the twelve-month period ending March 31, 2006).

The trading environment was affected by lower oil prices with Brent crude prices averaging $57.75 per barrel, down 6.5% compared to the first quarter of 2006, and the appreciation of the euro over the dollar (up 9.0%). These negatives were partially offset by: (i) favourable trends in energy and exchange rate parameters used in determining purchase and selling prices of natural gas; (ii) an increase in refining margins on the Brent crude marker (up 3.7%), and (iii) higher sales margins on petrochemical products.

The following table sets forth adjusted net profit[1] by division:

Fourth Quarter 2006	(€ million)	First Quarter 2006	First Quarter 2007	Change	% Ch.
1,304	Exploration & Production	2,095	1,409	(686)	(32.7)
873	Gas & Power	879	1,159	280	31.9
115	Refining & Marketing	86	113	27	31.4
141	Petrochemicals	16	79	63	393.8
131	Engineering & Construction	87	145	58	66.7
(85)	Other activities	(58)	(50)	8	(13.8)
57	Corporate and financial companies	6	(86)	(92)	..
(3)	Impact of unrealized profit in inventory [a]	(1)	66	67	..
2,533		**3,110**	**2,835**	**(275)**	**(8.8)**
	of which:				
178	net profit of minorities	156	155	1	(0.6)
2,355	**Eni's adjusted net profit**	**2,954**	**2,680**	**(274)**	**(9.3)**

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

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

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

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

(1) For a definition and reconciliation of reported operating profit and reported net profit to adjusted results, which exclude inventory holding gains/losses and special items, "Reconciliation of reported operating profit and net profit to results on an adjusted basis" page 34.

ANALYSIS OF PROFIT AND LOSS ACCOUNT ITEMS

Net sales from operations

Fourth Quarter 2006	(€ million)	First Quarter 2006	2007	Change	% Ch.
6,152	Exploration & Production	7,412	6,361	(1,051)	(14.2)
8,170	Gas & Power	9,134	8,543	(591)	(6.5)
8,579	Refining & Marketing	9,280	7,943	(1,337)	(14.4)
1,740	Petrochemicals	1,728	1,674	(54)	(3.1)
1,969	Engineering & Construction	1.310	1,962	652	49.8
161	Other activities	214	57	(157)	(73.4)
345	Corporate and financial companies	307	282	(25)	(8.1)
(5,700)	Consolidation adjustment	(5,801)	(4,909)	892	
21,416		**23,584**	**21,913**	**(1,671)**	**(7.1)**

Eni's net sales from operations (revenues) for the first quarter of 2007 (€21,913 million) were down €1,671 million, a 7.1% decline from the first quarter of 2006, primarily reflecting the impact of the appreciation of the euro versus the dollar (up 9%) and the decline in oil prices, as well as sold production of hydrocarbons and natural gas sales. These negative factors were offset in part by higher activity levels in the Engineering & Construction segment and higher gas prices.

Revenues generated by the Exploration & Production segment (€ 6,361 million) declined by € 1,051 million, down 14.2%, essentially due to the impact of the appreciation of the euro versus the dollar and the decline in oil realizations in dollars (down 3.3%) and lower hydrocarbon production sold (down 9.5 million boe). These factors were offset in part by higher gas prices (up 1.3%).

Revenues generated by the Gas & Power segment (€ 8,543 million) declined by € 591 million, down 6.5%, essentially due to lower natural gas volumes sold by consolidated subsidiaries (down 2.87 billion cubic meters or 10.4%) and lower volumes transported and distributed as a consequence of an unusually mild winter. These negative factors were offset in part by increased natural gas prices, related in particular to trends of energy parameters to which gas prices are contractually indexed.

Revenues generated by the Refining & Marketing segment (€ 7,943 million) declined by € 1,337 million, down 14.4%, essentially due to lower international prices for oil and refined products and the effect of the appreciation of the euro over the dollar. An additional negative factor was the decline in volumes marketed on retail and wholesale markets in Italy (down 410 ktonnes, or 8%) related to the competitive pressure and a mild winter that reduced the demand for heating oil.

Revenues generated by the Petrochemical segment (€ 1,674 million) were substantially stable from the first quarter of 2006.

Net sales from operations generated by the Engineering and Construction segment (€1,962 million) increased by €652 million, up 49.8%, due to increased activity levels in the Offshore and Onshore construction business.

Revenues by geographic area

	First Quarter			
	2006	2007	Change	% Ch.
Italy	**11,118**	**9,711**	**(1,407)**	**(12.7)**
Rest of European Union	5,528	5,146	(382)	(6.9)
Rest of Europe	2,118	1,808	(310)	(14.6)
Americas	1,479	1,326	(153)	(10.3)
Asia	1,339	1,678	339	25.3
Africa	1,768	2,048	280	15.8
Other areas	234	196	(38)	(16.2)
Total ouside Italy	**12,466**	**12,202**	**(264)**	**(2.1)**
	23,584	**21,913**	**(1,671)**	**(7.1)**

Operating expenses

Fourth Quarter 2006	(€ million)	First Quarter 2006	First Quarter 2007	Change	% Ch.
14,897	Purchases, services and other	15,912	14,584	(1,328)	(8.3)
184	*of which: - non-recurring items*				
115	*- other special items*	*5*	*17*	*12*	
977	Payroll and related costs	827	878	51	6.2
101	*of which: - provision for redundancy incentives*	*24*	*10*	*(14)*	
15,874		**16,739**	**15,462**	**(1,277)**	**(7.6)**

Operating expenses for the first quarter of 2007 (€ 15,462 million) declined by € 1,277 million from the first quarter of 2006, down 7.6%, essentially due to: (i) lower prices for oil-based and petrochemical feedstocks and for natural gas reflecting an appreciation of the euro versus the dollar; (ii) lower supplies of natural gas in line with lower sales and the fact that in the first quarter of 2006 higher gas supplies costs were recorded due to a climatic emergency; (iii) lower costs for refinery maintenance activity.

Labor costs (€ 878 million) increased by € 51 million, up 6.2%, due mainly to an increase in unit labor cost in Italy and outside Italy and an increase in the average number of employees outside Italy in the Engineering & Construction segment related to higher activity levels.

Employees

(units)	12.31.2006	03.31.2007	Change	% Ch.
Exploration & Production	8,336	8,432	96	1.2
Gas & Power	12,074	11,957	(117)	(1.0)
Refining & Marketing	9,437	9,384	(53)	(0.6)
Petrochemicals	6,025	6,876	851	14.1
Engineering & Construction	30,902	31,661	759	2.5
Other activities	2,219	1,447	(772)	(34.8)
Corporate and financial companies	4,579	4,775	196	4.3
	73,572	**74,532**	**960**	**1.3**

As of March 31, 2007, employees were 74,532, with an increase of 960 employees from December 31, 2006, up 1.3%.
Employees in Italy were 39,878. The 113 employee increase was related mainly to the positive balance of hiring and dismissals (79 employees) related to changes in consolidation.

In the first quarter of 2007 a total of 540 employees was hired, of these 375 on open-end contracts and 461 employees were dismissed (of these 281 employees on open-end contracts).
Outside Italy employees were 34,654, with a 847 employee increase mainly concerning fixed-term workers in the Engineering & Construction segment.

Depreciation, amortization and impairments

Fourth Quarter 2006	(€ million)	First Quarter 2006	2007	Change	% Ch.
1,418	Exploration & Production	1,095	1,240	145	13.2
185	Gas & Power	162	166	4	2.5
101	Refining & Marketing	110	108	(2)	(1.8)
33	Petrochemicals	31	31		
56	Engineering & Construction	38	63	25	65.8
2	Other activities	2	1	(1)	(50.0)
21	Corporate and financial companies	19	16	(3)	(15.8)
(7)	Impact of unrealized profit in inventory	(1)	(1)		
1,809	**Total depreciation and amortization**	**1,456**	**1,624**	**168**	**11.5**
78	Impairments	3	3		
1,887		**1,459**	**1,627**	**168**	**11.5**

Depreciation and amortization charges (€1,624 million) increased by €168 million, up 11.5%, mainly in the Exploration & Production segment (€145 million) related to higher exploration costs and higher amortisation charges for site restoration and abandonment costs related to a revision of cost estimates carried out when closing 2006 accounts.

Operating profit

Fourth Quarter 2006	(€ million)	First Quarter 2006	2007	Change	% Ch.
3,957	**Operating profit**	**5,595**	**5,105**	**(490)**	**(8.8)**
341	Exclusion of inventory holding (gains) losses	(94)	155	249	
478	Exclusion of special items:	32	(7)	(39)	
	of which:				
184	*- non recurring items*				
294	*- other special items*	*32*	*(7)*	*(39)*	
4,776	**Adjusted operating profit**	**5,533**	**5,253**	**(280)**	**(5.1)**
	break down by division:				
3,195	Exploration & Production	4,251	3,132	(1,119)	(26.3)
1,269	Gas & Power	1,203	1,683	480	39.9
148	Refining & Marketing	89	120	31	34.8
154	Petrochemicals	23	122	99	430.4
152	Engineering & Construction	78	176	98	125.6
(77)	Other activities	(63)	(50)	13	20.6
(53)	Corporate and financial companies	(46)	(35)	11	23.9
(12)	Effect of unrealized profit in inventory	(2)	105	107	..
4,776		**5,533**	**5,253**	**(280)**	**(5.1)**

Adjusted operating profit was €5,523 million, down 5.1% from a year ago. Adjusted net profit is arrived at by excluding an inventory holding loss of €155 million and special income of €7 million net. The main factors affecting this decline were the operating performance of the **Exploration & Production** division (down €1,119 million from the first quarter 2006, or 26.3%), due primarily to the 9% appreciation of the euro versus the dollar, lower production sold (down 9.5 mmboe), lower oil realizations in dollars (down 3.3%) and higher expenses incurred in connection with exploratory activity.
These declines were partly offset by an increase in adjusted operating profit in the following segments:
(i) **Gas & Power** (up €480 million or 39.9%), reflecting primarily increased natural gas selling margins mainly owing to a favourable trading environment, relating in particular to trends in the euro vs dollar exchange rate. A favourable evolution of the regulatory framework in Italy also supported operating profit. These positives were partly offset by a decline in natural gas sales (down 2.87 bcm, or 10.4%) due to lower European gas demand as a consequence of the unusually mild weather conditions of the first quarter 2007, partly offset by a growth in sales in certain target markets in the rest of Europe; (ii) **Petrochemicals** (up €99 million or 430.4%) related to an increase in selling margins; (iii) **Engineering & Construction** (up € 98 million or 125.6%) due to a positive trend in the market for oilfield services; (iv) **Refining & Marketing** (up €31 million or 34.8%) reflecting primarily a better operating performance delivered by the refining activity, which was boosted by higher processed volumes and better yields also in light of lower maintenance shutdowns

Net financial expense

In the first quarter of 2007 net financial expense (€ 133 million) increased by € 175 million from the first quarter of 2006. This increase was due to: (i) losses recognized on the fair value evaluation of certain financial derivatives instruments recorded in the profit and loss account instead of being recognized in connection with related assets, liabilities and commitments because these instruments do not meet the formal criteria to be assessed as hedge under IFRS, including the time value component of certain cash flow hedges Eni entered into to hedge risk on commodities in the quarter (see comment to net working capital below); (ii) the impact of higher interest rates on euro (Euribor up 1.2 percentage points) and dollar loans (Libor up 0.6 percentage points), offset in part by a decline in average net borrowings.

Net income from investments

First Quarter 2007 (€ million)	Exploration & Production	Gas & Power	Refining & Marketing	Engineering & Construction	**Group**
Effect of the application of the equity method of accounting	9	114	36	26	**185**
Dividends	3	1	15		**19**
Other income (losses) from investments	(2)				**(2)**
	10	**115**	**51**	**26**	**202**

Net income from investments in the first quarter of 2007 amounted to €202 million and concerned essentially: (i) Eni's share of income of affiliates accounted for with the equity method of accounting (€185 million), in particular in the Gas & Power, Refining & Marketing and Engineering & Construction division; (ii) dividends received by affiliates accounted for at cost (€ 19 million).

The comparison with the first quarter 2006 data is shown in the table below:

Fourth Quarter 2006	(€ million)	**First Quarter 2006**	**2007**	**Change**
164	Effect of the application of the equity method of accounting	187	**185**	(2)
4	Dividends	27	**19**	(8)
(3)	Net gains on disposal	18		(1)
(8)	Other income (losses) from investments	8	**(2)**	(1)
157		**240**	**202**	**(38)**

The €38 million decrease in net income from investments was due essentially to lower results reported by certain affiliates engaged in natural gas distribution in Italy, due to mild weather conditions.

Income taxes

Fourth Quarter 2006	(€ million)	First Quarter 2006	2007	Change
	Profit before income taxes			
1,105	Italy	1,903	**2,007**	104
3,061	Outside Italy	3,974	**3,167**	(807)
4,166		**5,877**	**5,174**	**(703)**
	Income taxes			
480	Italy	729	**792**	63
1,988	Outside Italy	2,018	**1,639**	(379)
2,468		**2,747**	**2,431**	**(316)**
	Tax rate (%)			
43.4	Italy	38.3	**39.5**	1.2
64.9	Outside Italy	50.8	**51.8**	1.0
59.2		**46.7**	**47.0**	**0.3**

Income taxes were €2,431 million, down €316 million, or 11.5%, due primarily to lower income before taxes (down €703 million). The 47% Group tax rate is substantially in line with that of the first quarter of 2006.
Adjusted tax rate, obtained from the ratio of taxes and profit before taxes net of inventory holding gains (losses) and special charges was 46.7% (46.5% in the first quarter of 2006).

Minority interests

Minority interests were €155 million and concerned primarily Snam Rete Gas SpA (€69 million) and Saipem (€78 million).

SUMMARIZED GROUP BALANCE SHEET

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

(€ million)	12.31.2006	03.31.2007	Change
Fixed assets			
Property, plant and equipment, net	44,312	**44,435**	123
Other tangible assets	629	**622**	(7)
Inventories - compulsory stock	1,827	**1,711**	(116)
Intangible assets, net	3,753	**3,885**	132
Investments, net	4,246	**4,373**	127
Accounts receivable financing and securities related to operations	557	**515**	(42)
Net accounts payable in relation to capital expenditure	(1,090)	**(897)**	193
	54,234	**54,644**	**410**
Net working capital			
Inventories	4,752	**4,888**	136
Trade accounts receivable	15,230	**15,006**	(224)
Trade accounts payable	(10,528)	**(9,692)**	836
Taxes payable and reserve for net deferred income tax liabilities	(5,396)	**(7,306)**	(1,910)
Reserve for contingencies	(8,614)	**(8,335)**	279
Other operating assets and liabilities [b]	(641)	**(1,230)**	(589)
	(5,197)	**(6,669)**	**(1,472)**
Employee termination indemnities and other benefits	(1,071)	**(1,032)**	39
Capital employed, net	**47,966**	**46,943**	**(1,023)**
Shareholders' equity including minority interests	41,199	**43,091**	1,892
Net borrowings	6,767	**3,852**	(2,915)
Total liabilities and shareholders' equity	**47,966**	**46,943**	**(1,023)**

(a) For a reconciliation with the corresponding statutory tables see Eni's 2006 Annual Report, "Reconciliation of Summarized Group Balance Sheet to statutory schemes" pages 77-78.
(b) Include operating financing receivables and securities related to operations for €216 million (€20 million at December 31, 2006) and securities covering technical reserves of Eni's insurance activities for €451 million (€417 million at December 31, 2006)

The appreciation of the euro over other currencies, in particular the dollar (at March 31, 2007 the EUR/USD exchange rate was 1.332 as compared to 1.317 at December 31, 2006, up 1.1%) determined with respect to year-end 2006 an estimated decrease in the book value of net capital employed of approximately €300 million, in net equity of approximately €250 million and in net borrowings of approximately €50 million as a result of currency conversions at March 31, 2007.

At March 31, 2007, net capital employed totalled €46,943 million, representing a decrease of €1,023 million from December 31, 2006.

Fixed assets totalled €54,644 million, representing an increase of €410 million from December 31, 2006 (€54,234 million). Capital expenditure for the period (€2.013 million) was offset in part by provisions for depreciation, amortization and impairments (€1,627 million) and the effect of the appreciation of the euro over the dollar in the translation of financial statements of subsidiaries operating with currencies other than the euro.

Other assets included, for a book value of $829 million (corresponding to €622 million at the March 31, 2007 EUR/USD exchange rate), the assets related to the service contract for oil activities in the Dación area of the Venezuelan branch of Eni's subsidiary Eni Dación BV. With effective date April 1, 2006, the Venezuelan State oil company Petróleos de Venezuela SA (PDVSA) unilaterally terminated the Operating Service Agreement (OSA) governing activities at the Dación oil field where Eni acted as a contractor, holding a 100% working interest. As a consequence, starting on the same date, operations at the Dación oil field are conducted by PDVSA. Eni proposed to PDVSA to agree on terms in order to recover the fair value of its Dación assets. On November 2006, based on the bilateral investments treaty in place between the Netherlands and Venezuela (the "Treaty"), Eni commenced a proceeding before an International Centre for Settlement of Investment Disputes (ICSID) Tribunal (i.e. a tribunal acting under the auspices of the ICSID Convention and being competent pursuant to the Treaty) to claim its rights. Despite this action, Eni is still ready to negotiate a solution with PDVSA to obtain a fair compensation for its assets. Based on the opinion of its legal consultants, Eni believes to be entitled to a compensation for such expropriation in an amount equal to the market value of the OSA before the expropriation took place. The market value of the OSA depends upon its expected profits. In accordance with established international practice, Eni has calculated the OSA's market value using the discounted cash flow method, based on Eni's interest in the expected future hydrocarbon production and associated capital expenditures and operating costs, and applying to the projected cash flow a discount rate reflecting Eni's cost of capital as well as the specific risk of concerned activities. Independent evaluations carried out by a primary petroleum consulting firm fully support Eni's internal evaluation. The estimated net present value of Eni's interest in the Dación field, as calculated by Eni, is higher than the net book value of the Dación assets which consequently have not been impaired. In accordance with the ICSID Convention, a judgement by the ICSID Tribunal awarding compensation to Eni would be binding upon the parties and immediately enforceable as if it were a final judgement of a court of each of the States that have ratified the ICSID Convention. The ICSID Convention was ratified in 143 States. Accordingly, if Venezuela fails to comply with the award and to pay the compensation, Eni could take steps to enforce the award against commercial assets of the Venezuelan Government almost anywhere those may be located (subject to national law provisions on sovereign immunity).

At March 31, 2007, **net working capital** totalled €6,669 million, representing a decrease of €1,472 million from December 31, 2006 mainly due to: (i) higher taxes payable and an increase in reserves for taxation related to taxes due for the period and the fact that excise taxes on oil products marketed in Italy in the first 15 days of December are settled within the end of this month, instead of being paid in the following month as in the rest of the year; (ii) the increase in Other operating liabilities related to a €575 million loss recognized on the fair value evaluation of certain financial derivative instruments. The Group entered into such transactions in order to hedge cash flow expected in the 2008-2011 period from the sale of approximately 2% of Eni's proved hydrocarbon reserves as of 2006 year-end in connection with its purchase of proved and unproved property onshore in Congo (from the French company Maurel & Prom) and in the Gulf of Mexico (from the US company Dominion) finalized in February and April 2007, respectively. In light of this, Eni put in place certain forward sale contracts at a fixed price and call and put options with the same date of exercise. These options can be exercised in presence of crude oil market prices higher or lower compared with contractual prices. This treatment does not apply to the time value component arising from market price fluctuations within the range provided by these call and put options which is recognized in the profit and loss account under the item net financial expenses because the hedging relationship is ineffective.
The share of the Exploration & Production, Gas & Power and Refining & Marketing divisions on net capital employed was 89% (90% at December 31, 2006).

Return On Average Capital Employed (ROACE)

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

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

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

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

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)	12.31.2006	**03.31.2007**	**Change**
Total debt	11,699	**16,470**	4,771
Short-term debt	*4,290*	***9,670***	*5,380*
Long-term debt	*7,409*	***6,800***	*(609)*
Cash and cash equivalents	(3,985)	**(6,723)**	(2,738)
Securities not related to operations	(552)	**(270)**	282
Non-operating financing receivables	(395)	**(5,625)**	(5,230)
Net borrowings	**6,767**	**3,852**	**(2,915)**
Shareholders' equity including minority interest	**41,199**	**43,091**	**1,892**
Leverage	**0.16**	**0.09**	**(0.07)**

Net borrowings at March 31, 2007 were €3,852 million, representing a decrease of €2,915 million from December 31, 2006 due mainly to cash inflow generated by operating activities (€5,563 million).
Total debt amounted to €16,470 million, of which €9,670 million were short-term (including the portion of long-term debt due within 12 months for €870 million) and €6,800 million were long-term. Short-term finance debt increased by €5,380 million compared with December 31, 2006. This increase was due to the need to collect the necessary funds to participate in a bid to purchase ex-Yukos gas assets (see "Post closing events"). Eni made recourse to undrawn borrowing facilities. These funds were placed in escrow resulting in a corresponding increase of non operating receivables financing, with a neutral impact on net borrowings as of the end of the period.

At March 31, 2007, leverage — ratio between net borrowings and shareholders' equity — was 0.09, compared with 0.16 at December 31, 2006.

Changes in shareholders' equity

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

Shareholders' equity at March 31, 2007 (€43,091 million) increased by €1,892 million from December 31, 2006, due essentially to net profit (€2,743 million) whose effects were offset in part by losses in cash flow hedges taken to reserve (€301 million net to the related tax effect), the purchase of own shares and currency translation effects.

(2) For further details see comment to net working capital.

SUMMARIZED CASH FLOW STATEMENT AND CHANGE IN NET BORROWINGS

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

Summarized Group Cash Flow Statement [a]

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

Change in net borrowings

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

(a) For a reconciliation with the corresponding statutory tables see Eni's 2006 Annual Report, "Reconciliation of Cash Flows to statutory schemes" pages 79-80.

Net cash provided by operating activities came in at €5,563 million, allowing to cover financial requirements for capital expenditure for €2,013 million, the repurchase of own shares for €203 million by Eni SpA and for €242 million by Snam Rete Gas SpA and Saipem SpA, and to reduce net borrowings by €2,915 million.

From January 1, to March 31, 2007 a total of 8.52 million Eni shares were purchased by the company for a total cost of €203 million (representing an average cost of €23.847 per share). Since the inception of the share buy-back programme (1 September 2000), Eni has repurchased 344 million shares, equal to 8.58% of its share capital, at a total cost of €5,716 million (representing an average cost of o16.638 per share).

CAPITAL EXPENDITURE

Fourth Quarter 2006	(€ million)	First Quarter 2006	2007	Change	% Ch
1,937	Exploration & Production	961	1,366	405	42.1
453	Gas & Power	151	221	70	46.4
272	Refining & Marketing	95	134	39	41.1
47	Petrochemicals	10	14	4	40.0
188	Engineering & Construction	97	248	151	..
38	Other activities	3	14	11	..
48	Corporate and financial companies	23	16	(7)	(30.4)
(39)	Impact of unrealized profit in inventory				
2,944		**1,340**	**2,013**	**673**	**50.2**

In the first quarter of 2007 capital expenditure amounted to €2,013 million, of which 85.5% related to the Exploration & Production, Gas & Power and Refining & Marketing divisions.

Exploration & Production

Fourth Quarter 2006	(€ million)	First Quarter 2006	2007	Change	% Ch
139	**Acquisitions of proved and unproved property**		**73**	**73**	
139	Italy				
	North Africa		5	5	
	West Africa				
	Rest of world		68	68	
706	**Exploration**	**173**	**373**	**200**	**..**
38	Italy	23	34	11	47.8
91	North Africa	48	83	35	72.9
366	West Africa	47	68	21	44.7
75	North Sea	15	75	60	..
136	Rest of world	40	113	73	..
1,056	**Development**	**777**	**909**	**132**	**17,0**
133	Italy	85	107	22	25.9
209	North Africa	140	188	48	34.3
294	West Africa	138	266	128	92.8
121	North Sea	94	89	(5)	(5.3)
299	Rest of world	320	259	(61)	(19.1)
36	**Other**	**11**	**11**		**..**
1,937		**961**	**1,366**	**405**	**42.1**

Capital expenditure of the Exploration & Production segment (€1,366 million) concerned essentially development directed mainly outside Italy, in particular Kazakhstan, Egypt, Angola and Congo. Development expenditure in Italy concerned in particular the continuation of work for well drilling, plant and infrastructure in Val d'Agri and sidetrack and infilling work in mature areas. About 91% of exploration expenditure was directed outside Italy in particular Norway, Nigeria, Egypt, the United States and Indonesia. In Italy essentially the offshore of Sicily. Acquisition of proved and unproved property essentially concerned the 70% of total expenditure for the Nikaitchuq oilfield in Alaska, in which Eni reached the 100% ownership.
As compared to the first quarter of 2006, capital expenditure increased by €405 million, up 42.1%, due in particular to the increase in development expenditure in Congo, Egypt and Angola, the increase in exploration expenditure in Norway, Indonesia, the United States and Nigeria, and the acquisition of reserves.

Gas & Power

Fourth Quarter 2006	(€ million)	First Quarter 2006	First Quarter 2007	Change	% Ch.
397	Italy	140	154	14	10.0
56	Outside Italy	11	67	56	..
453		**151**	**221**	**70**	**46.4**
22	**Market**	**7**	**5**	**(2)**	**(28.6)**
	Italy				
22	Outside Italy	7	5	(2)	(28.6)
54	**Distribution**	**27**	**25**	**(2)**	**(7.4)**
287	**Transport**	**91**	**144**	**53**	**58.2**
253	Italy	87	82	(5)	(5.7)
34	Outside Italy	4	62	58	..
90	**Power generation**	**26**	**47**	**21**	**80.8**
453		**151**	**221**	**70**	**46.4**

Capital expenditure in the Gas & Power segment totalled €221 million and related essentially to: (i) development and maintenance of Eni's primary transmission network in Italy (€82 million); (ii) the import pipeline upgrade (€62 million); (iii) the continuation of the construction of combined cycle power plants (€47 million) in particular at Ferrara; (iv) development and maintenance of Eni's natural gas distribution network in Italy (€25 million).

The €70 million increase from the first quarter of 2006 (up 46.4%) was due essentially to the import pipeline upgrade.

Refining & Marketing

Fourth Quarter 2006	(€ million)	First Quarter 2006	2007	Change	% Ch.
241	Italy	79	123	44	55.7
31	Outside Italy	16	11	(5)	(31.3)
272		**95**	**134**	**39**	**41.1**
139	**Refining, Supply and Logistics**	**67**	**104**	**37**	**55.2**
139	Italy	67	104	37	55.2
90	**Marketing**	**25**	**30**	**5**	**20.0**
59	Italy	9	19	10	...
31	Outside Italy	16	11	(5)	(31.3)
43	**Other activities**	**3**		**(3)**	**...**
272		**95**	**134**	**39**	**41.1**

Capital expenditure in the Refining & Marketing segment amounted to €134 million and concerned: (i) refining, supply and logistics in Italy (€104 million), in particular actions for improving flexibility and yields of refineries, among which the construction of a new hydrocracking unit at the Sannazzaro refinery; (ii) the upgrade of the distribution network in Italy (€19 million); (iii) the upgrade of the refined product distribution network and the purchase of service stations in the rest of Europe (€11 million).

Engineering & Construction

Capital expenditure in the Engineering & Construction segment amounted to €248 million and concerned: (i) conversion of two tanker ships into FPSO vessels that will operate in Brazil on the Golfinho 2 field and in Angola; (ii) startup of construction of a new rig and a new pipelayer.

POST CLOSING EVENTS

Upstream asset acquisition in the Gulf of Mexico

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

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

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

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

Yukos assets acquisition

On April 4, 2007 Eni, through the partnership in EniNeftegaz (60% Eni, 40% Enel SpA) acquired Lot 2 in the Yukos liquidation procedure for a total price of $5.83 billion. Lot 2 includes: 100% of OAO Arctic Gas Company, 100% of ZAO Urengoil Inc and 100% of OAO Neftegaztechnologia.

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

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

Lot 2 includes also various minor assets that will be sold or liquidated and 20% of OAO Gazprom Neft which will be wholly owned by Eni.

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

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

On April 27, 2007 Eni and ExxonMobil Central Europe Holding GmbH signed an agreement for the sale of shares of Esso spol s.r.o (Esso Czechia), Esso Slovensko spol s.r.o. (Esso Slovakia) and ExxonMobil Hungary Kft. to Eni. The agreement, subject to the approval of the relevant authorities, includes ExxonMobil's retail station network in the three countries, totaling 102 stations and its aviation business at the Prague and Bratislava airports. Additionally, the lubricants business conducted in these countries by ExxonMobil Petroleum and Chemical, is included in the transaction.

Acquisition of 70% and of the operatorship of the Nikaitchuq Field in Alaska

On April 11, 2007 Eni acquired 70% and the operatorship of the Nikaitchuq field, located on-offshore in the North Slope of Alaska. Eni, which already owned a 30% stake in the field, now retains the 100% working interest. Eni acquired the additional interest and operatorship as the result of an agreement with Kerr-McGee Oil and Gas Corporation, a wholly owned subsidiary of Anadarko Petroleum Corporation. Nikaitchuq would be the first development project operated by Eni in Alaska. Successful appraisal drilling has been completed, confirming the potential viability of the development project. Plans for a phased development are currently being evaluated with the target of sanctioning the project by year end, and first oil to flow by the end of 2009. The Nikaitchuq project comprises the drilling of approximately 80 wells, out of which 32 are located onshore and the remaining from an offshore artificial island. All wells will then be tied back to a production facility located at Oliktok Point to reach a production of 40 kboe/d. Total investment will amount to approximately US$900 million.

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

On April 2, 2007 Eni and Sonangol signed a Memorandum of Understanding for the acquisition of a 13,6% stake in Angola LNG Limited Consortium (A-LNG). This company is responsible for the construction of an LNG plant in Soyo, 300 km north Luanda, with a yearly capacity of 5 mmtonnes. Upon completion of this agreement, Angola LNG Limited's shareholding structure will be as follows: Sonangol 22.8%, Chevron 36.4%, Eni 13.6%, Total 13.6% and BP 13.6%. The project, for a total investment of approximately USD 4 billion, has been approved by the Angolan Government and Parliament. It envisages, for 28 years, the development of 220 bcm of gas, the production of 128 mmtonnes of LNG, 104 mmbbl of condensate and 257 mmbbl of LPG. The LNG will be directed to the United States market and will be delivered to the re-gasification plant of Pascagoula, in the Gulf of Mexico, in which Eni, following this agreement, will acquire re-gasification capacity of 5 bcm/y.

OUTLOOK FOR 2007

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

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

In 2007 management expects Eni's **capital expenditure** on exploration and capital projects to amount to approximately €10.5 billion, representing a 34% increase over 2006. Approximately 86% of this capital expenditure programme is expected to be deployed in the Exploration & Production, Gas & Power and Refining & Marketing divisions. Furthermore, acquisitions of assets and interests amounting to €9.2 billion are forecast in the year, mainly related to: (i) the already closed transaction for the purchase of ex-Yukos assets; (ii) the other transactions whose closing is foreseen by the end of the year, including the purchase of upstream assets in the Gulf of Mexico and Congo, and a retail station network in the Central-Eastern Europe. Assuming Gazprom exercises its call options to purchase a 20% interest in OAO Gazprom Neft and a 51% interest in ex-Yukos gas assets from Eni, net cash outflows used in investing activities will decrease to €16.2 billion.

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

OPERATING RESULTS BY DIVISION

Exploration & Production

Fourth Quarter 2006	Results	(€ million)	First Quarter 2006	First Quarter 2007	Change	% Ch.
6,152	**Net sales from operations**		**7,412**	**6,361**	**(1,051)**	**(14.2)**
3,141	**Operating profit**		**4,308**	**3,132**	**(1,176)**	**(27.3)**
54	Exclusion of special items:		(57)		57	
51	*- asset impairments*					
(7)	*- gains on disposal of assets*		*(57)*		*57*	
10	*- provision for redundancy incentives*					
3,195	**Adjusted operating profit**		**4,251**	**3,132**	**(1,119)**	**(26.3)**
(22)	Net financial incomes (expenses) [a]		(17)	(35)	(18)	
(18)	Net income (expenses) from investments [a]		10	10		
(1,851)	Income taxes [a]		(2,149)	(1,698)	451	
58.7	*Tax rate (%)*		*50.6*	*54.7*	*4.1*	
1,304	**Adjusted net profit**		**2,095**	**1,409**	**(686)**	**(32.7)**
	Results also include:					
1,418	- amortisations and depreciations		1,095	1,240	145	13.2
419	*- di cui costi di ricerca esplorativa*		*187*	*375*	*188*	*..*
1,937	**Capital expenditure**		**961**	**1,365**	**404**	**42.0**
	Production [b]					
1,079	Liquids [c]	(kbbl/d)	1,143	1,030	(113)	(9.9)
4,132	Natural gas	(mmcf/d)	3,920	4,061	141	3.6
1,796	**Total hydrocarbons**	**(kboe/d)**	**1,827**	**1,734**	**(93)**	**(5.1)**
	Average realisations					
54.85	Liquids [c]	($/bbl)	56.27	54.39	(1.88)	(3.3)
5.39	Natural gas	($/mmcf)	5.23	5.30	0.07	1.3
45.53	**Total hydrocarbons**	**($/boe)**	**46.71**	**45.12**	**(1.59)**	**(3.4)**
	Average oil market prices					
59.68	Brent dated	($/bbl)	61.75	57.75	(4.00)	(6.5)
46.26	Brent dated	(€/bbl)	51.37	44.08	(7.29)	(14.2)
59.94	West Texas Intermediate	($/bbl)	63.29	57.99	(5.30)	(8.4)
235.20	Gas Henry Hub	($/kmc)	271.90	266.60	(5.30)	(1.9)

(a) Excluding special items.
(b) Includes Eni's share of production of equity-accounted entities.
(c) Includes condensates.

Results

Adjusted operating profit for the first quarter of 2007 was €3,132 million, a decrease of €1,119 million from the first quarter 2006, or 26.3%), due primarily to: (i) the adverse impact of approximately €300 million resulting from the appreciation of the euro versus the dollar; (ii) lower production sold, down 9.5 mmboe; (iii) lower oil realisations in dollars (down 3.3%), partly offset by higher gas prices (up 1.3%); (iv) higher expenses incurred in connection with exploratory activity (€188 million; €218 on a constant exchange rate basis); (v) higher production costs and amortisation/depreciation charges, reflecting also the impact of sector-specific inflation.

Production

Daily production of hydrocarbons by region

Fourth Quarter 2006			First Quarter 2006	2007	Change	% Ch.
1,796	**Daily production of oil and natural gas [a]**	(kboe/d)	**1,827**	**1,734**	**(93)**	**(5.1)**
232	Italy		247	223	(24)	(9.7)
571	North Africa		541	566	25	4.6
372	West Africa		382	337	(45)	(11.8)
291	North Sea		298	287	(11)	(3.7)
330	Rest of world		359	321	(38)	(10.6)
159.2	**Oil and natural gas production sold [a]**	(mmboe)	**159.5**	**150.1**	**(9.4)**	**(5.9)**

Daily production of liquids by region

Fourth Quarter 2006			First Quarter 2006	2007	Change	% Ch.
1,079	**Production of liquids [a]**	(kbbl/d)	**1,143**	**1,030**	**(113)**	**(9.9)**
80	Italy		82	77	(5)	(6.1)
334	North Africa		325	328	3	0.9
315	West Africa		339	288	(51)	(15.0)
181	North Sea		188	170	(18)	(9.6)
169	Rest of world		209	167	(42)	(20.1)

Daily production of natural gas by region

Fourth Quarter 2006			First Quarter 2006	2007	Change	% Ch.
4,132	**Production of natural gas [a]**	(mmcf/d)	**3,920**	**4,061**	**141**	**3.6**
883	Italy		954	848	(106)	(11.1)
1,377	North Africa		1,236	1,377	141	11.4
318	West Africa		247	283	36	14.6
636	North Sea		636	671	35	5.5
918	Rest of world		847	882	35	4.1

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

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

Daily production of oil and condensates (1,030 kbbl) decreased by 113 kbbl, or 9.9% from the first quarter of 2006. Production decreases were reported mainly in Venezuela and Nigeria due to the above mentioned causes and in the United Kingdom due to a technical problem occurred in the Elgin/Franklin field (Eni's interest 21.87%) and ordinary maintenance shutdowns at other facilities. In Italy a few technical problems occurred at the FPSO operating the Aquila field. Main increases were registered in Kazakhstan due to maintenance actions on facilities performed in the first quarter of 2006, and the United States due to the resumption of full activity at plants damaged by hurricanes in the second half of 2005.

Daily production of natural gas for the first quarter (4.061 mmcf/d) increased by 141 mmcf, or 3.6% mainly as a result of the build-up of the Bahr Essalam field offshore Libya, full operations at the fifth train of the Bonny LNG plant in Nigeria, a better performance of Norway's largest fields, and full production of Bayu Undan gas field offshore Australia. Gas production in Italy decreased due to mature field declines.

Gas & Power

Fourth Quarter 2006	Results (€ million)	First Quarter 2006	First Quarter 2007	Change	% Ch.
8,170	**Net sales from operations**	**9,134**	**8,543**	**(591)**	**(6.5)**
1,303	**Operating profit**	**1,199**	**1,641**	**442**	**36.9**
(41)	Exclusion of inventory holding (gains) losses	(30)	40	70	
7	Exclusion of special items:	34	2	(32)	
	of which:				
	Non-recurring items				
7	Other special items	34	2	(32)	
2	*- environmental provision*	*20*		*(20)*	
15	*- provisions for redundancy incentives*	*14*	*2*	*(12)*	
(10)	*- other*				
1,269	**Adjusted operating profit**	**1,203**	**1,683**	**480**	**39.9**
832	*Market and Distribution*	*705*	*1,177*	*472*	*67.0*
286	*Transport in Italy*	*305*	*286*	*(19)*	*(6.2)*
144	*Transport outside Italy*	*154*	*163*	*9*	*5.8*
7	*Power generation* (a)	*39*	*57*	*18*	*46.2*
(1)	Net financial incomes (expenses) (b)	6	3	(3)	
97	Net income (expenses) from investments (b)	137	115	(22)	
(492)	Income taxes (b)	(467)	(642)	(175)	
36.0	*Tax rate (%)*	*34.7*	*35.6*	*0.9*	
873	**Adjusted net profit**	**879**	**1,159**	**280**	**31.9**
453	**Capital expenditure**	**151**	**221**	**70**	**46.4**

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

Results

The adjusted operating profit of the Gas & Power division totalled €1,683 million, up €480 million or 39.9% from the first quarter of 2006, reflecting primarily: (i) increased natural gas selling margins mainly owing to a favourable trading environment reflecting in particular the effect of the euro/dollar exchange rate; (ii) a favourable evolution of the regulatory framework in Italy. This reflected the enactment of Resolution No. 79/2007 by the Authority for Electricity and Gas implementing a new setup of the indexation mechanism of the raw material cost component in supplies to residential and commercial users related to the period from January 1, 2005 to June 30, 2006. Following this, Eni has partially or totally reversed provisions accrued in the accounts for 2005 and the first half of 2006; (iii) the fact that higher purchase costs were incurred in the first quarter of 2006, owing to a climatic emergency for the winter time 2005-2006.
These positives were partly offset by a decline in natural gas sales of affiliates (down 2.87 bcm, or 10.4%) due to lower European gas demand as a consequence of the unusually mild weather conditions of the first quarter of 2007, partly offset by a growth in sales in certain target

markets in the Rest of Europe. Lower gas demand negatively affected the operating performance of transport activities in Italy and volumes distributed on low pressure networks. Sales volumes of electricity decreased by 0.12 TWh, or 1.6%.

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

The adjusted net profit was €1,159 million up €280 million, or 31.9%, reflecting the increased adjusted operating profit, offset in part lower results reported by certain affiliates engaged in natural gas distribution in Italy, due to mild weather conditions.

Sales

Fourth Quarter 2006	Natural gas sales	(bcm)	First Quarter 2006	2007	Change	% Ch.
14.09	**Italy to third parties (*)**		**17.47**	**15.41**	**(2.06)**	**(11.8)**
3.45	Wholesalers (selling companies)		5.06	4.62	(0.44)	(8.7)
0.56	Gas release		0.59	0.49	(0.10)	(16.9)
10.08	End Customers		11.82	10.30	(1.52)	(12.9)
3.50	*Industries*		*3.80*	*3.33*	*(0.47)*	*(12.4)*
4.30	*Power generation*		*4.27*	*3.93*	*(0.34)*	*(8.0)*
2.28	*Residential*		*3.75*	*3.04*	*(0.71)*	*(18.9)*
1.55	**Own consumption(*)**		**1.47**	**1.39**	**(0.08)**	**(5.4)**
8.14	**Rest of Europe(*)**		**8.57**	**7.90**	**(0.67)**	**(7.8)**
0.12	**Outside Europe**		**0.16**	**0.10**	**(0.06)**	**(37.5)**
23.90	**Total sales to third parties and own consumption**		**27.67**	**24.80**	**(2.87)**	**(10.4)**
1.97	**Sales of natural gas of Eni's affiliates (net to Eni)**		**2.41**	**2.27**	**(0.14)**	**(5.8)**
0.01	*Italy(*)*		*0.01*	*0.01*		
1.83	*Rest of Europe(*)*		*2.33*	*2.10*	*(0.23)*	*(9.9)*
0.13	*Outside Europe*		*0.07*	*0.16*	*0.09*	*128.6*
25.87	**Total sales and own consumption (G&P)**		**30.08**	**27.07**	**(3.01)**	**(10.0)**
1.06	*Upstream in Europe*		*1.12*	*1.07*	*(0.05)*	*(4.5)*
26.93	**Worldwide gas sales**		**31.20**	**28.14**	**(3.06)**	**(9.8)**
26.68	**Gas sales in Europe**		**30.97**	**27.88**	**(3.09)**	**(10.0)**
25.62	G&P in Europe(*)		29.85	26.81	(3.04)	(10.2)
1.06	*Upstream in Europe*		1.12	1.07	(0.05)	(4.5)
22.45	**Gas volumes transported in Italy**	(bcm)	**24.89**	**23.51**	**(1.38)**	**(5.5)**
14.97	Eni		8.77	15.55	6.78	77.3
7.48	On behalf of third parties		16.12	7.96	(8.16)	(50.6)
7.79	**Electricity sold**	(TWh)	**7.73**	**7.61**	**(0.12)**	**(1.6)**

(*) Market segments with asterisk merge into "G&P in Europe".

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

In an increasingly competitive market, sales in the Italian market were 15.41 bcm with a decrease of 2.06 bcm, or 11.8%. All market segments posted sale volumes declines from the first quarter of 2006: sales to residential users were down by 0.71 bcm; sales to industrial users were down by 0.47 bcm; sales to wholesalers were down by 0.44 bcm; sales to power generation were down by 0.34 bcm. Sales under the gas release[1] program (0.49 bcm) declined by 0.1 bcm. Own consumption (1.38 bcm) declined by 0.08 bcm due to lower supplies to EniPower.

Gas sales in the Rest of Europe were 7.9 bcm with a decrease of 0.67 bcm, or 7.8%, due to: (i) lower sales under long-term supply contracts to Italian importers (down 0.75 bcm), despite the full production of natural gas from the Libyan fields; (ii) lower sales in the Hungarian market (down 0.49 bcm). These decreases were partly offset by increases in the supplies to the Turkish (up 0.34 bcm) and Spanish (up 0.18 bcm) markets.

Sales of subsidiaries outside Europe (0.1 bcm) declined by 0.06 bcm due to lower supplies to the Argentinean market.

Natural gas sales of Eni's affiliates in the rest of Europe (net to Eni and net of Eni's supplies) amounted to 2.1 bcm, a 0.23 bcm decline related in particular to: (i) GVS (Eni's interest 50%) with 0.93 bcm; (ii) Unión Fenosa Gas (Eni's interest 50%) with 0.57 bcm.

Natural gas sales of Eni's affiliates outside Europe (net to Eni and net of Eni's supplies) amounted to 0.16 bcm, a 0.23 bcm decline related in particular to Unión Fenosa Gas (Eni's interest 50%) with 0.13 bcm.

Eni transported 23.51 bcm of natural gas in Italy, a decrease of 1.38 bcm from the first quarter of 2006, down 5.5%, due to a decline in domestic demand. Volumes transported on behalf of third parties declined by 0.81 bcm, those transported on behalf of Eni declined by 0.57 bcm.

Sales of electricity (7.61 TWh) declined by 0.12 TWh, or 1.6%.

(1) In June 2004 Eni agreed with the Antitrust Authority to sell a total volume of 9.2 billion cubic meters of natural gas (2.3 billion cubic meters/year) in the four thermal years from 1 October 2004 to 30 September 2008 at the Tarvisio entry point into the Italian network.

Resolution No. 79/2007 of the Authority for electricity and gas "Revision of the economic conditions of supplies in the January 1, 2005 to March 31, 2007 period and criteria for their updating".

Following the cancellation of Resolution No. 248/2004 by the Council of State for formal flaws, on March 29, 2007 the Authority for Electricity and Gas published Resolution No. 79/2007 after concluding a consultation procedure with gas operators. This Resolution organizes in a single document all the changes applied to the determination and updating of economic conditions for natural gas supplies. In particular with this Resolution the Authority: (i) confirmed the indexation mechanism for the raw material cost component contained in Resolution No. 248/2004 and the changes introduced to this mechanism by Resolution No. 134/06 starting on July 1, 2006; (ii) waiving this provision, it reviewed the updating of the raw material cost component for 2005 reaching incremental values equal to those deriving from the application of the indexation criteria of Resolution No 195/02; this cancels the negative impact of Resolution No. 248/2004 on Eni's 2005 accounts; (iii) decided that selling companies, only for wholesale purchase/sale contracts entered after January 1, 2005 and valid in the January, 1 2006 – June 30, 2006 period, offer their customers new contractual conditions consistent with the new indexation mechanism before June 4, 2007[2], and inform the Authority, before June 29, 2007[2], together with their wholesaler that they have complied with this requirement. Selling companies complying with this requirement will be entitled to 50% of the difference between the updating of the raw material cost component under the new mechanism and the more favourable one under Resolution No. 195/2002 applied to volumes consumed by customers under the 200 kcm threshold. This Resolution determined the total or partial redundancy of liabilities accrued in Eni's accounts for 2005 and 2006 that have been consequently reversed.

(2) Dates changes by Resolution No. 101/2007 of the Authority for electricity and gas.

Refining & Marketing

Fourth Quarter 2006	Results	(€ million)	First Quarter 2006	2007	Change	% Ch.
8,579	**Net sales from operations**		**9,280**	**7,943**	**(1,337)**	**(14.4)**
(386)	**Operating profit**		**89**	**(10)**	**(99)**	**..**
386	Exclusion of inventory holding (gains) losses		(47)	112	159	
148	Exclusion of special items:		47	18	(29)	
	of which:					
109	Non-recurring items					
39	Other special items		47	18	(29)	
13	*- asset impairments*					
27	*- environmental provisions*		*44*	*17*	*(27)*	
30	*- provisions for redundancy incentives*		*5*	*1*	*(4)*	
4	*- provision to the reserve for contingencies*		*1*		*(1)*	
(35)	*- other*		*(3)*		*3*	
148	**Adjusted operating profit**		**89**	**120**	**31**	**34.8**
31	Net income (expenses) from investments [a]		47	51	4	8.5
(64)	Income taxes [a]		(50)	(58)	(8)	16.0
35.8	*Tax rate (%)*		*36.8*	*33.9*	*(2.9)*	
115	**Adjusted net profit**		**86**	**113**	**27**	**31.4**
272	**Capital expenditure**		**95**	**134**	**39**	**41.1**
	Global indicator refining margin					
2.18	Brent	($/bbl)	2.95	3.06	0.11	3.7
1.69	Brent	(€/bbl)	2.45	2.34	(0.11)	(4.5)
4.87	Ural	($/bbl)	5.76	6.07	0.31	5.4

(a) Excluding special items.

Results

The Refining & Marketing division reported an adjusted operating profit of €120 million, representing an increase of €31 million from the first quarter of 2006, or 34.8%. This increase reflected primarily a better operating performance delivered by the refining activity, which was boosted by higher processed volumes and better yields also in light of lower maintenance shutdowns. The benefit of higher refining margins (margins on Brent crude oil were up 0.11 dollar/bbl, or 3.7%) was more than offset by the negative impact of the euro appreciation over the dollar. Marketing activities in Italy reported a lower operating profit due mainly to lower retail margins and a decline in wholesale volumes as a consequence of lower heating oil demand in Italy, in particular from the power generation sector caused by an unusually mild winter.

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

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

Throughputs and sales

Fourth Quarter 2006	Refining throughputs and sales (mmtonnes)	First Quarter 2006	First Quarter 2007	Change	% Ch.
9.05	Refing throughputs on own account Italy	7.49	7.86	0.37	4.9
1.20	Refing throughputs on own account Rest of Europe	1.12	1.14	0.02	1.8
7.36	Refing throughputs of wholly-owned refineries	5.86	6.67	0.81	13.8
100	Utilization rate of balanced capacity (%)	100	100		
2.16	Retail sales Italy	2.06	1.98	(0.08)	(3.9)
0.97	Retail sales rest of Europe	087	0.90	0.03	3.4
3.13	**Sub-total retail sales**	**2.93**	**2.88**	**(0.05)**	**(1.7)**
2.93	Wholesale Italy	2.94	2.61	(0.33)	(11.2)
1.06	Wholesale Rest of Europe	1.03	1.05	0.02	1.9
0.10	Wholesale Rest of World	0.10	0.13	0.03	30.0
5.96	Other sales	5.32	5.67	0.35	6.6
13.18	**Sales**	**12.32**	**12.34**	**0.02**	**0.2**
	Refined product sales by region (mmtonnes)				
7.71	Italy	7.55	7.30	(0.25)	(3.3)
2.03	Rest of Europe	1.90	1.95	0.05	2.6
3.44	Rest of World	2.87	3.09	0.22	7.7

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

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

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

Sales of refined products on the retail market in Italy decreased by 80 ktonnes from the first quarter of 2006, to 1.98 mmtonnes, or 3.9%, primarily due to competitive pressure and lower demand. Retail market share in Italy declined by 1 percentage point from 29.3% in the first quarter of 2006 to 28.3%. Average throughput (0.56 mmliters in the first quarter of 2007) declined by approximately 20 kliters from the same period in 2006.
Sales on the retail market in the Rest of Europe increased by 30 ktonnes from the first quarter of 2006, to 0.9 mmtonnes, or 3.4%, mainly in Spain. Market share outside Italy grew slightly from 3.1% in the first quarter of 2006 to 3.2% in the first quarter of 2007. Average throughput (0.58 mmliters in the first quarter of 2007) increased by approximately 20 kliters from the same period in 2006.

Sales on wholesale markets in Italy decreased by 330 ktonnes from the first quarter of 2006, to 2.61 mmtonnes, due to lower demand for heating products in particular from the power generation sector caused by unusually milder weather.
Sales on wholesale markets in the Rest of Europe increased by 20 ktonnes, to 1.05 mmtonnes, primarily reflecting the increase in sales in Czech Republic.

Petrochemicals

Fourth Quarter 2006	Results	(€ million) First Quarter 2006	2007	Change	% Ch.
1,740	**Net sales from operations**	**1,728**	**1,674**	**(54)**	**(3.1)**
72	**Operating profit**	**39**	**115**	**76**	**..**
(4)	Exclusion of inventory holding (gains) losses	(17)	3	20	
86	Exclusion of special items:	1	4	3	
	of which:				
13	Non-recurring items				
73	Other special items	*1*	*4*	*3*	
50	*- asset impairments*				
14	*- provisions for redundancy incentives*		*4*	*4*	
11	*- provision to the reserve for contingencies*	*2*		*(2)*	
(2)	*- other*	*(1)*		*1*	
154	**Adjusted operating profit**	**23**	**122**	**99**	**..**
1	Net income (expenses) from investments [(a)]				
(14)	Income taxes [(a)]	(7)	(43)	(36)	
141	**Adjusted net profit**	**16**	**79**	**63**	**..**
47	**Capital expenditure**	**10**	**14**	**4**	**40.0**

(a) Excluding special items.

Results

Adjusted operating profit in the first quarter of 2007 amounted to €122 million increasing by €99 million from the first quarter of 2006 due mainly to higher selling margins, essentially the cracker margin and to a lower extent the aromatics business.

Special charges in the first quarter concerned essentially redundancy incentives.

Production and sales

Fourth Quarter 2006		(ktonnes) First Quarter 2006	2007	Change	% Ch.
1,789	**Production**	**1,915**	**2,227**	**312**	**16.3**
1,323	**Sales of petrochemical products**	**1,411**	**1,417**	**6**	**0.4**
781	*Basic petrochemicals*	*758*	*771*	*13*	*1.7*
226	*Styrene and elastomers*	*261*	*272*	*11*	*4.2*
316	*Polyethylene*	*392*	*374*	*(18)*	*(4.6)*

Sales of petrochemical products (1,417 ktonnes) were stable from the first quarter of 2006, due essentially to higher sales of (i) olefins (up 8.1%) due to higher availability of ethylene (up 15.2%) and polypropylene (up 5.5%) due to the purchase by Syndial of the Porto Torres plant; (ii) styrene (up 4.7%) due to a positive demand, in particular for ABS/SAN (up 100%). Declines concerned: (i) intermediates (down 8.4%) due to lower product availability, in particular cycloexanone (down 17.5%) and acetone (down 11.9%); (ii) aromatics (down 4.8%) related in particular to xylene (down 13.3%), due to a different setup of the Priolo plant following the accident occurred in the nearby refinery in the second quarter of 2006; (iii) polyethylene (down 4.6%) due to lower LDPE (down 7.3%) and LLDPE (down 6.3%) sales due to an unusually high demand in the first months of 2006 resulting from the build-up of inventories.

Petrochemical production (2,227 ktonnes) increased by 312 ktonnes from the first quarter of 2006, up 16.3% due to the consolidation of operations at Porto Torres (up 282 ktonnes).Excluding this effect production increased by 30 ktonnes (up 2%) due in particular to the growth registered at the Sarroch, Ravenna and Brindisi plants.

Engineering & Costruction

Fourth Quarter 2006	Results (€ million)	First Quarter 2006	2007	Change	% Ch.
1,969	**Net sales from operations**	**1,310**	**1,962**	**652**	**49.8**
149	**Operating profit**	**78**	**176**	**98**	**..**
3	Exclusion of special items:				
1	*- asset impairments*				
2	*- provisions for redundancy incentives*				
152	**Adjusted operating profit**	**78**	**176**	**98**	**..**
47	Net income (expenses) from investments [(a)]	41	26	(15)	
(68)	Income taxes [(a)]	(32)	(57)	(25)	
131	**Adjusted net profit**	**87**	**145**	**58**	**66.7**
188	**Capital expenditure**	**97**	**248**	**151**	**..**

(a) Excluding special items.

Results

Adjusted operating profit for the first quarter of 2007 was euro 176 million, up euro 98 million from the first quarter of 2006 due to a better operating performance in all business areas, in particular in the Offshore and Onshore construction areas due to higher activity levels and margins.

Adjusted net profit for the first quarter of 2007 was euro 145 million, up euro 58 million from the first quarter of 2006 due to a better operating performance offset in part by losses of affiliates.

Orders

(€ million)	First Quarter 2006	2007	Change	% Ch.
Orders acquired	**1,310**	**2,368**	**1,058**	**80.8**
Offshore construction	*308*	*1,065*	*757*	*245.8*
Onshore construction	*839*	*1,177*	*338*	*40.3*
Offshore drilling	105	72	(33)	(31.4)
Onshore drilling	58	54	(4)	(6.9)
of which:				
- Eni	223	445	222	99.6
- third parties	1,087	1,923	836	76.9
of which:				
- Italy	112	71	(41)	(36.6)
- Outside Italy	1,196	2,297	1,099	91.7

	12.31.2006	03.31.2007	Change	% Ch
Order backlog	**13,191**	**13,268**	**77**	**0.6**
Offshore construction	*4,283*	*4,404*	*121*	*2.8*
Onshore construction	*6,285*	*6,284*	*(1)*	
Offshore drilling	2,247	2,221	(26)	(1.2)
Onshore drilling	376	359	(17)	(4.5)
of which:				
- Eni	2,602	2,853	251	9.6
- third parties	10,589	10.415	(174)	(1.6)
of which:				
- Italy	1,280	1,168	(112)	(8.8)
- Outside Italy	11,911	12,100	189	1.6

Other activities

Fourth Quarter 2006	Results	(€ million) First Quarter 2006	2007	Change	% Ch.
161	**Net sales from operations**	**214**	**57**	**(157)**	**(73.4)**
(221)	**Operating profit**	**(65)**	**(16)**	**49**	**75.4**
144	Exclusion of special items:	2	(34)	(36)	
	of which:				
62	Non-recurring items				
82	Other special items	2	(34)	(36)	
62	*- environmental provisions*				
12	*- asset impairments*	*3*	*3*		
1	*- provisions for redundancy incentives*				
7	*- other*	*(1)*	*(37)*	*(36)*	
(77)	**Adjusted operating profit**	**(63)**	**(50)**	**13**	**20.6**
(7)	Net financial incomes (expenses) [a]				
(1)	Net income (expenses) from investments [a]	5		(5)	
(85)	**Adjusted net profit**	**(58)**	**(50)**	**8**	**13.8**
38	**Capital expenditure**	**3**	**14**	**11**	**..**

(a) Excluding special items.

Adjusted net loss of €50 million is essentially in line with the first quarter of 2006.
Special charges excluded from net losses of €34 million related in particular to the settlement reached by Syndial and Dow Chemical on some contractual issues pending between the two companies.

Corporate and financial companies

Fourth Quarter 2006	Results	(€ million) First Quarter 2006	2007	Change	% Ch.
345	**Net sales from operations**	**307**	**282**	**(25)**	**(8.1)**
(89)	**Operating profit**	**(51)**	**(38)**	**13**	**25.5**
36	Exclusion of special items:	5	3	(2)	
29	*- provisions for redundancy incentives*	*5*	*3*	*(2)*	
11	*- environmental provisions*				
(4)	*- other*				
(53)	**Adjusted operating profit**	**(46)**	**(35)**	**11**	**23.9**
87	Net financial incomes (expenses) [a]	53	(101)	(154)	
1	Net income (expenses) from investments [a]				
22	Income taxes [a]	(1)	50	51	
57	**Adjusted net profit**	**6**	**(86)**	**(92)**	**..**
48	**Capital expenditure**	**23**	**16**	**(7)**	**(30.4)**

(a) Excluding special items.

Adjusted net loss of €86 million increased by €92 million from the first quarter of 2006 due to losses recognized on the fair value evaluation of certain financial derivatives instruments recorded in the profit and loss account instead of being recognized in connection with related assets, liabilities and commitments because these instruments do not meet the formal criteria to be assessed as contracts hedges under IFRS including the time value component.

This negative was partly offset by a lower operating loss (down €11 million).

Non-GAAP measures

RECONCILIATION OF REPORTED OPERATING PROFIT AND NET PROFIT TO RESULTS ON AN ADJUSTED BASIS

Management evaluates Group and business performance on the basis of adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses and special items. Further, finance charges on finance debt, interest income, charges or income deriving from the fair value evaluation of derivative financial instruments held for trading purposes, and exchange rate differences are excluded when determining adjusted net profit of each business segment.
The taxation effect of such items excluded from adjusted net profit is determined based on the specific rate of taxes applicable to each item, with the exception of finance charges or income, to which the Italian statutory tax rate of 33% is applied.
Adjusted operating profit and adjusted net profit are non-GAAP financial measures under either IFRS, or U.S. GAAP. Management includes them to facilitate comparison of base business performance across periods and allow financial analysts to evaluate Eni's trading performance on the basis of their forecasting models. In addition, management uses segmental adjusted net profit when calculating return on average capital employed (ROACE) by each business segment.

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

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

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

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

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

(€ million)

	First quarter 2007								
	E&P	**G&P**	**R&M**	**Petrochemicals**	**E&C**	**Other activities**	**Corporate and financial companies**	**Impact of unrealized profit in inventory**	**Group**
Reported operating profit	**3,132**	**1,641**	**(10)**	**115**	**176**	**(16)**	**(38)**	**105**	**5,105**
Exclusion of inventory holding (gains) losses		40	112	3					155
Exclusion of special items									
of which:									
Non-recurring (income) charges									
Other special charges:		**2**	**18**	**4**		**(34)**	**3**		**(7)**
environmental charges			17						17
asset impairments						3			3
provision for redundancy incentives		2	1	4			3		10
other						(37)			(37)
Special items of operating profit		**2**	**18**	**4**		**(34)**	**3**		**(7)**
Adjusted operating profit	**3,132**	**1,683**	**120**	**122**	**176**	**(50)**	**(35)**	**105**	**5,253**
Net financial (expense) income(*)	(35)	3					(101)		(133)
Net income from investments(*)	10	115	51		26				202
Income taxes(*)	(1,698)	(642)	(58)	(43)	(57)		50	(39)	(2,487)
Tax rate (%)	*54.7*	*35.6*	*33.9*						*46.7*
Adjusted net profit	**1,409**	**1,159**	**113**	**79**	**145**	**(50)**	**(86)**	**66**	**2,835**
of which:									
net profit of minorities									155
Eni's adjusted net profit									**2,680**
Eni's reported net profit									**2,588**
Exclusion of inventory holding (gains) losses									97
Exclusion of special items									(5)
- non-recurring (income) charges									
- other special charges									*(5)*
Eni's adjusted net profit									**2,680**

(*) Excluding special items

(€ million)

	First Quarter 2006								
	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Impact of unrealized profit in inventory	Group
Reported operating profit	**4,308**	**1,199**	**89**	**39**	**78**	**(65)**	**(51)**	**(2)**	**5,595**
Exclusion of inventory holding (gains) losses		(30)	(47)	(17)					(94)
Exclusion of special items									
of which:									
Non-recurring (income) charges									
Other special charges:	**(57)**	**34**	**47**	**1**		**2**	**5**		**32**
environmental charges		20	44						64
asset impairments						3			3
gains on disposal of assets	(57)								(57)
provisions to the reserve for contingencies			1	2					3
provision for redundancy incentives		14	5				5		24
other			(3)	(1)		(1)			(5)
Special items of operating profit	**(57)**	**34**	**47**	**1**		**2**	**5**		**32**
Adjusted operating profit	**4,251**	**1,203**	**89**	**23**	**78**	**(63)**	**(46)**	**(2)**	**5,533**
Net financial (expense) income(*)	(17)	6					53		42
Net income from investments(*)	10	137	47		41	5			240
Income taxes(*)	(2,149)	(467)	(50)	(7)	(32)		(1)	1	(2,705)
Tax rate (%)	*50.6*	*34.7*	*36.8*						*46.5*
Adjusted net profit	**2,095**	**879**	**86**	**16**	**87**	**(58)**	**6**	**(1)**	**3,110**
of which:									
net profit of minorities									156
Eni's adjusted net profit									**2,954**

Eni's reported net profit	**2,974**
Exclusion of inventory holding (gains) losses	(59)
Exclusion of special items	39
- non-recurring (income) charges	
- other special charges	*39*
Eni's adjusted net profit	**2,954**

(*) Excluding special items

(€ million)

	Fourth Quarter 2006								
	E&P	**G&P**	**R&M**	**Petrochemicals**	**E&C**	**Other activities**	**Corporate and financial companies**	**Impact of unrealized profit in inventory**	**Group**
Reported operating profit	**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			**109**	**13**		**62**			**184**
Other special charges:	**54**	**7**	**39**	**73**	**3**	**82**	**36**		**294**
environmental charges		2	27			62	11		102
asset impairments	51		13	50	1	12			127
gains on disposal of assets	(7)								(7)
provisions to the reserve for contingencies			4	11					15
provision for redundancy incentives	10	15	30	14	2	1	29		101
other		(10)	(35)	(2)		7	(4)		(44)
Special items of operating profit	**54**	**7**	**148**	**86**	**3**	**144**	**36**		**478**
Adjusted operating profit	**3,195**	**1,269**	**148**	**154**	**152**	**(77)**	**(53)**	**(12)**	**4,776**
Net financial (expense) income(*)	(22)	(1)				(7)	87		57
Net income from investments(*)	(18)	97	31	1	47	(1)	1		158
Income taxes(*)	(1.851)	(492)	(64)	(14)	(68)		22	9	(2.458)
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
- Eni's adjusted net profit									**2,355**
Eni's reported net profit									**1,520**
Exclusion of inventory holding (gains) losses									213
Exclusion of special items									622
- non-recurring (income) charges									*184*
- other special charges									*438*
Eni's adjusted net profit									**2,355**

(*) Excluding special items.

Breakdown of special charges

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

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