ENI SPA
Form 6-K
August 01, 2007
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of July 2007

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

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

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

Form 20-F x Form 40-F o

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2b under the Securities Exchange Act of 1934.)

Yes o No x

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

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SIGNATURES

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

Eni S.p.A.

Name: Fabrizio Cosco
Title: Company Secretary

Date: July 31, 2007

ENI ANNOUNCES RESULTS FOR THE SECOND QUARTER AND THE FIRST HALF OF 2007

INTERIM DIVIDEND PROPOSAL OF EURO 0.60 PER SHARE OR $1.66 PER ADR[1]

Adjusted net profit: down by 11% to euro 2.22 billion for the second quarter and down by 10% to euro 4.9 billion for the first half of 2007.
Reported net profit: down by 2% to euro 2.27 billion for the second quarter and down by 8% to euro 4.85 billion for the first half of 2007.
Cash flow: euro 4.14 billion for the second quarter (euro 9.7 billion for the first half).
Spending on capital and exploration projects was up by 31% to euro 2.24 billion for the second quarter.
Oil and gas production for the second quarter: down by 0.7% to 1.74 million boe/d (down by 3% for the first half 2007). Previous guidance for flat year-on-year production reaffirmed, under the assumption of full-year Brent crude oil price at $55 per barrel as per Eni s four-year plan.
Gas sales for the second quarter: flat to 20.4 bcm (down by 6% for the first half 2007). Previous guidance for light year-on-year sales growth reaffirmed, boosted by expansion in target European markets.

San Donato Milanese, July 26, 2007 - Eni, the international oil and gas company today announces its group results for the second quarter and first half of 2007 (unaudited).

Paolo Scaroni, Chief Executive Officer, commented:

"Eni delivered a set of solid results in the first half of 2007 despite the adverse impact of the euro's appreciation against the dollar and lower gas sales due to exceptionally mild weather. We have been expanding our portfolio and I am confident that 2007 will be another excellent year for Eni. This confidence underpins my proposal to Eni's Board to pay an interim dividend of euro 0.60 per share."

Second Quarter 2006	First Quarter 2007	Second Quarter 2007	% Ch. 2 Q. 07 vs 2 Q. 06		First Half 2006	First Half 2007	% Ch.
				Summary Group results (million euro)			
4,947	5,105	4,218	(14.7)	Operating profit	10,542	9,323	(11.6)
5,054	5,253	4,196	(17.0)	Adjusted operating profit (a)	10,587	9,449	(10.7)
2,301	**2,588**	**2,267**	**(1.5)**	**Net profit** (b)	**5,275**	**4,855**	**(8.0)**
0.62	0.70	0.62		- per ordinary share (euro) (c)	1.42	1.32	(7.0)
1.56	1.83	1.67	7.1	- per ADR ($) (c) (d)	3.49	3.51	0.6
2,483	**2,680**	**2,220**	**(10.6)**	**Adjusted net profit** (a) (b)	**5,437**	**4,900**	**(9.9)**
0.67	0.73	0.60	(10.4)	- per ordinary share (euro) (c)	1.46	1.33	(8.9)

1.68	1.91	1.62	(3.6)	- per ADR ($) [c] [d]	3.59	3.54	(1.4)

(a) For a detailed explanation of adjusted operating profit and net profit see page 19.

(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.

(1) As converted at the Noon Buying Rate of 1 EUR = 1.3817 USD taken from the US Federal Reserve Statistical Release on July 23, 2007.

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Financial highlights

Second Quarter of 2007

- Adjusted operating profit was euro 4.20 billion, down 17% from the second quarter of 2006. Results in the Exploration & Production division, were impacted by a 7.3% appreciation of the euro against the dollar, lower sold production volumes and higher exploratory expenses, while results in the Gas & Power division were affected by declining selling margins and the impact of mild weather on sales volumes, particularly in April.
- Adjusted net profit was down 10.6% to euro 2.22 billion, mainly as a result of the reduced operating profit, partly offset by a two percentage point reduction recorded in the Group tax-rate on an adjusted basis (from 50.4% to 48.3%).
- Capital expenditures for the quarter were up 30.9% from a year ago to euro 2.24 billion. Major expenditures related to the development of oil and gas reserves, exploratory projects and the upgrading of international and domestic gas transportation infrastructure and refineries.
- Net borrowings amounting to euro 9.12 billion as of June 30, 2006 increased by euro 5.27 billion in the quarter due to cash outflows for capital expenditures (euro 2.24 billion), the acquisition of investments as part of a bid procedure for ex-Yukos assets (euro 3.73 billion), the acquisition of upstream properties onshore Congo (approximately euro 1 billion) and the payment of the balance of 2006 dividend to shareholders (euro 2.38 billion). These outflows were partly absorbed by net cash provided by operating activities (euro 4.14 billion).

First Half of 2007

- Adjusted operating profit for the first half was euro 9.45 billion, down 10.7% from a year ago. A weaker operating performance reported by the Exploration & Production division was partly offset by the improved operating performance in all of Eni s downstream businesses and the Engineering & Construction division.
- Adjusted net profit was down 9.9% to euro 4.90 billion, mainly as a result of the reduced operating profit, which was partly offset by a single percentage point reduction recorded in the Group tax-rate on an adjusted basis (from 48.4% to 47.4%).
- Net borrowing at period-end increased by euro 2.35 billion to euro 9.12 billion, as compared to December 31, 2006. Main cash outflows for the period were: euro 4.26 billion for capital expenditures, euro 4.8 billion for the acquisition of investments and assets, euro 2.38 billion for dividend payment and euro 339 million for the repurchase of own shares. These outflows were partly absorbed by net cash provided by operating activities coming in at euro 9.7 billion.
- Return on Average Capital Employed (ROACE)[2] calculated on an adjusted basis for the twelve-month period ending June 30, 2007 was 21.4% (23.5% for the twelve-month period ending June 30, 2006).
  Ratio of net borrowings to shareholders equity including minority interest leverage[2] decreased to 0.22 from 0.16 at the end of 2006.

Interim dividend for 2007

In light of the financial results achieved for the first half of 2007, the CEO will propose the distribution of an interim dividend for the fiscal year 2007 of euro 0.60 per share (euro 0.60 per share in 2006) to the Board of Directors at a meeting to approve first half accounts on September 20, 2007. The interim dividend is payable on October 25, 2007 to shareholders on the register on October 22, 2007.

(2) Non-GAAP financial measures disclosed throughout this press release are accompanied by explanatory notes and tables to help investors to gain a full understanding of said measures in line with guidance provided for by CESR Recommendation No. 2005-178b. See pages 27 and 28 for leverage and ROACE,

respectively.

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Operational highlights and trading environment

Second Quarter 2006	First Quarter 2007	Second Quarter 2007	% Ch. 2 Q. 07 vs 2 Q. 06			First Half 2006	First Half 2007	% Ch.
				Key statistic				
1,748	**1,734**	**1,736**	**(0.7)**	**Production of hydrocarbons**	(kboe/d)	**1,787**	**1,735**	**(2.9)**
1,056	1,030	1,026	(2.8)	Liquids	(kbbl/d)	1,099	1,028	(6.5)
3,974	4,043	4,082	2.7	Natural gas	(mmcf/d)	3,950	4,063	2.7
20.45	**28.14**	**20.43**	**(0.1)**	**Worldwide gas sales**	(bcm)	**51.65**	**48.57**	**(6.0)**
1.08	*1.07*	*0.87*	*(19.4)*	*of which: upstream sales*		*2.20*	*1.94*	*(11.8)*
7.66	**7.38**	**8.86**	**15.7**	**Electricity sold**	(TWh)	**15.39**	**16.24**	**5.5**
3.15	**2.88**	**3.18**	**1.0**	**Retail sales of refined products in Europe**	(mmtonnes)	**6.08**	**6.06**	**(0.3)**

Second Quarter of 2007

- Oil and natural gas production for the second quarter averaged 1.736 mmboe/d, a decrease of 0.7% compared with the second quarter of 2006 due mainly to disruptions in Nigeria owing to continuing social unrest. Excluding this issue, production was in line with the second quarter of 2006. Growth was achieved in Libya, Kazakhstan and the Gulf of Mexico, offsetting mature field declines, particularly in Italy and the United Kingdom, and facility outages in Norway.
- Eni s worldwide natural gas sales were marginally lower at 20.43 bcm (down 0.1%) due to unusually mild weather conditions, particularly in April. Higher volumes were achieved in certain target European markets (particularly in Spain and Turkey) and in Italy driven by growth in the power generation sector and higher sales to wholesalers reflecting increased production volumes from Eni s Libyan gas fields.
  Lower sales were recorded to Italian importers.
- The trading environment was affected by lower oil prices with Brent crude prices averaging $68.76 per barrel (down 1.2%; down 8% if expressed in euro) compared to the second quarter 2006, and the appreciation of the euro over the dollar (up 7.3%). Unfavorable trends were also recorded in energy parameters used in determining purchase and selling prices of natural gas. By contrast, refining margins on the Brent crude marker increased sharply (up 19.6%; up 11.5% if expressed in euro). It is worth noting that the narrowing of price differentials between light and heavy crude qualities, while capping the upside on Eni s realized refining margins, helped upstream crude realizations which improved somewhat from 2006 as opposed to the trend registered in the Brent crude marker.

First Half of 2007

- Oil and natural gas production for the first half averaged 1.735 mmboe/d, a decrease of 2.9% compared with the first half of 2006. In addition to Nigerian events, production performance for the period was impacted by the loss of production at the Venezuelan Dación oilfield (down 31 kbbl/d) as a consequence of the unilateral cancellation of the service agreement for the field exploitation by the Venezuelan State Oil Company PDVSA effective April 1, 2006.When factoring in these two events, production was virtually flat from the first half of 2006.
- Eni s worldwide natural gas sales were down 6% to 48.57 bcm due to lower European gas demand owing to unusually mild winter weather.
- The trading environment was affected by lower oil prices with Brent crude prices averaging $63.26 per barrel (down 3.7%; down 10.9% if expressed in euro) compared to the first half of 2006, and the appreciation of the euro over the dollar (up 8.1%). These negatives were partially offset by increased refining margins on the Brent crude marker (up 14.2%; up 5.6% if expressed in euro) and higher selling margins on petrochemical products. Overall, the first half trading environment had no material impact on natural gas selling margins.

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Portfolio developments

- As part of the strategic alliance with Gazprom, Eni signed a Memorandum of Understanding for the construction of the South Stream pipeline system which is expected to connect Russia to the European Union across the Black Sea. Implementation of this agreement will enable Eni to extract further value from its recent acquisition of ex-Yukos gas assets and represent a decisive step towards strengthening the security of energy supply for Europe.
- Eni signed an agreement for the acquisition of a significant stake in Altergaz, the main independent operator in the French gas market. Eni is expected to obtain an ownership interest of 27.8% by direct purchase and subscribing a reserved share capital increase, and to jointly control the company. Through this partnership Eni will supply Altergaz with significant volumes of gas up to 1.3 bcm per year, over a period of 10 years, thus underpinning Eni s international expansion in the marketing of gas and strengthening its leadership in the European gas market.
- Eni signed a gas sale agreement relating to the Karachaganak oil and gas field: as part of Phase 3 of the field development project, Karachaganak Petroleum Operating BV (KPO), the consortium operating this field cooperated by Eni with a 32.5% working interest, and KazRosGaz, a joint company established by KazMunaiGaz and Gazprom, signed an agreement envisaging delivery of approximately 16 bcm/y of raw gas from field production to the Orenburg processing plant in Russia, starting in 2012. This agreement is subject to approval by the boards of the two partners.
- Eni purchased a 16.11% stake in the Czech Refining Company from ConocoPhillips, increasing Eni s ownership interest to 32.4%. This transaction is expected to be finalized in the third quarter of 2007 and to double Eni s share of refining capacity to 2.6 mmtonnes per year. This transaction is intended to support the expansion of Eni s refining and marketing operations in Central-Eastern Europe.
- Eni signed an agreement with Auchan for the marketing of jointly-branded fuels in Auchan chain-stores in Italy. This initiative supports Eni s aim of enhancing its retail network leveraging on ongoing trends in the marketing of fuels.
- Eni signed a Memorandum of Understanding with the Venezuelan national company PDVSA for the transfer of development activities at the Corocoro field in Venezuela to the new contractual regime of "empresa mixta". Eni will retain its 26% stake in this project. The agreement will be finalized by the third quarter of 2007.
- Eni finalized the purchases of proved and unproved oil and gas properties in the Gulf of Mexico from the US company Dominion Resources and onshore in Congo from the French company s Maurel & Prom, early in July and by end of May 2007, respectively. The assets purchased in the Gulf of Mexico will add an expected 75 kboe/d from the third quarter 2007 to Eni s oil and gas production; Congolese assets are already yielding 17 kbbl/d net to Eni.
- Hydrocarbon reserves were discovered off the coast of Indonesia (Tulip), in addition to a successful appraisal activity on the Aster field (both operated). Two gas discoveries were made onshore Pakistan (Tajal and Latif) near producing areas and facilities, in addition to an extension of a gas producing field (Kadanwari). Other discoveries were made off the coast of Angola, Congo, Nigeria, the Gulf of Mexico and the Alaska.

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 stable as compared to the previous year (actual oil and gas production averaged 1.77 mmboe/d in 2006) under the assumption of full-year Brent crude oil prices at $55 per barrel. Production decreases due to escalating social unrest in Nigeria and the loss of the Dación oilfield in Venezuela and mature field production declines are expected to be offset by the contribution from properties acquired in the Gulf of Mexico and Congo as well as ongoing build-up in gas production in Libya.
- **Sales volumes of natural gas worldwide** are expected to increase by a small amount from the previous year (actual sales volumes in 2006 were 97.48 bcm). Growth is expected to be achieved in European target markets both in terms of market share and volumes gains, mainly in Spain, France and Germany/Austria markets. Sales volumes in Italy are expected to be flat as a result of a planned recovery in the second half of 2007, with the main increases expected in the residential segment as a result of ongoing marketing initiatives.

- **Sales volumes of electricity** are expected to increase by approximately 4% from 2006 (actual volumes in 2006 were 31.03 TWh), due to an expected increase in traded volumes.

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- **Refining throughputs** are forecast to remain almost unchanged from 2006 (actual throughputs in 2006 were 38.04 mmtonnes), reflecting higher volume performance expected at the Livorno, Gela and Sannazzaro refineries; on the negative side, a processing contract expired late in 2006 at the Priolo refinery owned by a third party affecting throughputs for the full 2007.
- **Retail sales of refined products** are expected to marginally increase from 2006 (actual volumes sold in 2006 were 12.48 mmtonnes), driven by increased sales in Europe as a result of a greater number of service stations as a result of acquisitions in target markets. Marketing initiatives mean that sales in the Italian market are expected to remain unchanged despite a decline in domestic consumption.

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

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Data and information herewith set forth are extracted from Eni s report on the second quarter of 2007 filed with Italian authorities regulating exchanges and securities and disseminated concomitantly with this press release. The report on the second quarter of 2007 includes the certification rendered by the company CFO, in his quality as manager responsible for the preparation of financial reports, pursuant to Article 154-bis paragraph 2 of Legislative Decree No. 58/1998 stating that the quarterly accounts correspond to the company s evidence and accounting books and entries.

Disclaimer

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

Cautionary statement

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

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

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

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

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Summary result for the second quarter and first half 2007

(million euro)

Second Quarter 2006	First Quarter 2007	Second Quarter 2007	% Ch. 2 Q. 07 vs 2 Q. 06		First Half 2006	First Half 2007	% Ch.
20,739	**21,913**	**19,754**	**(4.7)**	**Net sales from operations**	**44,323**	**41,667**	**(6.0)**
4,947	**5,105**	**4,218**	**(14.7)**	**Operating profit**	**10,542**	**9,323**	**(11.6)**
(241)	155	(262)		Exclusion of inventory holding (gains) losses	(335)	(107)	
348	(7)	240		Exclusion of special items:	380	233	
				of which:			
		56		*- non-recurring items*		*56*	
348	*(7)*	*184*		*- other special items*	*380*	*177*	
5,054	**5,253**	**4,196**	**(17.0)**	**Adjusted operating profit**	**10,587**	**9,449**	**(10.7)**
2,301	**2,588**	**2,267**	**(1.5)**	**Net profit pertaining to Eni**	**5,275**	**4,855**	**(8.0)**
(151)	97	(207)		Exclusion of inventory holding (gains) losses	(210)	(110)	
333	(5)	160		Exclusion of special items:	372	155	
				of which:			
		81		*- non-recurring items*		*81*	
333	*(5)*	*79*		*- other special items*	*372*	*74*	
2,483	**2,680**	**2,220**	**(10.6)**	**Adjusted net profit pertaining to Eni**	**5,437**	**4,900**	**(9.9)**
182	155	156	(14.3)	Net profit of minorities	338	311	(8.0)
2,665	**2,835**	**2,376**	**(10.8)**	**Adjusted net profit**	**5,775**	**5,211**	**(9.8)**
				Break down by division [(a)]			
1,924	1,409	1,647	(14.4)	Exploration & Production	4,019	3,056	(24.0)
638	1,159	418	(34.5)	Gas & Power	1,517	1,577	4.0
171	113	137	(19.9)	Refining & Marketing	257	250	(2.7)
13	79	51	292.3	Petrochemicals	29	130	348.3
65	145	159	144.6	Engineering & Construction	152	304	100.0
(64)	(50)	(70)	(9.4)	Other activities	(122)	(120)	1.6
5	(86)	115		Corporate and financial companies	11	29	
(87)	66	(81)		Impact of inter-segment profits in elimination [(b)]	(88)	(15)	
				Net profit			
0.62	0.70	0.62		per ordinary share (euro)	1.42	1.32	(7.0)
1.56	1.83	1.67	7.1	per ADR ($)	3.49	3.51	0.6
				Adjusted net profit			
0.67	0.73	0.60	(10.4)	per ordinary share (euro)	1.46	1.33	(8.9)
1.68	1.91	1.62	(3.6)	per ADR ($)	3.59	3.54	(1.4)
3,709.1	3,679	3,673.2	(1.0)	Weighted average number of outstanding shares [(c)]	3,717.2	3,676.5	(1.1)
4,805	5,563	4,140	(13.8)	Net cash provided by operating activities	10,668	9,703	(9.0)
1,714	2,013	2,244	30.9	Capital expenditure	3,054	4,257	39.4

(a) For a detailed explanation of adjusted net profit by division see page 19.
(b) This item concerned mainly intra-group sales of goods, services and capital assets recorded at period end in the equity of the purchasing business segment.
(c) Assuming dilution.

Trading environment indicators

Second Quarter 2006	First Quarter 2007	Second Quarter 2007	% Ch. 2 Q. 07 vs 2 Q. 06		First Half 2006	First Half 2007	% Ch.
69.62	57.75	**68.76**	(1.2)	Average price of Brent dated crude oil [(a)]	65.69	**63.26**	(3.7)
1.256	1.310	**1.348**	7.3	Average EUR/USD exchange rate [(b)]	1.229	**1.329**	8.1
55.43	44.08	**51.01**	(8.0)	Average price in euro of Brent dated crude oil	53.45	**47.60**	(10.9)
5.77	3.06	**6.90**	19.6	Average European refining margin [(c)]	4.36	**4.98**	14.2
4.59	2.34	**5.12**	11.5	Average European refining margin in euro	3.55	**3.75**	5.6
2.9	3.8	**4.1**	41.4	Euribor - three month rate (%)	2.8	**3.9**	39.3
5.1	5.3	**5.6**	9.8	Libor - three month dollar rate (%)	4.9	**5.5**	12.2

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

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Second Quarter of 2007

Group results
Eni s net profit for the second quarter of 2007 was euro 2,267 million, down euro 34 million from the second quarter of 2006, or 1.5%, due mainly to a lower operating performance down by euro 729 million, or 14.7%, as a result of a decline in the Exploration & Production and Gas & Power divisions. This reduction in operating profit was offset in part by a euro 558 million decrease in income taxes reflecting lower profit before taxes and a 5 percentage point decline in the Group tax rate (from 53.0 to 48.1%) as a result of a lower share of profit generated by the Exploration & Production division.

Eni s adjusted net profit amounted to euro 2,220 million, down 10.6% from the second quarter 2006. Adjusted net profit is arrived at by excluding an inventory holding gain of euro 207 million and special charges of euro 160 million net, resulting in an immaterial adjustment to net profit (down euro 47 million).

Results by division

The decline in the Group adjusted net profit was a result of:

- The reduction of adjusted net profit reported by the **Exploration & Production** division (down euro 277 million, or 14.4%) due to a weaker operating performance (down euro 739 million, or 17.5%), which was adversely impacted by the appreciation of the euro over the dollar (7.3%), a decline in production sold (down 2.7 mmboe) and higher exploration expenses (euro 187 million);
- The reduction of adjusted net profit registered in the **Gas & Power** division (down euro 220 million, or 34.5%) due to a weaker operating performance (down euro 272 million, or 34.4%) which was adversely impacted by lower natural gas selling margins affected by an unfavorable trading environment and the impact of mild weather on sales volumes. These negative factors were offset in part by positive regulatory developments in Italy due to recently enacted measures by the Italian Authority for Electricity and Gas regarding the indexation of tariffs in the residential segment. Divisional results were also negatively impacted by lower results recorded by equity-accounted entities.

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

- **Engineering & Construction** (up euro 94 million, or 144.6%), reflecting an improved operating performance (up euro 70 million) against the backdrop of favorable demand trends in oilfield services;
- **Petrochemicals** (up euro 38 million, or 292.3%), due to an improved operating performance (up euro 62 million) reflecting a recovery in product selling margins and the circumstance that results for the second quarter 2006 were materially affected by an accident that occurred at the Priolo refinery resulting in outages at several of Eni s petrochemical plants.

First Half of 2007

Group results
Eni s net profit for the first half of 2007 was euro 4,855 million, down euro 420 million from the first half of 2006, or 8%, due primarily to a lower operating performance (down euro 1,219 million, or 11.6%) as a result of a decline mainly in the Exploration & Production division, partially offset by the a positive performance delivered by Eni's downstream and the Engineering & Construction businesses. This reduction in operating profit was offset in part by lower income taxes (down by euro 874 million) owing to lower profit before taxes and a 2 percentage point decline in the Group tax rate (from 49.7 to 47.5%).

Eni s adjusted net profit amounted to euro 4,900 million, down 9.9% from the first half of 2006. Adjusted net profit is arrived at by excluding an inventory holding loss of euro 110 million and special charges of euro 155 million net, resulting in an immaterial adjustment to net profit (up euro 45 million).

Return on Average Capital Employed (ROACE) calculated on an adjusted basis for the twelve-month period ending June 30, 2007 was 21.4% (23.5% for the twelve-month period ending June 30, 2006). Assuming Gazprom exercises its call options to purchase a 20% interest in OAO Gazprom Neft and a 51% interest in ex-Yukos gas assets from Eni as of June 30, 2007, the Group ROACE would stand at 22.1%.

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Results by division
The decline in the Group adjusted net profit resulted from to the reduction of adjusted net profit recorded in the **Exploration & Production** division (down euro 963 million, or 24%), due to a weaker operating performance (down euro 1,858 million, or 21.9%) which was adversely impacted by the appreciation of the euro over the dollar (8.1%), a decline in production sold (down 12.2 mmboe), higher exploration expenses, and lower realizations in dollars (down 2.1%). Performance in this segment was also negatively affected by the two percentage point increase in the adjusted tax rate (from 52.8% to 54.5%) due to changes in the fiscal regime of the United Kingdom and Algeria enacted in the second half of 2006.
These declines in the adjusted net profit were partly offset by a higher adjusted net profit reported in the divisions:

- **Engineering & Construction** (up euro 152 million, or 100%), reflecting an improved operating performance (up euro 168 million) against the backdrop of favorable demand trends in oilfield services.
- **Petrochemicals** (up euro 101 million, or 348.3%), due to an improved operating performance (up euro 161 million), reflecting a recovery in product selling margins and the impact of the accident that occurred at the Priolo refinery on the results for the first half of 2006.
- **Gas & Power** (up euro 60 million, or 4%), due to a better operating performance (up euro 208 million, or 10.4%) reflecting essentially positive developments in the regulatory framework in Italy and because certain purchase charges were incurred in the first quarter of 2006 due to the climatic emergency in the 2005-2006 winter. These positive factors were offset in part by the impact of unusually mild weather conditions affecting natural gas by consolidated subsidiaries (down 2.8 bcm, or 6.2%). This also resulted in a weakened sales mix, offset in part by volume increases in target markets in Europe. Divisional results were also negatively impacted by weaker equity-accounted entity results.

Net borrowings and cash flow
Net borrowings as of June 30, 2007 amounted to euro 9,122 million, increased by euro 2,355 million from December 31, 2006. Net cash provided by operating activities totalled euro 9,703 million. The main cash outflows related to: (i) capital expenditures totalling euro 4,257 million; (ii) the purchase of interests in OAO Gazprom Neft and three Russian companies engaged in developing natural gas following finalization of a bid procedure for ex-Yukos assets (euro 3,729 million); (iii) the purchase of oil producing assets onshore Congo (approximately euro 1 billion); (iv) dividend payments (euro 2,611 million, of which euro 2,384 million concerning the balance of the 2006 dividend by the parent company Eni SpA); (v) the repurchase of Eni s own shares for euro 339 million.

Leverage
The ratio of net borrowings to shareholders equity including minority interest increased to 0.22 from 0.16 at December 31, 2006.

Repurchase of own shares
From January 1 to June 30, 2007, a total of 13.83 million own shares were purchased by the company for a total amount of euro 339 million (representing an average cost of euro 24.504 per share). Since the inception of the share buy-back programme (September 1, 2000), Eni has repurchased 349 million shares, equal to 8.71% of outstanding capital stock, at a total cost of euro 5,851 million (representing an average cost of euro 16.774 per share).

Capital expenditures
Capital expenditures in the first half of 2007 amounted to euro 4,257 million (euro 3,054 million in the first half 2006) and related mainly to:

- Development activities (euro 1,965 million) deployed mainly in Kazakhstan, Egypt, Italy, Angola and Congo and exploration projects (euro 748 million) of which 92% was spent outside Italy, primarily in Egypt, the Gulf of Mexico, Norway, Nigeria, and Indonesia. In Italy exploration activity related primarily to projects off the coast of Sicily;

- Development and upgrading of Eni s natural gas transport and distribution networks in Italy (euro 329 million) and upgrading of natural gas import pipelines to Italy (euro 93 million);
- Ongoing construction of combined cycle power plants (euro 88 million);
- Projects aimed at improving the flexibility and yields of refineries, including the construction of a new hydrocracking unit at the Sannazzaro refinery (euro 214 million), building of new service stations and upgrading of existing ones (euro 85 million);
- Upgrading of the fleet used in the Engineering and Construction division (euro 510 million).

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Other information

Eni s Stock option plan for the 2006-2008 period: Eni s Board of Directors approved grant for 2007
At a meeting on July 27, 2006 following Eni s Shareholder s meeting resolution on May 25, 2006, Eni s Board of Directors defined the terms and conditions for the 2007 grants based on Eni s 2006-2008 Stock Option Plan. Necessary regulatory approvals were also given. Following the proposal by the Compensation Committee Eni s Board of Directors decided to grant a maximum of 8 million rights (options) for the purchase of a corresponding number of Eni shares held in treasury.
Options will be awarded to 330 managers of the parent company Eni SpA and its non-listed subsidiaries who hold top positions and roles of significant responsibility for achieving profitability or strategic targets.
Grantees will be entitled to the right to purchase Eni shares after three years from the date of the grant at a price corresponding to the higher of:

- The arithmetic average of official prices recorded on the Italian stock exchange in the month preceding the date of the grant, and
- The average purchase cost of shares held in treasury as of the day prior to the grant (strike price).

The number of options that each grantee will be able to exercise will be established by the Board of Directors before March 2010. This number may vary from zero to 100% of the options granted according to the total shareholder return of Eni shares as compared to that of the other six major international oil companies by market capitalization as actual results for three-year period 2007-2009.
Information on this incentive scheme will be provided to Italian market and securities authorities before September 15, 2007 in accordance with Italian listing standard.

Demerger of EniPower
The Board of Directors decided EniPower (100% Eni SpA) to be partly demerged from the parent company Eni SpA according the scheme approved by the same Board on June 7, 2007.

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

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Exploration & Production

Second Quarter 2006	First Quarter 2007	Second Quarter 2007	% Ch. 2 Q. 07 vs 2 Q. 06			First Half 2006	First Half 2007	% Ch.
				Results	(million euro)			
7,047	**6,361**	**6,468**	**(8.2)**	**Net sales from operations**		**14,459**	**12,829**	**(11.3)**
4,090	**3,132**	**3,418**	**(16.4)**	**Operating profit**		**8,398**	**6,550**	**(22.0)**
132		65		Exclusion of special items		75	65	
				of which:				
		(12)		Non-recurring items			(12)	
132		77		Other special items		75	77	
132		*76*		*- asset impairments*		*132*	*76*	
				- gains on disposal of assets		*(57)*		
		1		*- provision for redundancy incentives*			*1*	
4,222	**3,132**	**3,483**	**(17.5)**	**Adjusted operating profit**		**8,473**	**6,615**	**(21.9)**
(9)	(35)	31		Net financial incomes (expenses) [a]		(26)	(4)	
56	10	90		Net income (expenses) from investments [a]		66	100	
(2,345)	(1,698)	(1,957)		Income taxes [a]		(4,494)	(3,655)	
54.9	*54.7*	*54.3*		*Tax rate*	(%)	*52.8*	*54.5*	
1,924	**1,409**	**1,647**	**(14.4)**	**Adjusted net profit**		**4,019**	**3,056**	**(24.0)**
				Results also include:				
1,157	1,240	1,307	13.0	- amortizations and depreciations		2,252	2,547	13.1
				of which:				
161	*313*	*302*	*87.6*	*- amortizations of exploration drilling expenditure and other*		*316*	*615*	*94.6*
54	*62*	*100*	*85.2*	*- amortizations of geological and geophysical exploration expenses*		*85*	*162*	*90.6*
1,153	**1,366**	**1,471**	**27.6**	**Capital expenditure**		**2,114**	**2,837**	**34.2**
				Production [b] [c]				
1,056	1,030	1,026	(2.8)	Liquids [d]	(kbbl/d)	1,099	1,028	(6.5)
3,974	4,043	4,082	2.7	Natural gas	(mmcf/d)	3,950	4,063	2.7
1,748	**1,734**	**1,736**	**(0.7)**	**Total hydrocarbons**	(kboe/d)	**1,787**	**1,735**	**(2.9)**
				Average realizations				
64.33	54.39	64.58	0.4	Liquids [d]	($/bbl)	60.25	59.47	(1.3)
5.15	5.30	5.06	(1.8)	Natural gas	($/mmcf)	5.19	5.18	(0.2)
51.24	**45.12**	**50.82**	**(0.8)**	**Total hydrocarbons**	($/boe)	**48.97**	**47.96**	**(2.1)**
				Average oil market prices				
69.62	57.75	68.76	(1.2)	Brent dated	($/bbl)	65.69	63.26	(3.7)
55.43	44.08	51.01	(8.0)	Brent dated	(euro/bbl)	53.45	47.60	(10.9)
70.40	57.99	64.89	(7.8)	West Texas Intermediate	($/bbl)	67.44	61.44	(8.9)
230.96	266.63	265.92	15.1	Gas Henry Hub	($/kmc)	251.44	266.28	5.9

(a) Excluding special items.

(b) Supplementary operating data is provided on page 31.
(c) Includes Eni's share of production of equity-accounted entities.
(d) Includes condensates.

Adjusted operating profit for the second quarter 2007 was euro 3,483 million, a decrease of euro 739 million from the second quarter 2006, or 17.5%, due primarily to:

- The adverse impact of the appreciation of the euro versus the dollar (down approximately euro 280 million);
- Lower production sold (down 2.7 mmboe);
- Higher expenses incurred in connection with exploration activities (euro 187 million; euro 213 million on a constant exchange rate basis);
- Higher production costs and amortization/depreciation charges also reflecting the impact of sector specific inflation.

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Oil and gas realizations in dollars were stable due to higher liquid realizations which benefited from narrowing differentials between heavy and light crude recorded in the quarter, partly offset by lower gas realizations.
Adjusted net profit was euro 1,647 million, down euro 277 million from the second quarter of 2006, primarily due to a weaker operating performance.

The adjusted operating profit for the first half of 2007 was euro 6,615 million, down euro 1,858 million, or 21.9%, due to the impact of the appreciation of the euro versus the dollar, lower production sold (down 12.2 mmboe, or 3.9%) and higher expenses incurred in connection with exploration activity (euro 376 million; euro 426 million on a constant exchange rate basis). Results were also affected by lower realizations in dollars (down 2.1%) and higher production costs and amortization/depreciation charges.

Adjusted net profit of the first half of 2007 was euro 3,056 million, down euro 963 million (down 24%) due to a weaker operating performance and a higher tax rate (increased from 52.8% to 54.5%) due to changes in the fiscal regimes of the United Kingdom and Algeria enacted in the second half of 2006.

Special charges excluded by the adjusted operating profit of euro 65 million in the second quarter and euro 65 million in the first half concerned mainly impairment of assets.

Oil and natural gas production in the second quarter of 2007 averaged 1,736 kboe/d, a decrease of 12 kboe/d compared to the same period last year (down 0.7%). This reduction was due primarily to the negative impact of disruptions resulting from continuing social unrest in Nigeria. Factoring in this effect, oil and natural gas production levels were in line with the first quarter 2006. Production increases were achieved mainly in Libya, Kazakhstan and the Gulf of Mexico, in addition to the effect of recently acquired oil assets in Congo, which offset mature field declines in Italy and in the North Sea, with the latter being affected also by facility outages.
88% of oil and natural gas production was produced outside Italy (86% in the second quarter of 2006).

Daily production of oil and condensates (1,026 kbbl) decreased by 30 kbbl, or 2.8% from the second quarter of 2006. Production decreases were reported mainly in Nigeria, the United Kingdom and Norway due to the above mentioned impacts. Significant increases were registered in: (i) Kazakhstan, as result of higher performance at the Karachaganak field; (ii) the United States, as result of the full recovery of certain offshore production facilities damaged by hurricanes in the second half of 2005; (iii) Libya, due to production rump-up at the Bahr Essalam field.

Daily production of natural gas for the second quarter (4,082 mmcf/d) increased by 108 mmcf/d, or 2.7%, mainly at the Bahr Essalam field offshore Libya, in Norway as a result of production growth an the Aasgard and Kristin fields and in Nigeria due to the build up of supplies to the Bonny LNG plant. Gas production in Italy decreased due to mature field declines.

Oil and natural gas production for the first