ENI SPA
Form 6-K
December 01, 2005
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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 November 2005

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: November 30, 2005

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Società per Azioni
Rome,
Piazzale Enrico Mattei, 1

Capital stock
euro 4,005,358,876 fully paid

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Eni
2005
Third Quarter
and Nine-Months Results
(unaudited)

FOR IMMEDIATE RELEASE

Eni results for the third quarter 2005:

net profit up 48% to euro 2.3 billion

oil and gas production up 11% to 1.715 million boe/d

San Donato Milanese, 9 November 2005 - Eni, the international oil and gas company, today announces the results for the third quarter and nine months to 30 September 2005.

Third quarter				Nine months		
2004	2005	% Ch.		2004	2005	% Ch.
			Summary group results [1] (million euro)			
2,916	4,192	43.8	Operating profit	8,654	12,233	41.4
2,739	3,687	34.6	Replacement cost operating profit [2]	8,247	11,232	36.2
1,585	2,340	47.6	Net profit	4,950	6,683	35.0
1,474	2,023	37.2	Replacement cost net profit [2]	4,695	6,055	29.0
			Key operating indicators			
1,545	1,715	11.0	Oil and natural gas production (thousand boe/day)	1,598	1,714	7.3
15.33	16.89	10.2	Natural gas sales (billion cubic metres)	60.90	64.60	6.1
3.24	3.28	1.2	Sales volumes of refined products on retail markets in Europe (Agip brand) (million tonnes)	9.21	9.31	1.1
3.56	6.15	72.8	Production volumes of electricity sold (terawatthour)	9.64	16.70	73.2

Financial highlights of the quarter:

Revenues of euro 17.4 billion, up 37%
Adjusted net profit[3] of euro 2.4 billion, up 69%
Net borrowings at period end: euro 6.4 billion[4], down 45% from 31 December 2004

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(1) Eni s consolidated accounts at 30 September 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS) currently applied. Results for the third quarter and nine months of 2004 have been restated for comparability

(2) Replacement cost net profit and operating profit reflect the current cost of supplies. The replacement cost net profit for the period is arrived at by excluding from the historical cost net profit the inventory holding gain or loss, which is the difference between the cost of sales of the volumes sold in the period based on the cost of supplies of the same period and the cost of sales of the volumes sold in the period calculated using the weighted-average cost method of inventory accounting.

(3) Adjusted net profit is before inventory holding gains or losses and special items. Information on adjusted net profit is presented to help distinguish the underlying trends for the company s core businesses and allow financial analysts to evaluate Eni s trading performance on the basis of their forecasting models. For a reconciliation of net profit to adjusted net profit see tables below.

(4) The interim dividend for fiscal year 2005 was paid on 27 October 2005 for an amount of euro 1.7 billion.

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Operating highlights of the quarter:

- favourable trading environment driven by higher Brent crude oil prices (up 48%) and refining margins (up 64%), but with lower retail marketing and petrochemicals product margins
- E&P: strong production growth (11%) driven by continuing production ramp-up primarily in Libya and Angola
- G&P: sales volumes growth in natural gas (10%)

Paolo Scaroni, Eni Chief Executive Officer, commented:

This has been another quarter of strong performance against the backdrop of a favourable trading environment. We are comfortable with our guidance of achieving the strongest ever operating and financial results in Eni s history .

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This press release and Eni s Report on the Third Quarter of 2005 (unaudited) are 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, oilfield services construction and engineering industries. In 2004, Eni reported net profits under IFRS of euro 7,274 million. Eni is present in 70 countries and is Italy s largest company by market capitalisation.

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Third Quarter 2005

Eni s Board of Directors examined the consolidated Report on the Third Quarter of 2005. Eni s third quarter **net profit** was euro 2,340 million, an increase of euro 755 million, or 47.6%, from the third quarter 2004, primarily reflecting higher operating profit (up euro 1,276 million), offset in part by higher income taxes (euro 646 million). **Replacement cost net profi**t which is arrived at by excluding an inventory holding gain of euro 317 million, after taxes (euro 111 million in the third quarter of 2004), increased 37.2% to euro 2,023 million.

Eni s results for the third quarter were underpinned by a stronger **trading environment** with Brent crude oil price up 48% and refining margins up 64% from a year ago, but with lower retail marketing and petrochemicals product margins.

Special charges for the third quarter 2005 were euro 423 million and related primarily to environmental provisions (euro 423 million), asset impairments (euro 151 million) and Eni s share of insurance charges (euro 119 million) borne by the oil industry in connection with the exceptionally high accident rate of the 2004-2005 two-year period. The quarter also included a gain of euro 135 million for the divestment of the entire share capital of Italiana Petroli SpA (IP). **Adjusted net profit** for the quarter was up 68.9% to euro 2,446 million.

Replacement cost operating profit for the quarter was euro 3,687 million, a rise of euro 948 million from the third quarter of 2004, or 34.6%, reflecting primarily the increases reported in the following segments:

(i) Exploration & Production (up euro 1,239 million, or 50.8%) achieved higher realisations in dollars (oil up 48.2%; natural gas up 14%) combined with growth in sales volumes (up 14.6 million boe, or 10.4%), offset in part by the negative change in special charges (euro 295 million) related to higher asset impairment (euro 132 million) and gains on disposals recorded in the third quarter 2004 (euro 173 million) and higher operating costs and amortisation charges;

(ii) Refining & Marketing (up euro 95 million, or 67.9%) achieved stronger realised refining margins (Brent up 2.74 dollars/barrel, or 64%), partly offset by weaker retail marketing margins in Italy.

These increases were partly offset by unfavourable trends in operating results of other segments. The Petrochemicals segment posted an operating loss of euro 63 million for the quarter compared with an operating profit of euro 77 million a year ago, reflecting depressed product margins resulting from the increase in oil-based feedstock costs not fully recovered in selling prices. The Other activities and Corporate and financial companies segments recorded higher operating losses (down euro 220 million) due principally to higher environmental and other provisions (euro 137 million) and insurance charges (euro 119 million).

Oil and natural gas production for the quarter increased 11% from the third quarter of 2004 to 1.715 mm boe/d reflecting production from new fields started up in late 2004, primarily in Libya, Angola, Algeria, Egypt and Iran and the start-up of the Kizomba B project off the coast of Angola. These increases were partially offset by adverse entitlement effects (down 40 kboe/d), field declines in mature areas, divestment impacts (down 12 kboe/d) and the impact of the hurricanes on production in the Gulf of Mexico (down 10 kboe/d). Excluding the impact of adverse entitlement effects, oil and natural gas production increased 13.6%.

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Nine months 2005

Net profit for the nine months of 2005 was euro 6,683 million, a 35% increase of euro 1,733 million from the first nine months of 2004, reflecting higher operating profit (up euro 3,579 million), offset in part by higher income taxes (euro 1,710 million). **Replacement cost net profit**, which is arrived at by excluding an inventory holding gain of euro 628 million after taxes (euro 255 million in the the first nine months of 2004), increased 29% to euro 6,055 million.

Special charges for the nine months of 2005 were euro 800 million and related primarily to environmental provisions (euro 712 million), asset impairments (euro 336 million) and insurance charges (euro 119 million), offset in part by the gains on the sale of IP (euro 135 million). **Adjusted net profit** for the nine months of 2005 increased by 53.6% to euro 6,855 million.

Replacement cost operating profit for the nine months of 2005 was euro 11,232 million, an increase of euro 2,985 million from the nine months of 2004, or 36.2%, reflecting primarily the increases reported in the following segments:

(i) Exploration & Production (up euro 3,083 million, or 52%) primarily reflecting higher realisations in dollars (oil up 43.9%, natural gas up 17.5%) combined with increased production volumes sold (up 29.8 million boe, or 7.1%), offset in part by higher operating costs and amortisation charges, the negative impact of special items of euro 387 million resulting from higher asset impairment (euro 117 million) and gains on the divestment of assets for of euro 291 million recorded in 2004, a further weakness in the dollar relative to the euro (approximately euro 280 million, related in part to currency translations effected);

(ii) Refining & Marketing (up euro 269 million, or 72.3%) primarily reflecting stronger realised refining margins (margins on Brent were up 2.10 dollar/barrel, or 53.6%), offset in part by a further weakness in the dollar relative to the euro.

These increases were partly offset by higher operating losses in the Other activities and Corporate and financial companies segments (down euro 349 million) due mainly to environmental and other provisions (euro 231 million) and insurance charges (euro 119 million).

Revenues for the nine months of 2005 were euro 49,857 million, a 27.7% increase of euro 10,803 million from the first nine months of 2004, primarily reflecting higher realisations and volumes sold in all of Eni s main operating segments, partly offset by the impact of the depreciation of the dollar over the euro.

Net borrowings at 30 September 2005 were euro 6,375 million, down euro 4,085 million from 31 December 2004, primarily reflecting cash inflows from operating activities, influenced also by seasonality factors, and proceeds from divestments (euro 523 million). These were offset in part by:

(i) financial requirements for capital expenditure and investments (euro 4,781 million);

(ii) the payment of dividends for 2004 fiscal year (euro 3,586 million, of which euro 3,384 million by Eni SpA) and the share buy back program;

(iii) the effects of currency translations (approximately euro 980 million).

Compared with 30 June 2005, net borrowings decreased by euro 3,171 million reflecting primarily inflows from operating activities and the cash sale of IP (euro 155 million), offset in part by financial requirements for capital expenditure.

As at 30 September 2005 Eni s **leverage** (ratio of net borrowings to shareholders equity including minority interest) was 0.16, compared with 0.30 at 31 December 2004.

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From 1 January to 4 November 2005 a total of 33.94 million own shares were purchased for a total expense of euro 729 million (on average euro 21.480 per share). From the beginning of the share buy-back plan (1 September 2000) Eni purchased 268.75 million own shares, equal to 6.71% of its share capital, for a total expense of euro 3,967 million (on average euro 14.760 per share).

Capital expenditure amounted to euro 4,716 million (euro 5,379 million in the first nine months of 2004) and primarily related to:

(i) the development of oil and gas reserves (euro 2,857 million) in particular in Kazakhstan, Libya, Angola, Egypt and Italy, exploration projects (euro 335 million) and the purchase of proved and unproved property (euro 225 million);
(ii) upgrading of Eni s natural gas transport and distribution networks in Italy (euro 528 million);
(iii) the continuation of the construction of combined cycle power plants (euro 170 million);
(iv) actions for improving flexibility and yields of refineries, including the construction of the tar gasification plant at the Sannazzaro refinery, and the upgrade of the refined product distribution network in Italy and in the rest of Europe (overall euro 339 million).

The decline in capital expenditure from the first nine months of 2004 (euro 663 million; down 12.3%) is related to:

(i) the completion of relevant projects (South Pars in Iran, the onshore section and treatment plants within the Libya Gas projects, the Greenstream pipeline);
(ii) the approaching to completion of plans for the expansion of electricity generation capacity;
(iii) the impact of the appreciation of the euro over the dollar.

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

Business trends

The following are the forecasts for Eni s key production and sales metrics in 2005:

- **daily production of hydrocarbons** is forecasted to grow compared to 2004 (1.62 million boe/day) in line with the planned compound average growth rate for the 2004-2008 period (over 5%) which takes into account the expected impact of adverse entitlement effects. Increases will be achieved outside Italy (in particular in Libya, Angola, Iran, Algeria and Kazakhstan) due to full production of fields started up in late 2004 and the first nine months of 2005 and start-ups planned for the fourth quarter of 2005;
- **volumes of natural gas sold** are expected to increase by approximately 5% on 2004 (84.45 billion cubic metres)[5] due to higher sales volumes expected in markets in the rest of Europe (up 9%), in particular in Spain, France, Turkey and Germany and in sales volumes to Italian importers. In Italy, management expects an increase in natural gas sales volumes reflecting higher natural gas domestic demand (assuming normal temperatures) and an increase in natural gas volumes consumed for electricity generation at EniPower power stations, partly offset by competitive pressure;
- **electricity production sold** is expected to increase by approximately 60% (13.85 terawatthours in 2004) due to full production/start-up of new generation capacity (approximately 3 gigawatts) at the Mantova and Brindisi new power units and of the units already installed at the Ravenna and Ferrera Erbognone plants. At year-end total installed generation capacity is expected to be approximately 4.3 gigawatts (3.3 gigawatts at 31 December 2004);

(5) Include own consumption and Eni s share of sales of affiliates.

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- **refining throughputs** on Eni s account are expected to increase approximately 3% (37.68 million tonnes), reflecting higher processing at the Taranto and Livorno wholly-owned refineries and at refineries of third parties. This is expected to be partly offset by the impact of the maintenance standstill of the Porto Marghera refinery in the first months of 2005 and of lower processing at the Gela refinery following a natural event which occurred in December 2004. Management expects full utilisation rate of balanced capacity of wholly-owned refineries;
- **sales of refined products** on the Agip branded network in Italy are expected to decline slightly as compared to 2004 (8.89 million tonnes), due primarily to a decline in domestic consumption, partly offset by a better performance of the network. In the rest of Europe sales are expected to grow despite lower domestic consumption, taking into account also the effects of acquisitions carried out in Germany, Spain and Czech Republic.

In 2005, capital expenditure is expected to amount to approximately euro 7.5 billion; approximately 96% of capital expenditure will be made in the Exploration & Production, Gas & Power and Refining & Marketing divisions.

Post balance sheet events

On October 20, 2005, Eni and Gazprom met to evaluate new opportunities for co-operation in oil and gas in exploration in Russia, commercialisation of oil products outside Russia and commercialisation of gas in Europe. Taking into account this new understanding, the companies have decided to consider the prior framework agreement of May 10, 2005[6] as superseded and are planning a new and more complex agreement which will be submitted to Antitrust Authorities if necessary.

The interim dividend for 2005 of euro 0.45 per share resolved by the Board of Directors in its meeting of 21 September 2005 was paid on 27 October 2005 with a total outlay of approximately euro 1.7 billion.

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(6) For a discussion of the framework agreement of 10 May 2005 see Eni First Half Report for 2005 - Operating review - Gas & Power.

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Trading environment indicators

Third quarter 2004	Third quarter 2005	% Ch.		Nine months 2004	Nine months 2005	% Ch.
41.54	61.54	48.1	Average price of Brent dated crude oil (1)	36.28	53.54	47.6
1,222	1,220	(0.2)	Average EUR/USD exchange rate (2)	1,226	1,264	3.1
33.99	50.44	48.4	Average price in euro of Brent dated crude oil	29.59	42.36	43.2
4.28	7.02	64.0	Average European refining margin (3)	3.92	6.02	53.6
3.50	5.75	64.3	Average European refining margin in euro	3.20	4.76	48.8
2.1	2.1	..	Euribor - three-month euro rate (%)	2.1	2.1	..

(1) In US dollars per barrel. Source: Platt s Oilgram.

(2) Source: ECB.

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

Summary group results

Summarised consolidated profit and loss account

(million euro)

Third quarter 2004	Third quarter 2005	% Ch.		Nine months 2004	Nine months 2005	% Ch.
12,648	17,362	37.3	Net sales from operations	39,054	49,857	27.7
432	156	(63.9)	Other income and revenues	987	478	(51.6)
(9,104)	(11,943)	(31.2)	Operating expenses	(27,979)	(34,171)	(22.1)
(1,060)	(1,383)	(30.5)	Depreciation, amortisation and writedowns	(3,408)	(3,931)	(15.3)
2,916	**4,192**	**43.8**	**Operating profit**	**8,654**	**12,233**	**41.4**
(1)	(47)	..	Net financial expense	(63)	(223)	(254)
179	365	103.9	Net income from investments	753	778	3.3
3,094	**4,510**	**45.8**	**Profit before income taxes**	**9,344**	**12,788**	**36.9**
(1,439)	(2,085)	(44.9)	Income taxes	(4,138)	(5,848)	(41.3)
1,655	**2,425**	**46.5**	**Profit before minority interest**	**5,206**	**6,940**	**33.3**
(70)	(85)	(21.4)	Minority interest	(256)	(257)	(0.4)
1,585	**2,340**	**47.6**	**Net profit**	**4,950**	**6,683**	**35.0**
1,585	**2,340**	**47.6**	**Net profit**	**4,950**	**6,683**	**35.0**
(111)	(317)		Exclusion of inventory holding (gains) losses	(255)	(628)	
1,474	**2,023**	**37.2**	**Net profit at replacement cost**	**4,695**	**6,055**	**29.0**

(26)	423		Exclusion special item	(233)	800	
1,448	**2,446**	**68.9**	**Adjusted net profit**	**4,462**	**6,855**	**53.6**

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Segmental analysis of operating profit

(million euro)

Third quarter 2004	Third quarter 2005	% Ch.		Nine months 2004	Nine months 2005	% Ch.
2,439	3,678	50.8	Exploration & Production	5,932	9,015	52.0
433	525	21.2	Gas & Power	2,550	2,680	5.1
317	663	109.1	Refining & Marketing	743	1,528	105.7
89	(51)	..	Petrochemicals	156	165	5.8
(118)	(391)	(231.4)	Other activities [1]	(344)	(640)	(86.0)
(179)	(126)	29.6	Corporate and financial companies	(290)	(343)	(18.3)
(65)	(106)		Unrealized profit in stock	(93)	(172)	
2,916	**4,192**	**43.8**	**Operating profit**	**8,654**	**12,233**	**41.4**
2,916	**4,192**	**43.8**	**Operating profit**	**8,654**	**12,233**	**41.4**
(177)	(505)		Exclusion of inventory holding (gains) losses	(407)	(1,001)	
2,739	**3,687**	**34.6**	**Replacement cost operating profit**	**8,247**	**11,232**	**36.2**
84	681		Exclusion of special items	320	1,197	
2,823	**4,368**	**54.7**	**Adjusted operating profit**	**8,567**	**12,429**	**45.1**

(1) From 1 January 2005, the results of operations of the Engineering activity are included in the Other activities segment. In order to allow for a homogeneous comparison, data for the third quarter and nine months of 2004 have been reclassified accordingly.

Summarized consolidated balance sheet

(million euro)	31 Dec. 2004	30 June 2005	30 Sep. 2005	Change vs. 31 Dec. 2004	Change vs. 30 June 2005
Net capital employed	**45,143**	**46,390**	**45,570**	**427**	**(820)**
Shareholders equity (including minority interests)	34,683	36,844	39,195	4,512	2,351
Net borrowings	10,460	9,546	6,375	(4,085)	(3,171)
Total liabilities and shareholders equity	**45,143**	**46,390**	**45,570**	**427**	**(820)**
Debt and bonds	12,542	11,680	9,726	(2,816)	(1,954)
short-term	*5,256*	*4,525*	*2,776*	*(2,480)*	*(1,749)*
long-term	*7,286*	*7,155*	*6,950*	*(336)*	*(205)*
Cash, cash equivalents and certain non operating financing receivables and securities	(2,082)	(2,134)	(3,351)	(1,269)	(1,217)
Net borrowings	**10,460**	**9,546**	**6,375**	**(4,085)**	**(3,171)**

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

Adjusted operating profit and net profit are before inventory holding gains or losses and special items. Information on adjusted operating profit and net profit is presented to help distinguish the underlying trends for the company s core businesses and allow financial analysts to evaluate Eni s trading performance on the basis of their forecasting models.

(million euro)

Third quarter					2005	Nine months				
Operating and net profit	**Exclusion of inventory holding (gains) losses**	**Replacement cost operating profit and net profit**	**Exclusion special items**	**Adjusted operating profit and net profit**		**Operating and net profit**	**Exclusion of inventory holding (gains) losses**	**Replacement cost operating profit and net profit**	**Exclusion special items**	**Adjusted operating profit and net profit**
					Operating profit					
3,678		3,678	132	3,810	E&P	9,015		9,015	291	9,306
525	(65)	460	8	468	G&P	2,680	(95)	2,585	56	2,641
663	(428)	235	113	348	R&M	1,528	(887)	641	194	835
(51)	(12)	(63)	20	(43	Petrochemicals	165	(19)	146	41	187
(391)		(391)	285	(106)	Other activities	(640)		(640)	436	(204)
(126)		(126)	123	(3)	Corporate and financial companies	(343)		(343)	179	(164)
(106)		(106)		(106)	Unrealized profit in stock	(172)		(172)		(172)
4,192	**(505)**	**3,687**	**681**	**4,368**		**12,233**	**(1,001)**	**11,232**	**1,197**	**12,429**
2,340	**(317)**	**2,023**	**423**	**2,446**	**Net profit**	**6,684**	**(628)**	**6,055**	**800**	**6,855**

Third quarter					2004	Nine months				
Operating and net profit	**Exclusion of inventory holding (gains) losses**	**Replacement cost operating profit and net profit**	**Exclusion special items**	**Adjusted operating profit and net profit**		**Operating and net profit**	**Exclusion of inventory holding (gains) losses**	**Replacement cost operating profit and net profit**	**Exclusion special items**	**Adjusted operating profit and net profit**
					Operating profit					
2,439		2,439	(163)	2,276	E&P	5,932		5,932	(96)	5,836
433	12	445	6	451	G&P	2,550	(16)	2,534	6	2,540
317	(177)	140	110	250	R&M	743	(371)	372	173	545
89	(12)	77	(3)	74	Petrochemicals	156	(20)	136	(9)	127
(118)		(118)	33	(85)	Other activities	(344)		(344)	137	(207)
(179)		(179)	101	(78)	Corporate and financial companies	(290)		(290)	109	(181)
(65)		(65)		(65)	Unrealized profit in stock	(93)		(93)		(93)

2,916	**(177)**	**2,739**	**84**	**2,823**		**8,654**	**(407)**	**8,247**	**320**	**8,567**
1,585	**(111)**	**1,474**	**(26)**	**1,448**	**Net profit**	**4,950**	**(255)**	**4,695**	**(233)**	**4,462**

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Analysis of special items

(million euro)

Third quarter 2004	Third quarter 2005		Nine months 2004	Nine months 2005
128	297	Environmental provisions	266	521
6	151	Mineral and other asset impairment	182	336
70	245	Provision to the risk reserve	73	310
7	13	Provision for redundancy incentives	31	35
(173)		Net gains on E&P portfolio rationalisation	(291)	
46	(25)	Other	59	(5)
84	**681**	**Special items of operating profit**	**320**	**1,197**
(94)	(135)	Expense (income) from investments	(397)	(133)
		- Gain on the sale of a 9.054% stake of Snam Rete Gas	*(308)*	
(94)		*- Gain on the sale of Agip do Brasil SA*	*(94)*	
	(135)	*- Gain on the sale of IP*		*(135)*
	28	Other		28
(10)	**574**	**Non-recurring items before taxes**	**(77)**	**1,092**
(16)	(151)	Taxes on special items	(156)	(292)
(26)	**423**	**Total special items of net profit**	**(233)**	**800**

Adjusted operating profit and net profit

(million euro)

Third quarter 2004	Third quarter 2005	Third quarter % Ch.		Nine months 2004	Nine months 2005	Nine months % Ch.
2,276	3,810	67.4	E&P	5,836	9,306	59.5
451	468	3.8	G&P	2,540	2,641	4.0
250	348	39.2	R&M	545	835	53.2
74	(43	..	Petrochemicals	127	187	47.2
(85)	(106)	(24.7)	Other activities	(207)	(204)	1.4
(78)	(3)	96.2	Corporate and financial companies	(181)	(164)	9.4
(65)	(106)		Unrealized profit in stock	(93)	(172)	
2,823	**4,368**	**54.7**	**Adjusted operating profit**	**8,567**	**12,429**	**45.1**
1,448	**2,446**	**68.9**	**Adjusted net profit**	**4,462**	**6,855**	**53.6**

There follows a review of financial and operating performance of Eni s main business divisions.

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Third quarter operating results by division

Exploration & Production

(million euro)

Third quarter 2004	Third quarter 2005	% Ch.		Nine months 2004	Nine months 2005	% Ch.
4,017	6,052	50.7	Revenues	10,910	16,072	47.3
2,439	3,678	50.8	Operating profit	5,932	9,015	52.0
(163)	132		Exclusion of special items	(96)	291	
2,276	**3,810**	**67.4**	**Adjusted operating profit**	**5,836**	**9,306**	**59.5**
1,133	1,228	(8.4)	Capital expenditure	3,619	3,448	(4.7)

Operating profit for the third quarter of 2005 was euro 3,678 million, a 50.8% increase of euro 1,239 million from the third quarter of 2004, primarily reflecting higher oil and gas realisations in dollars (oil up 48.2%, natural gas up 14%), combined with increased production volumes sold (up 14.6 million boe), offset in part by the negative change in special items (euro 295 million) resulting from higher asset impairment (euro 132 million) and gains on the divestment of assets recorded in the third quarter of 2004 (euro 173 million) and higher operating costs and amortisation charges.

Included in the results for the quarter was a special charge of euro 132 million primarily resulting from asset impairments. In the third quarter 2004 a special income of euro 163 million was recorded as a result of gains on the divestment of assets (euro 173 million).

Third quarter 2004	Third quarter 2005	% Ch.		Nine months 2004	Nine months 2005	% Ch.
1,545	**1,715**	**11.0**	**Daily production of oil and natural gas** [1] (thousand boe)	**1,598**	**1,714**	**7.3**
271	256	(5.5)	Italy	271	263	(3.0)
367	502	36.5	North Africa	369	467	26.6
320	347	8.5	West Africa	308	333	8.1
258	265	2.8	North Sea	309	280	(9.4)
329	345	4.8	Rest of world	341	371	8.8
138.5	**152.5**	**10.1**	**Oil and natural gas production sold** [1] (million boe)	**425.3**	**453.9**	**6.7**

(1) Includes Eni s share of production of joint ventures accounted for under the equity method from 1 January 2005 (formerly accounted for proportionally).

In the third quarter of 2005 production was 1,715 kboe/d (thousands of barrels of oil equivalent per day), an 11% increase of 170 kboe/d from the third quarter of 2004, primarily reflecting the full production of fields started up in late 2004, primarily in Libya, Angola, Algeria, Egypt and Iran, the start-up of the Kizomba B project off the coast of Angola. These increases were offset in part by: (i) lower production entitlements (down 40 kboe/d) in PSAs and buy-back contracts related to higher oil prices; (ii) natural field declines in mature areas, primarily in Italy (natural gas) and the United Kingdom; (iii) the effect of divestments carried out in 2004 (down 12 kboe/d) and the impact of hurricanes on production in the Gulf of Mexico (down 10 kboe/d). Excluding the impact of adverse entitlement effects, oil and natural gas production increased 13.6%.

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Gas & Power

(million euro)

Third quarter 2004	Third quarter 2005	% Ch.		Nine months 2004	Nine months 2005	% Ch.
3,110	4,388	41.1	Revenues	12,101	15,550	28.5
433	525	21.2	Operating profit	2,550	2,680	5.1
12	(65)		Exclusion of inventory holding (gains) losses	(16)	(95)	
445	**460**	**3.4**	**Replacement cost operating profit**	**2,534**	**2,585**	**2.0**
6	8		Exclusion of special items	6	56	
451	**468**	**3.8**	**Adjusted operating profit**	**2,540**	**2,641**	**4.0**
328	220	(32.9)	Capital expenditure	1,099	741	(32.6)

Replacement cost operating profit in the third quarter of 2005 was euro 460 million, an increase of euro 15 million from the third quarter of 2004, or 3.4%, reflecting increased natural gas sales volumes, increased production volumes of electricity sold and higher results in natural gas transport activities in Italy and outside Italy. These positive factors were partly offset by: (i) the estimated negative outcome of a proceeding before the Authority for Electricity and Gas impacting in particular natural gas prices to wholesalers and residential customers in Italy[7] (euro 114 million); (ii) weaker realised margins on natural gas sales and lower tariffs in natural gas distribution activities.

Included in the results for the quarter was a special charge of euro 8 million related primarily to other provisions.

Third quarter 2004	Third quarter 2005	% Ch.		Nine months 2004	Nine months 2005	% Ch.
			Sales of natural gas (billion cubic metres)			
8.75	9.54	9.0	Italy	36.65	37.00	1.0
	0.32		- of which gas release		1.39	
3.75	4.08	8.8	Rest of Europe	15.51	16.64	7.3
0.34	0.39	14.7	Outside Europe	0.92	0.95	3.3
0.97	1.48	52.6	Own consumption	2.65	4.07	53.6
1.52	1.40	(7.9)	Sales of natural gas of Eni s affiliates (net to Eni)	5.17	5.94	14.9
15.33	**16.89**	**10.2**	**Total sales of natural gas**	**60.90**	**64.60**	**6.1**
17.55	**18.26**	**4.0**	**Transport of natural gas in Italy** (billion cubic metres)	**59.39**	**63.05**	**6.2**
10.85	11.67	7.6	Eni	38.60	40.13	4.0
6.70	6.59	(1.6)	Third parties	20.79	22.92	10.2
3.56	**6.15**	**72.8**	**Electricity production sold** (terawatthours)	**9.64**	**16.70**	**73.2**

Natural gas sales for the third quarter of 2005 increased 1.56 billion cubic metres (bcm) to 16.89 from the third quarter of 2004, or 10.2%, primarily reflecting higher sales in Italy (up 0.79 bcm) and in the rest of Europe (up 0.22 bcm), and higher own consumption of natural gas for power generation (up 0.51 bcm).

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(7) For information on Decision No. 248/2004 see Eni s Report on the third quarter of 2005 - Operating results by business segment - Gas & Power.

Sales in Italy were up 9% from the third quarter of 2004 reflecting higher sales to the industrial sector (up 0.54 bcm) and the power generation industry (up 0.37 bcm), offset in part by weaker sales to wholesalers (down 0.42 bcm). Increases and decreases in sales volumes to the industrial and wholesalers sectors do not take into account that volumes of 0.32 bcm were supplied to operators in these sectors in accordance with certain decisions of the Italian Antitrust Authority (known as the Gas Release[8].)

Electricity production sold increased by 73% due to the continuing ramp-up of new production capacity.

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(8) For information on Gas Release see Eni s Report on the third quarter of 2005 - Operating results by business segment - Gas & Power.

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Refining & Marketing

(million euro)

Third quarter 2004	Third quarter 2005	% Ch.		Nine months 2004	Nine months 2005	% Ch.
6,900	9,340	36.7	Revenues	19,039	24,177	27.0
317	663	109.1	Operating profit	743	1,528	105.7
(177)	(428)		Exclusion of inventory holding (gains) losses	(371)	(887)	
140	**235**	**67.9**	**Replacement cost operating profit**	**372**	**641**	**72.3**
110	113		Exclusion of special items	173	194	
250	**348**	**39.2**	**Adjusted operating profit**	**545**	**835**	**53.2**
163	123	(24.5)	Capital expenditure	440	339	(23.0)

Replacement cost operating profit for the third quarter of 2005 totalled euro 235 million, an increase of euro 95 million from the third quarter of 2004, or 67.9%, primarily reflecting higher realised refining margins. Eni s increase in refining margin was lower than the increase in Brent refining margin for the quarter (up 64%) as a result of operating upsets which prevented Eni from fully capturing the effects of the strong trading environment. The third quarter results also reflected improved results in retail marketing activities in the rest of Europe.
The third quarter result was affected by lower retail marketing margins in Italy caused by a quarter of rapidly rising international product prices not fully recovered in retail prices.

Included in the result for the quarter was a special charge of euro 113 million related to environmental provisions. Special charges for the third quarter of 2004 were euro 110 million and related to environmental provisions.

Refining throughputs on own account for the quarter in Italy and outside Italy were up 720 ktonnes to 10.36 million tonnes from the third quarter of 2004, or 7.5%, reflecting higher processing both at wholly-owned refineries and at third party refineries.

Third quarter 2004	Third quarter 2005	% Ch.		Nine months 2004	Nine months 2005	% Ch.
13.04	**13.16**	**0.9**	**Sales** (million tonnes)	**40.11**	**37.97**	**(5.3)**
2.83	2.63	(7.1)	Retail sales Italy	8.16	7.85	(3.8)
0.93	0.99	6.5	Retail sales rest of Europe	2.59	2.76	6.6
		..	Retail sales Brazil	0.57		..
2.65	2.58	(2.6)	Wholesale sales Italy	7.79	7.65	(1.8)
1.10	1.14	3.6	Wholesale sales outside Italy	4.14	3.30	(20.3)

5.53	5.82	5.2	Other sales	16.86	16.41	(2.7)

Sales volumes of refined products for the quarter were up 120 ktonnes to 13.16 million tonnes from the third quarter of 2004, or 0.9%, reflecting increased sales volumes on retail markets in Italy and the rest of Europe. The net impact of the divestment of the entire share capital of IP which occurred early in September 2005 was negligible, as Eni continues to supply significant volumes of fuels and other products to the divested company which compensated for lost sales volumes on the Italian retail market.

Sales volumes of refined products in the Italian retail market decreased 7.1% from the third quarter of 2004 due principally to the divestment of IP (down 170 ktonnes) and lower domestic consumption, the effect of which was partly offset by a better performance of the Agip branded retail network.

Sales volumes of refined products on retail markets in the rest of Europe increased 6.5%, reflecting principally the build-up in the number of service stations in Germany, Spain and Czech Republic.

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Summary financial data

(million euro)

Third quarter 2004	Third quarter 2005	Change	% Ch.		Nine months 2004	Nine months 2005	Change	% Ch.
12,648	**17,362**	4,714	37.3	Net sales from operations	39,054	**49,857**	10,803	27.7
2,916	**4,192**	1,276	43.8	Operating profit	8,654	**12,233**	3,579	41.4
2,739	**3,687**	948	34.6	Operating profit at replacement cost	8,247	**11,232**	2,985	36.2
2,823	**4,368**	1,545	54.7	Adjusted operating profit	8,567	**12,429**	3,862	45.1
1,585	**2,340**	755	47.6	Net profit	4,950	**6,683**	1,733	35.0
1,474	**2,023**	549	37.2	Net profit at replacement cost	4,695	**6,055**	1,360	29.0
1,448	**2,446**	998	68.9	Adjusted net profit	4,462	**6,855**	2,393	53.6
1,699	**1,646**	(53)	(3.1)	Capital expenditure	5,379	**4,716**	(663)	(12.3)

Adjusted net profit is before inventory holding gains or losses and special items. Information on adjusted net profit is presented to help distinguish the underlying trends for the company s core businesses and allow financial analysts to evaluate Eni s trading performance on the basis of their forecasting models.

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 nine months of the year cannot be extrapolated for the full year.

Key market indicators

Third quarter 2004	Third quarter 2005	Change	% Ch.		Nine months 2004	Nine months 2005	Change	% Ch.
41.54	**61.54**	20.00	48.1	Average price of Brent dated crude oil (1)	36.28	**53.54**	17.26	47.6
1.222	**1.220**	(0.002)	(0.2)	Average EUR/USD exchange rate (2)	1.226	**1.264**	0.038	3.1
33.99	**50.44**	16.45	48.4	Average price in euro of Brent dated crude oil	29.59	**42.36**	12.77	43.2
4.28	**7.02**	2.74	64.0	Average European refining margin (3)	3.92	**6.02**	2.10	53.6
3.50	**5.75**	2.25	64.3	Average European refining margin in euro	3.20	**4.76**	1.56	48.8
2.1	**2.1**	..	..	Euribor - three-month euro rate (%)	2.1	**2.1**	..	..