ENI SPA
Form 6-K
December 01, 2006

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 2006

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, 2006

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PRESS RELEASE

San Donato Milanese (Milan), 29 November 2006 With reference to the sanction given by the European Commission to some chemical companies including Eni and Polimeri Europa for participating in an alleged cartel in the BR/ESBR synthetic rubber market. Eni and Polimeri Europa reject the European Commission s charges and reserve the right to appeal to the European Court of First Instance. The alleged breaches of community antitrust regulations took place in the period between 1995 and 2001.

The EU Commission decision involves Eni as parent company of Polimeri Europa, and with no factual evidence presumes Eni to be guilty for the conduct of its subsidiaries. Eni believes that this application of the antitrust regulations is without precedent in European Commission rulings and attributes liability purely on the basis of corporate control.

Eni consequently reserves the right to appeal against the fine of Euro 272.25 million, holding that there are no factual and legal grounds for attributing liability to the parent company, which has never been involved, nor could have been involved, in the ordinary conduct of the businesses in question.

Eni believes, furthermore, that the sanctions imposed are entirely disproportionate and unjustified, in relation both to the gravity of the companies conduct even as reconstructed by the European Commission and to the fact that such conduct could in no way have had a negative effect on the end consumer.

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PRESS RELEASE

Roma, 24 November 2006 - With reference to market rumours in the French press today, following the request of the Italian Stock Exchange Authority, Eni states that it is not planning to launch a bid on Technip.

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PRESS RELEASE

Eni and Gazprom sign strategic agreement

San Donato Milanese (Milan), 14 November 2006 Eni CEO Paolo Scaroni and Gazprom CEO Alexey Miller signed today in Moscow a broad strategic agreement between Eni and Gazprom.

The agreement sets up an international alliance enabling the two companies to launch joint projects in the mid and downstream gas, in the upstream and in technological cooperation.

Mid and Downstream gas

Gazprom will extend the duration of its gas supply contracts to Eni until 2035, confirming Eni as the world s single largest customer of Gazprom.

Through this agreement, starting from 2007, Gazprom will sell directly into the Italian market increasing volumes of gas (which are part of volumes currently sold to Eni), building up to some 3 billion cubic metres from 2010 for the entire duration of the long term supply contract.

Upstream

Eni and Gazprom have identified major projects (companies and assets) in Russia and outside of Russia that will be jointly owned by the two companies. Eni and Gazprom have agreed to work with each other on an exclusive basis on these projects, which are expected to be finalised by the end of 2007.

Technological Cooperation & Development

Eni and Gazprom will sign specific agreements in the following areas:

- Long-distance gas transportation. In this sector Eni and Snam Rete Gas will provide their know-how and expertise, including proprietary transport technology TAP (high pressure transmission) for the development of Russia s gas transportation system.
- Development of LNG projects for the global gas market.

Commenting on the agreement Eni CEO Paolo Scaroni said: "This is a historic agreement. The new strategic alliance between Eni and Gazprom has been made possible by our unique relationship which dates back over 50 years and will encompass the next 30 years involving all the business areas of both companies. The agreement signed today is a major step towards the security of energy supply to our Country".

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PRESS RELEASE

Eni initiates arbitration proceedings to defend its interests in Venezuela

San Donato Milanese (Milan), 10 November 2006 - On April 1st Venezuelan national oil company PDVSA terminated, unilaterally, the operating service contract for Eni s mineral activities in the Dación area.

Eni considers this action a violation of its rights, which are protected by the Bilateral Treaty for the protection of investments between Venezuela and the Netherlands, where subsidiary Eni Dación B.V., holder of the operating service contract, is registered.

Eni has therefore initiated today arbitration proceedings against Venezuela before the International Centre for Settlement of Investment Dispute (ICSID), a World Bank organization which resolves disagreements in relation to the violation of bilateral treaties for the protection of investments.

Despite this action, Eni is still hopeful of negotiating a solution to obtain full compensation.

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ENI ANNOUNCES RESULTS FOR THE THIRD QUARTER AND THE NINE MONTHS OF 2006

STRONG GROWTH AND EXCELLENT PROFITABILITY

Reported net profit: up 3.5% to euro 2.42 billion for the third quarter and up 15.2% to euro 7.70 billion for the nine months
Adjusted net profit: up 7.1% to euro 2.62 billion for the third quarter and up 17.5% to euro 8.06 billion for the nine months
Cash from operations: euro 4.56 billion for the third quarter and euro 15.22 billion for the nine months
Oil and natural gas production substantially stable in the quarter; forecast for 3% annual growth rate confirmed assuming a Brent price of 55 $/bbl
Gas sales in Europe: up 7.6% in the quarter (up 6.2% for the nine months)

San Donato Milanese, 10 November 2006 - Eni, the international oil and gas company, today announces its group results for the third quarter and the nine months of 2006 (unaudited).

Third quarter 2005	Second quarter 2006	Third quarter 2006	% Ch. 3Q 06 vs 05		Nine months 2005	Nine months 2006	% Ch.
				Summary Group results (million euro)			
4,270	4,947	4,828	13.1	Reported operating profit	12,431	15,370	23.6
4,446	5,054	5,127	15.3	Adjusted operating profit (1)	12,627	15,714	24.4
2,340	2,301	2,422	3.5	Net profit (2)	6,683	7,697	15.2
0.62	0.62	0.66	5.7	- per ordinary share (euro) (3)	1.77	2.08	17.1
1.52	1.56	1.67	10.4	- per ADS ($) (3)	4.48	5.17	15.3
2,446	2,483	2,620	7.1	Adjusted net profit (1)	6,855	8,057	17.5

Paolo Scaroni, Chief Executive Officer, commented:
Following third quarter results, I am confident Eni will deliver excellent profitability for the full year. Operating performance improved in virtually all of Eni s business divisions, in a favourable trading environment with higher crude prices .

(1) For a detailed explanation of adjusted operating profit and adjusted net profit see page 16.
(2) Profit attributable to Eni shareholders.
(3) Fully diluted. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by the ECB for the periods presented.

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Quarterly financial highlights

Adjusted operating profit: up 15.3% to euro 5.13 billion primarily reflecting an improved operating performance of all Eni s business divisions compared to the third quarter of 2005.
Adjusted net profit: up 7.1% to euro 2.62 billion as a result of higher operating profit partly offset by a higher Group tax rate on an adjusted basis, up 4.3 percentage points (from 44.5% to 48.8%).
Net cash generated by operating activities[4] totalled euro 4.56 billion allocated as follows: euro 1.84 billion to capital expenditure and euro 2.54 million to the re-payment of debt. A further euro 158 million was spent for the repurchase of 6.83 million of own shares.
At period-end, the ratio of net borrowings to shareholders equity including minorities decreased from 0.27 at year-end 2005 to 0.09.
Return on average capital employed (ROACE)[5] calculated for the twelve-month period ending 30 September 2006 was 21.8%.

Quarterly operational highlights and trading environment

Third quarter 2005	Second quarter 2006	Third quarter 2006	% Ch. 3Q 06 vs 05		Nine months 2005	Nine months 2006	% Ch.
				Key operating data			
1,715	1,748	1,709	(0.3)	Oil and natural gas production (kboe/d)	1,714	1,761	2.7
6,749	7,826	7,259	7.6	Natural gas sales in Europe (mmcf/d)	8,573	9,107	6.2
564	*493*	*526*	*(6.8)*	*- of which upstream sales*	*574*	*534*	*(7.0)*
				Retail sales of refined products in Europe			
261	252	260	(0.4)	(Agip brand) (kbbl/d)	249	250	0.4
6.15	6.00	6.33	2.9	Electricity sold production (TWh)	16.70	18.75	12.3

Oil and natural gas production for the quarter averaged 1.71 mmboe/d, almost unchanged relative to the third quarter of 2005. Production compared to a year ago, however, increased by 4.2%, excluding the impact of the loss of production at the Venezuelan Dación oilfield (down 62 kbbl/d) as a consequence of the unilateral cancellation of the service contract for the Dación oilfield by the Venezuelan State oil company PDVSA and the impact of lower entitlements in certain Production Sharing Agreements (PSAs)[6] and buy-back contracts due to increased oil and gas prices (down 16 kbbl/d). Libya, Angola and Egypt were the main growth areas.
Natural gas sales in Europe were up 7.6% to 7,259 mmcf/d driven primarily by the growth in sales in a number of target European markets and the build-up of supplies of natural gas from Libya.
The trading environment was supported by higher oil prices with average Brent crude prices close to $70 per barrel, up 12.9% compared to the third quarter of 2005, and improved selling margins on natural gas and products. These positives were offset in part by the appreciation of the euro over the dollar (up 4.4%). Refining margins achieved by Eni were higher compared to the third quarter of 2005 in spite of a negative trend in market benchmarks (Brent refining margins were down 39.2% for the same period). The performance of Eni s refining margins was attributable to a better yield on the spate of processed crude.

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(4) See disclaimer below.

(5) 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 21 and 23 for leverage and net borrowings and ROACE, respectively.

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

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Outlook

Eni reaffirms its 2006 outlook, with key business trends for the year as follows:

- **production of liquids and natural gas** is forecast to continue growing from 1.74 mmboe/d in 2005. Increases will be achieved outside Italy, mainly in Libya, Angola and Egypt due to the achievement of full production in fields which started-up in 2005 and to new start-ups in 2006. Production for the year is expected to be adversely affected by the loss of the Venezuelan Dación oilfield, the impact of security issues in Nigeria and natural field decline, mainly in Italian fields. Despite the adverse impact of the unforeseen events in Venezuela and Nigeria, the production growth rate for the year is expected to be approximately 3%, assuming a Brent crude oil price of approximately $55 per barrel in the market scenario for 2006;
- **sales volumes of natural gas in Europe** are forecast to increase by more than 6% from 2005 levels (9,095 mmcf/d) with major increases expected in volumes sold in the Iberian Peninsula, German/Austrian, Turkish and French markets;
- **sold production of electricity** iis expected to increase by more than 9% from 2005 levels (22.77 TWh) due to the continuing ramp-up of new production capacity, offset in part by higher levels of maintenance activity;
- **refining throughputs on Eni s account** aare expected to decline slightly from 2005 due to higher levels of maintenance activity, with Eni s refineries expected to run at full capacity;
- **retail sales of refined products** on the Agip branded network are expected to decline slightly in Italy, while continuing their upward trend in the rest of Europe, with major increases in the German, Spanish, Austrian and French markets reflecting contributions from new or purchased outlets.

In 2006, capital expenditure is expected to amount to euro 8.7 billion, representing a 17% increase from 2005. Approximately 90% of capital expenditure is planned in Eni s Exploration & Production, Gas & Power and Refining & Marketing divisions; increases are expected in exploration projects, development of oil and natural gas reserves, upgrading of refineries and upgrading of natural gas transport and import infrastructure. The Engineering and Construction segment is also expected to increase its capital expenditure by approximately 84.5% due to the construction of a new FPSO unit and upgrading of the fleet and logistic centres. The reduction in forecast capital expenditure for the year, compared to the guidance given at the end of the second quarter of 2006 (euro 9.1 billion) is due to a reduction of forecast amounts in the following business segments: (i) Exploration & Production, as a consequence of delays in a number of development projects; (ii) Refining & Marketing, as a consequence of delays in expenditure for certain refining projects.

Management also expects net borrowings to increase from the current level, reflecting cash requirements for capital expenditure planned in the fourth quarter (approximately euro 3.8 billion) for the distribution to shareholders of the interim dividend of euro 0.60 per share for fiscal year 2006 (corresponding to approximately euro 2.2 billion) and the repurchase of own shares. At year-end, the ratio of net borrowings to shareholders equity including minorities is expected to reach 0.20.

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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 average net borrowings for the nine months cannot be extrapolated for the full year.

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 sale growth, new markets, and the progress and timing of projects. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; management s ability in carrying out industrial plans and in succeeding in commercial transactions, future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors; and other factors discussed elsewhere in this document.

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This press release and Eni s Report on the Third Quarter of 2006 (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 73 countries and is Italy s largest company by market capitalisation.

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Summary results for the third quarter and the nine months of 2006

(all figures in euro millions, except per share data and where indicated)

Third quarter 2005	Second quarter 2006	Third quarter 2006	% Ch. 3Q 06 vs 05		Nine months 2005	Nine months 2006	Nine months % Ch.
18,121	**20,739**	**20,366**	**12.4**	**Net sales from operations**	**52,222**	**64,689**	**23.9**
4,270	**4,947**	**4,828**	**13.1**	**Reported operating profit**	**12,431**	**15,370**	**23.6**
(505)	(241)	82		Exclusion of inventory holding (gains) losses	(1,001)	(253)	
3,765	**4,706**	**4,910**	**30.4**	**Replacement cost operating profit**	**11,430**	**15,117**	**32.3**
3,682	*4,090*	*4,041*	*9.8*	*Exploration & Production*	*9,031*	*12,439*	*37.7*
460	*718*	*586*	*27.4*	*Gas & Power*	*2,585*	*2,473*	*(4.3)*
235	*159*	*333*	*41.7*	*Refining & Marketing*	*641*	*534*	*(16.7)*
(63)	*(14)*	*36*	*..*	*Petrochemicals*	*146*	*44*	*(69.9)*
60	*133*	*145*	*141.7*	*Engineering and Construction*	*172*	*356*	*107.0*
(378)	*(151)*	*(185)*	*51.1*	*Other activities*	*(637)*	*(401)*	*37.0*
(125)	*(91)*	*(65)*	*48.0*	*Corporate and financial companies*	*(336)*	*(207)*	*38.4*
(106)	*(138)*	*19*		*Unrealized profit in inventory* [(a)]	*(172)*	*(121)*	
2,340	**2,301**	**2,422**	**3.5**	**Net profit** [(b)]	**6,683**	**7,697**	**15.2**
(317)	(151)	30		Exclusion of inventory holding (gains) losses	(628)	(180)	
2,023	**2,150**	**2,452**	**21.2**	**Replacement cost net profit** [(b)]	**6,055**	**7,517**	**24.1**
				Exclusion special items			
				of which:			
		19		Non-recurring items		19	
423	333	149		Other special items	800	521	
2,446	**2,483**	**2,620**	**7.1**	**Adjusted net profit** [(b)]	**6,855**	**8,057**	**17.5**
				Per ordinary share data (euro)**:**			
0.62	0.62	0.66	5.7	Reported net profit	1.77	2.08	17.1
0.54	0.58	0.66	23.8	Replacement cost net profit	1.61	2.03	26.3
0.65	0.67	0.71	9.4	Adjusted net profit	1.82	2.17	19.6
				Per ADS data ($)**:**			
1.52	1.56	1.67	10.4	Reported net profit	4.48	5.17	15.3
1.31	1.46	1.69	29.3	Replacement cost net profit	4.06	5.05	24.3
1.58	1.68	1.81	14.2	Adjusted net profit	4.60	5.41	17.7
3,766.8	3,709.1	3,688.1		Weighted average number of outstanding shares [(c)]	3,770.4	3,706.8	
4,251	4,802	4,555	7.2	Net cash provided by operating activities	12,864	15,223	18.3
1,744	1,714	1,835	5.2	Capital expenditure	4,950	4,889	(1.2)
				Trading environment indicators			
61.54	69.62	69.49	12.9	Average price of Brent dated crude oil [(1)]	53.54	66.96	25.1
1.220	1.256	1.274	4.4	Average EUR/USD exchange rate [(2)]	1.264	1.244	(1.6)

50.44	55.43	54.55	8.1	Average price in euro of Brent dated crude oil	42.36	53.82	27.1
7.02	5.77	4.27	(39.2)	Average European refining margin (3)	6.02	4.33	(28.1)
5.75	4.59	3.35	(41.7)	Average European refining margin in euro	4.76	3.48	(26.9)
2.13	2.89	3.24	52.1	Euribor - three-month rate (%)	2.13	2.91	36.6
3.74	5.13	5.41	44.7	Libor - three-month dollar rate (%)	3.27	5.11	56.3

(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.

(b) Profit attributable to Eni shareholders.

(c) Assuming diluition.

(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.

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Results for the third quarter of 2006

Bottom line

Eni s net profit for the third quarter of 2006 was euro 2,422 million, up euro 82 million from the third quarter of 2005, or 3.5%, reflecting an improved operating performance of all Eni s business divisions, partially offset by a higher Group tax rate, from 46.0% to 50.4%. The increase in the tax rate was driven principally by two factors. Firstly, a higher share of profit before income taxes was earned by subsidiaries in the Exploration & Production division operating in countries where the statutory tax rate is higher than the average tax rate for the Group. Secondly, in July 2006 the British Government implemented an increase in the supplemental tax rate applicable to profit before taxes earned by the Exploration & Production segment in the North Sea. This increase, which is retroactive to the start of the year, affected both current taxes and deferred tax liabilities (for a total of euro 175 million). The impact on current taxes amounted to euro 84 million, of which euro 66 million pertained to the first quarter and second quarter of 2006.

Adjusted net profit for the quarter was up 7.1% to euro 2,620 million. Adjusted net profit is calculated by excluding an inventory holding loss of euro 30 million and special charges of euro 168 million (both amounts net of the related tax effect) relating principally to asset impairments, risk provisions, environmental provisions, provisions for redundancy incentives and a one-time deferred tax-charge related to the supplemental tax rate of the North Sea.

Divisional performance

Replacement cost operating profit for the third quarter was euro 4,910 million, representing an increase of euro 1,145 million over the third quarter of 2005, or 30.4%, reflecting primarily the increase reported in the:

- **Exploration & Production** division (up euro 359 million or 9.8%), reflecting higher realisations in dollars (oil up 16.5%; natural gas up 19.2%), offset in part by increased production costs and amortisation charges, and increased exploration expenses. Profit for the quarter was also adversely impacted by the appreciation of the euro over the dollar for an approximate euro 190 million charge, related in part to currency translation effects;
- **Gas & Power** division (up euro 126 million, or 27.4%), reflecting primarily higher natural gas selling margins, supported by a favourable trading environment. Moreover, the adverse impact of tariff regulation enacted by the Authority for Electricity and Gas with resolution No. 248/2004 for the nine months of 2005 was incurred in full in the third quarter of 2005 on the basis that developments in the proceeding with the Authority occurred in that period. Other positives include an increase in volumes of natural gas sold by consolidated subsidiaries (up 399 mmcf/d). On the negative side, transport tariffs of natural gas in Italy were lower than in the same period a year ago as a consequence of a tariff regime enacted by the Italian Authority for Electricity and Gas with resolution No. 166/2005. Selling margins on electricity were also lower;
- **Refining & Marketing** division (up euro 98 million or 41.7%), reflecting primarily higher realised refining margins attributable to an improved yield of the slate of processed crude, in spite of a negative trend in market benchmarks (Brent margins were down 2.75 $/bbl or 39.2% from a year ago). The operating profit of the refining business was adversely affected by the appreciation of the euro over the dollar and lower refining throughputs. Other positives of the quarter included lower special charges related in particular to lower environmental provisions and the improved operating results of marketing activities in Italy;
- **Petrochemical** division, which achieved a replacement cost operating profit of euro 36 million as compared to an operating loss of euro 63 million a year ago. The euro 99 million improvement in operating performance reflected a recovery in product selling margins;
- **Engineering and Construction** division (up euro 85 million or 141.7%), reflecting favourable trends in demand for oilfield services.

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Results for the nine months

Bottom line

Eni s net profit for the nine months of 2006 was euro 7,697 million, up euro 1,014 million compared to the same period of 2005 (up 15.2%), reflecting the higher operating profit (up euro 2,939 million, or 23.6%), partially offset by a higher Group tax rate, which increased from 45.6% to 49.9%.

Return on average capital employed (ROACE) calculated on the twelve-month period ending on 30 September 2006 was 21.8%.

Eni s results benefited from a **favourable trading environment**, with a higher Brent crude oil price (up 25.1% compared to the same period of 2005) and a depreciation of the euro versus the dollar (down 1.6%). These positives were partially offset by declining refining margins (margin on Brent were down 28.1%) and lower selling margins on refined and petrochemical products. Selling margins on natural gas were underpinned by a favourable trading environment.

Adjusted net profit for the period was up 17.5% to euro 8,057 million.

Divisional performance

Replacement cost operating profit was euro 15.117 million, representing an increase of euro 3,687 million from the nine months of 2005, reflecting primarily the increases achieved in the:

- **Exploration & Production** division (up euro 3,408 million or 37.7%), reflecting higher realisations in dollars (oil up 28.8% and natural gas up 20.6%) combined with increased production volumes sold (up 11.9 mmboe), and the favourable impact of the depreciation of the euro versus the dollar (approximately euro 180 million). These positives were offset in part by higher operating costs and amortisation charges, and increased exploration expenses;
- **Engineering and Construction** division (up euro 184 million or 107%), due to favourable trends in demand for oilfield services.

These increases were partly offset by lower replacement cost operating profit in the:

- **Gas & Powe**r division (down euro 112 million or 4.3%), due to: (i) lower selling margins on natural gas reflecting higher purchase prices attributable to the gas shortage occurred earlier in the year and the impact of the tariff regime enacted by the Authority for Electricity and Gas with resolution No. 248/2004, partly offset by a favourable trading environment; (ii) lower operating results of transportation activities in Italy primarily attributable to the tariff regime enacted by the Authority for Electricity and Gas with resolution No. 166/2005; (iii) higher special charges related mainly to asset impairments and environmental provisions. On the positive side, natural gas sales by consolidated subsidiaries were up 472 mmcf/d, or 6.3%, and electricity production sold was up 2.05 TWh, or 12.3%. Natural gas volumes transported outside Italy were also higher, reflecting volumes transported through the GreenStream pipeline from Libya coming on line;
- **Refining & Marketing** division (down euro 107 million or 16.7%), due to declining refining margins and the impact of the higher level of planned maintenance activities, whose effects were offset in part by the depreciation of the euro over the dollar. Replacement cost operating profit was also adversely impacted by the weak performance of marketing activities in Italy attributable to lower retail margins and the effect of the divestment of Italiana Petroli (IP) in September 2005. On a positive note, special charges decreased from a year ago and marketing activities in the rest of Europe posted improved results;
- **Petrochemical** segment (down euro 102 million or 69.9%), due to lower selling margins resulting from the significantly higher cost of oil-based feedstocks which was only partially passed onto selling prices. In addition production volumes were adversely impacted by the outage of the Priolo cracker due to the accident occurred to the nearby refinery late in April 2006.

Net borrowings and cash flow

Net borrowings as of 30 September 2006 amounted to euro 3,850 million, representing a decrease of euro 6,625 million from 31 December 2005. **Cash flow from operations** totalled euro 15,223 million benefiting also from seasonality factors. Main cash outflows were: (i) financial requirements for capital expenditure and investments for euro 4,965 million; (ii) dividend payments amounting to euro 2,620 million, of which euro 2,400 million pertained to the payment of the balance of the dividend for fiscal year 2005 by the parent company Eni SpA; and (iii) the repurchase of own shares for euro 1,136 million by Eni SpA and euro 324 million by Snam Rete Gas SpA and Saipem SpA. Cash from divestments (euro 128 million) and currency translation effects (approximately euro 450 million) also contributed to the reduction in net borrowings. **Leverage**, the ratio of net borrowings to shareholders equity including minority interests decreased to 0.09, from 0.27 at 31 December 2005.

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Net borrowings decreased by euro 2,544 million from 30 June 2006 (euro 6,394 million) as cash inflow generated by operating activities (euro 4,555 million) covered financial requirements for capital expenditure amounting to euro 1,835 million and the repurchase of own shares for euro 158 million. Cash flow was also used to repay debt.

Repurchase of own shares

In the period from 1 January to 30 September 2006, a total of 48.80 million own shares were purchased by the company for a total cost of euro 1,136 million (representing an average cost of euro 23.265 per share). Since the inception of the share buy-back programme (1 September 2000), Eni has repurchased 331 million shares, equal to 8.26% of outstanding capital stock, at a total cost of euro 5,407 million (representing an average cost of euro 16.352 per share).

Capital expenditure

Capital expenditure in the nine months of 2006 amounted to euro 4,889 million (euro 4,950 million in the nine months of 2005) and was primarily related to:

- the development of oil and gas reserves (euro 2,573 million) in particular in Kazakhstan, Angola, Egypt and Italy and exploration projects (euro 642 million) particularly in Egypt, Italy, Nigeria and the United States;
- the upgrading and maintenance of Eni s natural gas transport and distribution networks in Italy (euro 478 million);
- ongoing construction of combined cycle power plants (euro 139 million);
- projects aimed at improving flexibility and yields of refineries, including the construction of a new hydrocracking unit at the Sannazzaro refinery, and upgrading the refined product distribution network in Italy and in the rest of Europe (overall euro 373 million);
- the construction of a new FPSO unit and upgrading of the fleet and logistic centres in the Engineering and Construction segment (euro 403 million).

Financial and operating information by division for the third quarter and the nine months of 2006 is provided in the following pages.

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Exploration & Production

(all figures in euro millions, except where indicated)

Third quarter 2005	Second quarter 2006	Third quarter 2006	% Ch. 3Q 06 vs 05		Nine months 2005	Nine months 2006	% Ch.
				Results			
6,058	7,045	6,562	8.3	Net sales from operations	16,112	21,021	30.5
3,682	**4,090**	**4,041**	**9.8**	**Operating profit**	**9,031**	**12,439**	**37.7**
				Exclusion of inventory holding (gains) losses			
3,682	**4,090**	**4,041**	**9.8**	**Replacement cost operating profit**	**9,031**	**12,439**	**37.7**
132	**132**	**54**		**Exclusion of special items:**	**291**	**129**	
132	*132*	*48*		*- asset impairments*	*290*	*180*	
		3		*- gains on disposal of assets*		*(54)*	
		3		*- provision for redundancy incentives*	*1*	*3*	
3,814	**4,222**	**4,095**	**7.4**	**Adjusted operating profit**	**9,322**	**12,568**	**34.8**
				Results also include:			
1,013	1,157	1,106	9.2	Amortisations and depreciations	2,836	3,358	18.4
126	*214*	*255*	*102.4*	*- of which amortisations of exploration expenditure*	*344*	*656*	*90.7*
1,228	**1,153**	**1,152**	**(6.2)**	**Capital expenditure**	**3,448**	**3,266**	**(5.3)**
				Production [(a)] [(b)]			
1,106	1,056	1,041	(5.9)	Total liquids [(c)] (kbbl/d)	1,104	1,080	(2.2)
3,496	3,991	3,849	10.1	Natural gas (mmcf/d)	3,496	3,920	12.1
1,715	**1,748**	**1,709**	**(0.3)**	**Total hydrocarbons** (kboe/d)	**1,714**	**1,761**	**2.7**
				Average realisations			
55.96	64.33	65.20	16.5	Liquids [(c)] ($/bbl)	47.98	61.81	28.8
4.56	5.15	5.44	19.2	Natural gas ($/mmcf)	4.37	5.27	20.6
45.72	**51.24**	**52.21**	**14.2**	**Total hydrocarbons** ($/boe)	**40.17**	**50.00**	**24.5**
				Average oil marker prices			
61.54	69.62	69.49	12.9	Brent ($/bbl)	53.54	66.96	25.1
50.44	55.43	54.55	8.1	Brent (euro/bbl)	42.36	53.82	27.1
63.05	70.40	70.38	11.6	West Texas Intermediate ($/bbl)	55.26	68.02	23.1
9.65	6.54	6.07	(37.1)	Gas Henry Hub ($/mmbtu)	7.67	6.77	(11.7)

(a) Supplementary operating data is provided on page 25.

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

(c) Includes condensates.

The replacement cost operating profit of the Exploration & Production division totalled euro 4,041 million, up euro 359 million or 9.8% from the third quarter of 2005 reflecting primarily higher realisations in dollars (oil up16.5%, natural gas up 19.2%). On the negative side, we would highlight the following:

- higher operating costs and amortisation charges attributable to higher costs for the development of new fields and for the maintenance of production levels in certain mature fields, as well as sector specific inflationary pressure;
- an increased exploration expense (up euro 129 million; euro 134 million on a constant exchange rate basis);
- a charge of approximately euro 190 million, resulting from the appreciation of the euro over the dollar, also reflecting currency translation effects.

Replacement cost operating profit for the nine months increased by euro 3,408 to euro 12,439 million, up 37.7%, reflecting higher realisations in dollar terms combined with higher sold production volumes (up 11.9 mmboe or 2.6%). A gain of approximately euro 180 million, attributable to a different trend in the euro/dollar exchange rate in the first nine months of the year compared to the third quarter, also contributed to the improved result. On the negative side the result was affected by higher production costs and amortisation charges and an increased exploration expense.

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Special charges of euro 54 million (euro 129 million in the first nine months) related primarily to asset impairments were also accounted for in the third quarter of 2006.
Oil and natural gas production in the third quarter of 2006 averaged 1,709 kboe/d, virtually unchanged from the third quarter of 2005 (down 0.3%). Production for the quarter improved by 4.2% when excluding the impact of the unilateral cancellation of the Dación field contract by the Venezuelan state company PDVSA with effect from 1 April 2006 (down 62 kboe/d) and lower entitlements in certain PSAs and buy-back contracts (down 16 kboe/d) due to higher oil prices. Production increases were driven primarily by start-ups/full production of large gas projects (Libya, Australia, Egypt and Croatia) and organic growth in Libya and Angola, whose positive contribution was offset in part by field declines in mature areas and the impact of outages and disruptions in Nigeria due to security issues.
Daily production of oil and condensates for the quarter (1,041 kbbl) increased mainly in Libya and Angola due to coming on stream of new production as well as in the United States due to the near recovery of production at facilities damaged by hurricanes in the third and fourth quarters of 2005. Production decreased in Venezuela and Nigeria due to unforeseen events, as described above, and the United Kingdom and Italy due to the production decline of mature fields.
Daily production of natural gas for the quarter (3,920 mmcf/d) increased mainly in Libya (achievement of full production at the Bahr Essalam field), Nigeria (start-up of trains 4 and 5 of the Bonny LNG plant), Australia (start-up of the gas phase of the Bayu Undan field), Egypt (achievement of full production at the Barboni field, increase in the number of production wells at eI Temsah field and increased supplies to the Damietta LNG plant), Croatia (start-up of the Ika, Ida and Ivana C-K fields). Declines in production were attributable mainly to mature fields in Italy.
In the first nine months of 2006 daily production of oil and gas averaged 1,761 kboe/d, increasing by 47 kboe/d from the first nine months of 2005 (up 2.7%). Excluding the impact of the loss of production of the Dación oil field in Venezuela and of adverse entitlement effects, oil and natural gas production increased by 6.7%. Libya, Angola and Egypt were the main growth areas, while decreases in production were recorded in Nigeria and Italy.
During the third quarter, Eni s main E&P development projects made good progress. In Kazakhstan, drilling operations at the Kashagan offshore field yielded two more successfully tested wells, confirming the promising production results achieved with the completion of the first well during the second quarter. In Angola engineering and procurement activities are underway as part of phase three of the development of oil reserves discovered in the Kizomba structure, offshore Block 15.
In September, processing facilities have been halted at the Karachaganak gas and condensates field, onshore Kazakhstan, due to scheduled maintenance activity. Operations have been resumed at the beginning of October, reaching full course by mid October. In the quarter condensates were shipped for the first time via the Atyrau-Samara pipeline linked to the Russian pipeline network, marking the start-up of the Baltic route for the exportation of production to western markets.
In October, Eni made two relevant discoveries: (i) in the Gulf of Mexico, in the Mississippi Canyon Block 502 (Eni s interest 100%), the Longhorn North discovery well drilled at a depth of 3,400 meters highlighted the presence of a sand layer containing natural gas and condensates with higher than expected extension and quality. This discovery, along with the recent adjacent Longhorn discovery, has allowed delineation of a field which Eni is planning to develop in the short term; and (ii) Algeria, in onshore Block 404a (Eni s interest 12.25%) the Bir Berkine Sud-1 discovery well drilled at a depth of about 3,500 meters highlighted the presence of oil yielding approximately 700 bbl/d of light oil in test production.
In September Eni purchased further interests in two exploration licenses off the coast of Norway: (i) in the PL221 permit (Eni s interest 30%) where the Victoria gas field, holding recoverable reserves of 1,250 bcf net to Eni, had previously been discovered; (ii) in the PL264 permit (Eni operator with a 40% interest) where the Hvitveis gas field, holding recoverable reserves of 311 bcf net to Eni, had previously been discovered.

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Gas & Power

(all figures in euro millions, except where indicated)

Third quarter 2005	Second quarter 2006	Third quarter 2006	% Ch. 3Q 06 vs 05		Nine months 2005	Nine months 2006	% Ch.
				Results			
4,388	5,799	5,265	20.0	Net sales from operations	15,550	20,198	29.9
525	**708**	**592**	**12.8**	**Operating profit**	**2,680**	**2,499**	**(6.8)**
(65)	10	(6)		Exclusion of inventory holding (gain) loss	(95)	(26)	
460	**718**	**586**	**27.4**	**Replacement cost operating profit**	**2,585**	**2,473**	**(4.3)**
8	**73**	**33**		**Exclusion of special items**	**56**	**140**	
				of which:			
		24		**Non-recurring (income) charges**		**24**	
8	**73**	**9**		**Other special charges**	**56**	**116**	
	51			*- impairments*		*51*	
6	*19*	*3*		*- environmental provisions*	*28*	*42*	
2	*3*	*5*		*- provision for redundancy incentives*	*5*	*22*	
		1		*- other*	*23*	*1*	
468	**791**	**619**	**32.3**	**Adjusted operating profit**	**2,641**	**2,613**	**(1.1)**
220	**259**	**311**	**41.4**	**Capital expenditure**	**741**	**721**	**(2.7)**

468	**791**	**619**	**32.3**	**Adjusted operating profit by business**	**2,641**	**2,613**	**(1.1)**
(15)	339	186	..	Market and Distribution	1,261	1,230	(2.5)
293	266	230					