ENI SPA
Form 6-K
September 01, 2010
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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 August 2010

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: Antonio Cristodoro
Title: Deputy Corporate Secretary

Date: August 31, 2010

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Interim consolidated financial report as of June 30, 2010

Rome, August 6, 2010 - Eni's interim consolidated financial report as of June 30, 2010, approved by Eni s Board of Directors on July 28, 2010, with the report of the Independent Auditor, is available to the public from today in the Company's principal office and has been filed with the Italian Commission for securities and exchanges and the Italian Exchange, in accordance with the law.

The document is downloadable from Eni's website, www.eni.com. Shareholders can receive a hard copy of Eni's interim report, free of charge, by filling in the request form found in Publications section or by emailing a request to segreteriasocietaria.azionisti@eni.com or to investor.relations@eni.com.

Company contacts:

Press Office: Tel. +39.0252031875 - +39.065982398
Freephone for shareholders (from Italy): 800940924
Freephone for shareholders (from abroad): +39. 800 11 22 34 56
Switchboard: +39-0659821

ufficio.stampa@eni.com
segreteriasocietaria.azionisti@eni.com
investor.relations@eni.it

Web site: www.eni.com

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Interim Consolidated Report as of June 30, 2010

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"Eni" means the parent company Eni SpA and its consolidated subsidiaries

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ENI OPERATING AND FINANCIAL REVIEW / HIGHLIGHTS

Highlights

Financial highlights

In the first half of 2010 Eni reported net profit of euro 4.05 billion, up 47.9% from a year earlier. On an adjusted basis, net profit amounted to euro 3.45 billion, up 29.5%, reflecting an excellent operating performance reported by the Exploration & Production division driven by higher oil realizations.

Net cash provided by operating activities amounted to euro 9.14 billion and proceeds from divestments were euro 795 million. Those inflows were used to fund capital expenditures of euro 7.1 billion to support continued growth in the business and exploration projects and the payment of dividend to Eni s shareholders and to minorities (euro 2.16 billion), resulting in a small increase in net borrowings from December 31, 2009.

As of June 30, 2010, the ratio of net borrowings to total equity leverage decreased to 0.41 from 0.46 as of December 31, 2009, benefiting from a sizeable increase in shareholders equity associated with the appreciation of the US dollar (up 15%).

Capital expenditures amounted to euro 7,107 million and mainly regarded continuing development of oil and gas reserves, exploration activities with 97% of expenditure located outside Italy, the upgrading of rigs and offshore vessels in the Engineering & Construction segment and of the gas transport and storage infrastructure.

Based on the fist half of 2010 results and taking into account the projected full-year results and outlook, the interim dividend proposal to Eni s Board of Directors will amount to euro 0.50 per share (euro 0.50 in 2009). The interim dividend is payable from September 23, 2010, being the ex-dividend date September 20, 2010.

Operational highlights

Eni reported liquids and gas production of 1,800 kboe/d for the first half of 2010, which included the effect of updating the gas conversion rate (currently 5,550 cubic feet of gas equals 1 barrel of oil, it was 5,742 cubic feet of gas per barrel until April 1, 2010). When excluding this effect, production grew by 1% from the first half of 2009 as a result of continuing production ramp-up in Nigeria, Congo and USA and additions from new field start-ups and production ramp-ups.

In line with production plans, a total of 5 fields were started up of the 12 fields scheduled for 2010. The main start-ups were Annamaria B (Eni operator with a 90% interest) located between Italy and Croatia, Baraka (Eni operator with a 49% interest) in Tunisia, Rom Integrated in Algeria and M Boundi IPP (Eni s interest 100%) in Congo, in addition to minor projects in China and Nigeria.

In the first half of 2010 exploration reserves of 600 million barrels have been added to the Company s resource base. The main successes were achieved in Venezuela with the Perla 2 appraisal well (Eni operator with a 50% interest), in Angola with three new oil discoveries in the rich offshore Block 15/06 (Eni operator with a 35% interest) and in Indonesia with success in the Muara Bakau permit (Eni operator with a 55% interest).

Eni s worldwide natural gas sales were 49.7 bcm, down 5.9% from a year earlier. Performance was negatively affected by sharply lower volumes supplied to the Italian market (down 19%) due to increased competitive pressures in the power generation business, as well as in sales to industrial customers and wholesalers. This decrease was partly offset by organic growth achieved in European markets (up 4.9%) in particular in France, Belgium and Germany/Austria.

Portfolio developments

Russia

On June 18, 2010, Eni and Gazprom signed a Memorandum of Understanding to define terms and conditions for the French company EDF entering the South Stream project. As part of the agreement, EDF is expected to acquire an interest in the venture that is planning to build a new infrastructure to transport Russian gas across the Black Sea and Bulgaria to European markets.

As part of the transaction to divest a 51% stake in the joint-venture Eni-Enel OOO SeverEnergia to Gazprom, based on the call option exercised by the Russian company on September 24, 2009, Eni collected a second installment of the transaction by March 31, 2010. This amounted to euro 526 million (approximately 75% of the whole amount of the transaction).

Divestment of a 25% share capital interest in GreenStream BV

On April 27, 2010, Eni sold a 25% stake in the share capital of GreenStream BV to NOC (Libyan National Oil Corporation), the company owning and managing the gas pipeline for importing to Italy natural gas produced in Libya. Following the decrease of Eni s shareholding in the company to 50% and implementation of renewed shareholders arrangements, Eni no longer controls the company and it has therefore been excluded from consolidation as of May 1, 2010.

Brazil

On May 27, 2010, Eni signed a preliminary agreement to divest its 100% interest in Gas Brasiliano Distribuidora, a company that markets and distributes natural gas in Brazil, to Petrobras Gàs, a fully owned subsidiary of Petróleo Brasileiro ("Petrobras"). Total cash consideration is expected to amount to approximately $250 million. The completion of the transaction is subject to approval of the relevant Brazilian authorities.

Disclaimer

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

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

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ENI INTERIM CONSOLIDATED REPORT / STATISTIC RECAP

Financial highlights

	(euro million)	First Half			
2009		2009	**2010**	Change	% Ch.
83,227	Net sales from operations	42,008	**47,706**	5,698	13.6
12,055	Operating profit	6,372	**9,152**	2,780	43.6
13,122	Adjusted operating profit (a)	6,303	**8,459**	2,156	34.2
4,367	Net profit (b)	2,736	**4,046**	1,310	47.9
5,207	Adjusted net profit (a) (b)	2,661	**3,447**	786	29.5
11,136	Net cash provided by operating activities	7,621	**9,139**	1,518	19.9
13,695	Capital expenditures	6,844	**7,107**	263	3.8
2,323	Acquisition of investments and businesses (c)	2,214	**115**	(2,099)	(94.8)
207	R&D expenditures	117	**94**	(23)	(19.7)
117,529	Total assets at period end	112,171	**128,813**	16,642	14.8
24,800	Debts and bonds at period end	19,873	**25,151**	5,278	26.6
50,051	Shareholders equity including non-controlling interest	50,209	**57,375**	7,166	14.3
23,055	Net borrowings at period end	18,355	**23,342**	4,987	27.2
73,106	Net capital employed at period end	68,564	**80,717**	12,153	17.7

(a) For a detailed explanation of adjusted profits (net and operating) that do not include inventory gain/loss and special items, see paragraph "Reconciliation of reported operating profit and reported net profit to results on an adjusted basis".
(b) Profit attributable to Eni shareholders.
(c) Net of acquired cash.

Summary financial data

			First Half			
2009			2009	**2010**	Change	% Ch.
	Net profit					
1.21	*- per ordinary share* (a)	(euro)	*0.76*	***1.12***	*0.36*	*47.4*
3.36	*- per ADR* (a) (b)	(USD)	*2.02*	***2.97***	*0.95*	*47.0*
	Adjusted net profit					
1.44	*- per ordinary share* (a)	(euro)	*0.73*	***0.95***	*0.22*	*30.1*
4.01	*- per ADR* (a) (b)	(USD)	*1.94*	***2.52***	*0.58*	*29.9*
	Return On Average Capital Employed (ROACE)					
8.0	*- reported*	(%)	*8.9*	***9.2***	*0.3*	*3.4*
9.2	*- adjusted*	(%)	*13.0*	***9.7***	*(3.3)*	*(25.4)*
0.46	Leverage		0.37	**0.41**	0.04	10.8

(a) Fully diluted. Ratio of net profit and average number of shares outstanding in the period. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by ECB for the period presented.
(b) One American Depositary Receipt (ADR) is equal to two Eni ordinary shares.

Key market indicators

First Half

2009			2009	**2010**	Change	% Ch.
61.51	Average price of Brent dated crude oil [a]		51.60	**77.27**	25.67	49.7
1.393	Average EUR/USD exchange rate [b]		1.332	**1.328**	(0.004)	(0.3)
44.16	Average price in euro of Brent dated crude oil		38.74	**58.19**	19.45	50.2
3.13	Average European refining margin [c]		4.47	**2.90**	(1.57)	(35.1)
3.56	Average European refining margin Brent/Ural [c]		5.09	**3.84**	(1.25)	(24.6)
2.25	Average European refining margin in euro		3.36	**2.18**	(1.18)	(35.1)
1.2	Euribor -three-month euro rate	(%)	1.7	**0.6**	(1.1)	(64.7)
0.7	Libor -three-month dollar rate	(%)	1.0	**0.3**	(0.7)	(70.0)

(a) In USD 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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Summary operating data

2009			First Half 2009	First Half 2010	Change	% Ch.
	Exploration & Production					
1,769	Production of oil and natural gas	(kboe/d)	1,756	**1,800**	n.m.	n.m.
1,769	Production of oil and natural gas net of updating the natural gas conversion rate [(a)]	(kboe/d)	1,756	**1,774**	18	1.0
1,007	- Liquids	(kbbl/d)	1,000	**995**	(5)	(0.5)
4,374	- Natural gas	(mmcf/d)	4,344	**4,466**	122	2.4
622.8	Production sold	(mmboe)	308.4	**312.7**	n.m.	n.m.
622.8	Production sold net of updating the natural gas conversion rate [(a)]	(mmboe)	308.4	**308.3**	(0.1)	
	Gas & Power					
103.72	Worldwide gas sales	(bcm)	52.81	**49.70**	(3.11)	(5.9)
6.17	*- of which E&P sales* [(b)]	(bcm)	*2.95*	***2.94***	*(0.01)*	*(0.3)*
76.90	Gas volumes transported in Italy	(bcm)	38.11	**43.06**	4.95	13.0
33.96	Electricity sold	(TWh)	15.35	**18.61**	3.26	21.2
	Refining & Marketing					
34.55	Refining throughputs on own account	(mmtonnes)	16.65	**16.87**	0.22	1.3
12.02	Retail sales of petroleum products in Europe	(mmtonnes)	5.86	**5.62**	(0.24)	(4.1)
5,986	Service stations in Europe at period end	(units)	6,018	**6,017**	(1)	
2,477	Average throughputs of service stations in Europe	(kliters)	1,206	**1,142**	(64)	(5.3)
	Petrochemicals					
6,521	Production	(ktonnes)	3,254	**3,748**	494	15.2
4,265	Sales of petrochemical products	(ktonnes)	2,118	**2,477**	359	16.9
	Engineering & Construction					
9,917	Orders acquired	(euro million)	5,068	**7,059**	1,991	39.3
18,730	Order backlog at period end	(euro million)	19,015	**20,404**	1,389	7.3
78,417	**Employees at period end**	(units)	**78,268**	**80,167**	**1,899**	**2.4**

(a) From April 1, 2010, the conversion rate of natural gas from cubic feet to boe has been updated to 1 barrel of oil = 5,550 cubic feet of gas. For further information see Basis of presentation to the condensed consolidated interim financial statements.

(b) E&P sales include volumes marketed by the Exploration & Production division in Europe (1.32, 1.17 and 2.57 bcm for the first half of 2009 and 2010 and the full year 2009) and in the Gulf of Mexico (1.63, 1.77 and 3.60 bcm respectively in the first half of 2009 and 2010 and the full year 2009).

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Exploration & Production

Key performance indicators

2009		(euro million)	First Half 2009	First Half 2010
23,801	Net sales from operations [a]		11,828	**14,569**
9,120	Operating profit		4,152	**6,698**
9,484	Adjusted operating profit		4,237	**6,560**
3,878	Adjusted net profit		1,916	**2,684**
	Results also include:			
7,365	- amortizations and depreciations		3,471	**3,458**
	of which:			
1,551	- exploration expenditures		920	**630**
1,264	*- amortizations of exploratory drilling expenditures and other*		*770*	***380***
287	*- amortizations of geological and geophysical exploration expenses*		*150*	***250***
9,486	Capital expenditures		4,907	**5,150**
	of which:			
1,228	*- exploration expenditures* [b]		*732*	***515***
7,478	*- development expenditures*		*3,651*	***3,738***
32,455	Adjusted capital employed, net at period end [c]		30,489	**38,847**
12.3	Adjusted ROACE [c]	(%)	21.6	**13.4**
	Production [d] [e]			
1,007	Liquids	(kbbl/d)	1,000	**995**
4,374	Natural gas	(mmcf/d)	4,344	**4,466**
1,769	**Total hydrocarbons**	(kboe/d)	**1,756**	**1,800**
1,769	**Hydrocarbon production net of updating the natural gas conversion rate**		**1,756**	**1,774**
	Average realizations			
56.95	Liquids	($/bbl)	48.30	**71.63**
5.62	Natural gas	($/mmcf)	6.05	**5.77**
46.90	**Total hydrocarbons**	($/boe)	**42.83**	**54.26**
10,870	Employees at period end	(units)	10,055	**10,896**

(a) Before elimination of intragroup sales.
(b) Includes exploration bonuses.
(c) For a detailed explanation of adjusted capital employed and adjusted ROACE, see paragraph "Return On Average Capital Employed (ROACE)".
(d) Includes Eni s share of equity-accounted entities.
(e) From April 1, 2010, the conversion rate of natural gas from cubic feet to boe has been updated to 1 barrel of oil = 5,550 cubic feet of gas. For further information see Basis of presentation to the condensed consolidated interim financial statements.

Mineral right portfolio and exploration activities

As of June 30, 2010, Eni s mineral right portfolio consisted of 1,215 exclusive or shared rights for

Venezuela. Main decreases were in Australia, Brazil, Egypt, India, Italy, Norway, Pakistan, the United exploration and development in 40 Countries on five continents for a total acreage of 334,251 square kilometers net to Eni of which developed acreage of 42,905 square kilometers and undeveloped acreage of 291,346 square kilometers.

In the first half of 2010 total net acreage increased mainly due to acquisition of new leases in Angola, Pakistan and Kingdom and the United States due to release.

In the first half of 2010, a total of 24 new exploratory wells were drilled (12.4 of which represented Eni s share), as compared to 37 wells completed in the first half of 2009 (22 of which represented Eni s share). Overall commercial success rate was 46% (45.7% net to Eni), as compared to 37% (36.4% net to Eni) in the first half of 2009.

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Oil and natural gas interests

	December 31, 2009	June 30, 2010						
	Total gross acreage (a)	Total gross acreage (a)	Gross developed acreage (a) (b)	Gross undeveloped acreage (a)	Total net acreage (a)	Net developed acreage (a) (b)	Net undeveloped acreage (a)	Number of interests
EUROPE	**51,561**	**47,990**	**17,918**	**30,072**	**29,973**	**11,795**	**18,178**	**306**
Italy	**27,178**	**26,585**	**11,641**	**14,944**	**21,430**	**9,692**	**11,738**	**167**
Rest of Europe	**24,383**	**21,405**	**6,277**	**15,128**	**8,543**	**2,103**	**6,440**	**139**
Croatia	1,975	1,975	1,975		988	988		2
Norway	11,184	8,928	2,277	6,651	2,739	338	2,401	50
United Kingdom	5,165	4,443	2,025	2,418	1,333	777	556	81
Other countries	6,059	6,059		6,059	3,483		3,483	6
AFRICA	**300,670**	**298,908**	**71,570**	**227,338**	**158,780**	**21,018**	**137,762**	**275**
North Africa	**85,545**	**80,552**	**31,008**	**49,544**	**44,426**	**13,523**	**30,903**	**116**
Algeria	19,610	19,610	2,152	17,458	17,244	727	16,517	38
Egypt	23,097	18,104	4,445	13,659	6,744	1,571	5,173	54
Libya	36,374	36,374	17,947	18,427	18,164	8,951	9,213	13
Tunisia	6,464	6,464	6,464		2,274	2,274		11
West Africa	**137,901**	**141,132**	**40,562**	**100,570**	**62,140**	**7,495**	**54,645**	**153**
Angola	20,849	24,079	4,532	19,547	5,008	590	4,418	69
Congo	15,589	15,590	3,126	12,464	8,189	2,052	6,137	25
Gabon	7,615	7,615		7,615	7,615		7,615	6
Ghana	2,300	2,300		2,300	1,086		1,086	2
Mali	47,500	47,500		47,500	31,668		31,668	1
Nigeria	44,048	44,048	32,904	11,144	8,574	4,853	3,721	50
Other countries	**77,224**	**77,224**		**77,224**	**52,214**		**52,214**	**6**
ASIA	**223,198**	**214,944**	**18,825**	**196,119**	**118,817**	**6,352**	**112,465**	**77**
Kazakhstan	**4,933**	**4,933**	**324**	**4,609**	**880**	**105**	**775**	**6**
Rest of Asia	**218,265**	**210,011**	**18,501**	**191,510**	**117,937**	**6,247**	**111,690**	**71**
China	18,698	18,599	138	18,461	18,305	22	18,283	7
East Timor	9,999	9,999		9,999	7,999		7,999	5
India	28,164	26,829	303	26,526	9,635	143	9,492	13
Indonesia	27,675	25,789	1,735	24,054	15,104	656	14,448	12
Iraq	1,950	1,950	1,950		640	640		1
Iran	1,456	1,456	1,456		820	820		4
Pakistan	33,904	28,970	9,122	19,848	13,263	2,708	10,555	19
Russia	6,636	6,636	3,597	3,039	2,323	1,058	1,265	5
Saudi Arabia	51,687	51,687		51,687	25,844		25,844	1
Turkmenistan	200	200	200		200	200		1
Yemen	23,296	23,296		23,296	20,560		20,560	2
Other countries	14,600	14,600		14,600	3,244		3,244	1
AMERICA	**21,971**	**21,983**	**4,682**	**17,301**	**11,402**	**3,064**	**8,338**	**542**
Brazil	1,389	745		745	745		745	1
Ecuador	2,000	2,000	2,000		2,000	2,000		1

Trinidad & Tobago	382	382	382		66	66		1
United States	11,097	10,827	1,922	8,905	6,281	900	5,381	527
Venezuela	1,556	2,482	378	2,104	984	98	886	4
Other countries	5,547	5,547		5,547	1,326		1,326	8
AUSTRALIA AND OCEANIA	**49,273**	**44,210**	**1,057**	**43,153**	**15,279**	**676**	**14,603**	**15**
Australia	48,509	43,446	1,057	42,389	15,241	676	14,565	14
Other countries	764	764		764	38		38	1
Total	**646,673**	**628,035**	**114,052**	**513,983**	**334,251**	**42,905**	**291,346**	**1,215**

(a) Square kilometers.

(b) Developed acreage refers to those leases in which at least a portion of the area is in production or encompasses proved developed reserves.

Oil and gas production

In the first half of 2010, Eni s reported liquids and gas production was 1,800 kboe/d which was calculated assuming a conversion rate of gas to barrel equivalent which was updated to 5,550 cubic feet of gas equals 1 barrel of oil. On a comparable basis, i.e. when excluding the effect of updating the gas conversion rate, production grew by 1%. Production increases were driven by organic growth achieved in Nigeria, Congo and the United States, new field start-ups and production ramp-ups at fields which were started-up in 2009. Those trends were offset by planned facility shutdowns in the North Sea and in Kazakhstan, as well as mature field declines. Also, performance was affected by the combined negative impact associated with lower entitlements in Company s PSAs due to higher oil prices net of lower OPEC restrictions (overall down 15 kboe/d). The share of oil and natural gas produced outside Italy was 90% (90% in the first half of 2009).

2009		First Half 2009	First Half 2010	Change	% Ch.
	Production of oil and natural gas [(a) (b) (c)]				
1,769	(kboe/d)	**1,756**	**1,800**	**n.m.**	**n.m.**
169	Italy	171	**184**	13	7.6
247	Rest of Europe	251	**225**	(26)	(10.4)
573	North Africa	581	**586**	5	0.9
360	West Africa	337	**395**	58	17.2
115	Kazakhstan	120	**114**	(6)	(5.0)
135	Rest of Asia	144	**123**	(21)	(14.6)
153	America	134	**149**	15	11.2
17	Australia and Oceania	18	**24**	6	33.3
1,769	**Production of oil and natural gas net of updating the natural gas conversion rate**	**1,756**	**1,774**	**18**	**1.0**

2009		First Half 2009	First Half 2010	Change	% Ch.
	Production of liquids [(a)]				
1,007	(kbbl/d)	**1,000**	**995**	**(5)**	**(0.5)**
56	Italy	55	**61**	6	10.9
133	Rest of Europe	135	**122**	(13)	(9.6)
292	North Africa	297	**296**	(1)	(0.3)
312	West Africa	299	**329**	30	10.0
70	Kazakhstan	73	**68**	(5)	(6.8)
57	Rest of Asia	66	**37**	(29)	(43.9)
79	America	65	**73**	8	12.3
8	Australia and Oceania	10	**9**	(1)	(10.0)

2009		First Half 2009	First Half 2010	Change	% Ch.
4,374		**4,344**	**4,466**	**122**	**2.4**

	Production of natural gas [a] [b] (mmcf/d)				
653	Italy	666	**682**	16	2.4
655	Rest of Europe	669	**573**	(96)	(14.3)
1,614	North Africa	1,632	**1,609**	(23)	(1.4)
274	West Africa	220	**364**	144	65.5
259	Kazakhstan	269	**256**	(13)	(4.8)
445	Rest of Asia	448	**475**	27	6.0
425	America	396	**420**	24	6.1
49	Australia and Oceania	44	**87**	43	97.7

(a) Includes Eni s share of production of equity-accounted entities.
(b) Includes volumes of gas consumed in operations (312 and 299 mmcf/d in the first half of 2010 e 2009, respectively, and 300 mmcf/d in 2009).
(c) From April 1, 2010, the conversion rate of natural gas from cubic feet to boe has been updated to 1 barrel of oil = 5,550 cubic feet of gas. For further information see Basis of presentation to the condensed consolidated interim financial statements.

Liquid production (995 kbbl/d) declined by 5 kbbl/d from the first half of 2009 (down 0.5%). The main reductions reflected mature field declines, planned facility shutdowns in the North Sea and Kazakhstan as well as the combined negative impact associated with lower entitlements in Company s PSAs due to higher oil prices net of lower OPEC restrictions. These negatives were partly offset by organic growth achieved in Nigeria, due to the ramp-up of the Oyo project (Eni s interest 40%) and lower impact of disruptions resulting from security issues, Congo, due to the ramp-up of the Awa Paloukou project (Eni s interest 90%) and the United States, due to the contribution of the Thunderhawk (Eni s interest 25%), Leo (Eni s interest 75%) and Longhorn (Eni s interest 75%) projects.

Natural gas production (4,466 mmcf/d) increased by 122 mmcf/d from the first half of 2009 (up 2.4%).
The main increases were registered in Nigeria and the USA due to organic growth as well as in Congo due to the start-up of the M Boundi IPP project (Eni s interest 100%). Main decreases were registered in the North Sea and Egypt due to the planned facility shutdowns and mature field declines.

Oil and gas production sold net of updating the natural gas conversion rate amounted to 308.3 mmboe.
On a comparable basis, the difference over production (320.9 mmboe) reflected volumes of natural gas consumed in operations (9.8 mmboe).

Main exploration and development projects

ITALY

In March 2010, production started-up at the Annamaria B production platform (Eni operator with a 90% interest), located at the border with Croatian territorial waters. Full production is targeted at approximately 42 mmcf/d in the third quarter of 2010. Development projects progressed at the Bonaccia East, Guendalina, Capparuccia and Tresauro fields. Other activities were aimed at upgrading facilities and maintaining production levels by means of sidetracking and work over activities at the Barbara, Annalisa, Azalea and Gela fields as well as in the Val d Agri concession (Eni s interest 60.77%)

REST OF EUROPE

Norway Exploration activities yielded positive results in: (i) the Prospecting License 128 (Eni s interest 11.5%) with the Fossekal oil and gas discovery that will exploit synergies with the Norne (Eni s interest 6.9%) production facilities; (ii) in the PL 473 license (Eni s interest 29.4%) with the Flyndretind oil discovery.
Project is progressing at the Goliat field (Eni operator with a 65% interest) in the Barents Sea. In February 2010, the EPC contract for the construction of FPSO has been awarded.
Development activities progressed on recent oil and gas discoveries near the Asgaard field (Eni s interest 14.82%). In particular, the development plan of the Morvin discovery (Eni s interest 30%) provides linkage to existing production facilities that will be upgraded. Production start-up is expected in the year with peak production at 15 kboe/d net to Eni in 2011. In the first half of 2010 the development plan of the Marulk discovery (Eni operator with a 20% interest) was started with production start-up scheduled for 2012.
Other ongoing projects aim at maintaining and optimizing production at the Ekofisk field by means of infilling wells, the development of the South Area, upgrading of existing facilities and optimization of water injection.

United Kingdom Development activities concerned infilling actions at the Elgin/Franklin (Eni s interest 21.87%), Joanne (Eni s interest 33%) and Magnus (Eni s interest 5%) fields. Pre-development activities continued at:
(i) the Burghley field (Eni s interest 21.92%) with expected start-up in 2010; (ii) the Kinnoul oil and gas field (Eni s interest 16.67%) to be developed in synergy with the production facilities of the Andrew field (Eni s interest 16.21%) and expected start-up in 2012; (iii) the Jasmine gas field (Eni s interest 33%) with expected start-up in 2012; and (iv) the Mariner field (Eni s interest 8.89%) with production start-up in 2015.

NORTH AFRICA

Algeria Activities of the first half 2010 regarded mainly: (i) the development of the integrated Rom and Zea reserves following the area s mineral potential revaluation. The project has been approved by the relevant authorities to complete development activities.

where rigless activities were completed. Upgrading and integration activities of compression plants and treatment facilities were executed at the Crotone and Bronte plants.

Current production is collected at the Rom Central Production Facility (CPF) and delivered to the treatment plant in Bir Rebaa North. Drilling and work over activities progressed. An export pipeline and a new multiphase pumping system are under construction in compliance with applicable Country law to reduce gas flaring; (ii) the MLE and CAFC integrated project (Eni s interest 75%) purchased in 2008 from the Canadian company First Calgary. The project regards the construction of natural gas treatment plant with a capacity of 350 mmcf/d, oil plant with a capacity of 35 kbbl/d as well as a NGL plant. Oil and natural gas production start-up is expected in 2012 and 2011 respectively, with a production plateau of approximately 33 kboe/d net to Eni by 2013. Drilling activities are underway; (iii) the El Merk project. EPC contracts for the development of facilities were awarded. Drilling activity started. Production start-up is expected in 2012.

Egypt Exploration activities yielded positive results with: (i) the El Qara gas discovery (Eni s interest 75%), that was linked to the existing production facilities nearby; (ii) the Zaafaran East gas discovery (Eni s interest 75%); and (iii) the Arcadia oil discovery (Eni s interest 56%) whose production started-up at the end of July 2010.
In July 2010, Eni signed a Strategic Framework Agreement with the Egyptian Ministry of Petroleum for new upstream and downstream initiatives. The agreement provides for: (i) a joint study to evaluate a number of upstream activities in the Mediterranean basin and outside Egypt, including Gabon and Iraq; and (ii) an initiative to secure rights for Eni to acquire gas transportation capacity in the Arab Gas Pipeline system in compliance with the intergovernmental agreements.
In May 2010, Eni divested a 50% interest in the Ashrafi offshore field located in the Gulf of Suez. Eni will retain operatorship and a 50% interest.
In July 2010, production start-up was achieved at the Tuna field in the El Temsah concession (Eni operator with a 50% interest) with the finalization of development activities.
The basic engineering is ongoing at the Belayim field (Eni s interest 100%) for the upgrading of water injection facilities to recover residual reserves. Other activities regarded the upgrading of the El Gamil plant by adding new capacity to support production as well as the second phase of the Denise field (Eni operator with a 50% interest).

drilling additional wells.
Activities continued for the plan to monetize flaring gas and associated condensates from the Bouri oil field (Eni s interest 50%) that will be pre-treated in the area and then delivered at the Mellitah plant for the final treatment and marketing. This project will clear the gas flaring at the two installed production platforms.

Tunisia Development in the first half concerned: (i) the operated Baraka field (Eni s interest 49%) through the installation and start-up of production platform and the construction of an oil center for the onshore treatment of oil, gas and LPG; (ii) ramp-up of production at Maamoura field (Eni operator with a 49% interest).
An overall production peak at 11 kboe/d is expected in 2011.
Optimization of production continued at the Adam (Eni operator with a 25% interest), Djebel Grouz (Eni s interest 50%), Oued Zar (Eni s interest 50%) and El Borma (Eni s interest 50%) fields.

WEST AFRICA

Angola Exploration activities yielded positive results in the operated Block 15/06 (Eni s interest 35%) with the Cinguvu, Cabaça and Mpungi oil discoveries.
The discovery activity was completed ahead of schedule with commitments increasing the initial resource estimation to develop the East Hub and West Hub projects. The West Hub concept definition (FEED) activity is ongoing and the final investment decision is expected before year end. The evaluation phase of East Hub progressed.
Within the activities for reducing gas flaring in Block 0 (Eni s interest 9.8%) ongoing projects include: (i) the linkage to the treatment facilities, LPG mining, the construction of facilities for gas lift and re-injection in Area A. Work continued at the Malongo plant; (ii) the installation of a second compression unit at the Nemba field in the Area B.
Development activity progressed at Mafumeira field (Eni s interest 9.8%) which was started-up in 2009. In the first half of 2010 the production plateau of 45 kbbl/d was achieved.
Ongoing activities in the Development Areas of the former Block 14 (Eni s interest 20%) concerned: (i) drilling activities at the Tombua-Landana fields to achieve the production plateau in the year; (ii) infilling

Libya Main development activities underway concerned the Western Libyan Gas project (Eni s interest 50%) for the monetization of gas reserves ratified in the strategic agreements between Eni and NOC. In particular activities are underway for maintaining gas production profiles at the Wafa and Bahr Essalam fields through increasing compression capacity at Wafa field and joint activities at the Benguela/Belize and Lobito/Tomboco fields.

Main projects underway in the Development Areas of the former Block 15 (Eni s interest 20%) regarded: (i) basic engineering and procurement activities at the satellites of Kizomba project-phase 1, with start-up expected before mid of 2012; (ii) the completion of the subsea phase of the Gas Gathering project, entailing the construction of a pipeline collecting all the gas in the block to be delivered to the A-LNG plant.

Congo Activities on the M Boundi operated field (Eni s interest 83%) moved forward with the revision of the production schemes and layout with the application of advanced recovery techniques and a design to monetize associated gas within the activities for reducing flared gas. Eni signed a long term agreement to supply associated gas from the M Boundi field to feed three facilities in the Pointe Noire area: (i) the potassium plant, owned by Canadian Company MAG Industries and under construction; (ii) the Djeno existing power plant (CED - Centrale Electrique du Djeno); (iii) the new power plant built at Cote Mateve (CEC - Centrale Electrique du Congo Eni s interest 20%). These facilities will also receive gas in the future from the offshore discoveries of the Marine XII permit.
The development activities to build the CEC power plant moved forward as scheduled in the cooperation agreement signed by Eni and the Republic of Congo in 2007, and the start-up of the first turbo-generator occurred at the end of March 2010. The start-up of the second turbo-generator is expected in the third quarter of 2010.

Nigeria In Blocks OML 60, 61, 62 and 63 (Eni operator with a 20% interest), within the activities aimed at guaranteeing production to feed gas to the Bonny liquefaction plant (Eni s interest 10.4%), a new compressor plant was started up aiming to feed gas for the liquefaction trains 4 and 5, amounting to 311 mmcf/d (60 mmcf/d net to Eni).
Flaring down of the Ebocha oil plant was completed.
In Block OML 28 (Eni s interest 5%) natural gas production started-up at the integrated oil and gas project in the Gbaran-Ubie area with the completion of the first treatment unit. The development plan provides for the construction of a Central Processing Facility (CPF) with treatment capacity of about 1 bcf/d of gas and 120 kbbl/d of liquids, the drilling of producing wells and the construction of a pipeline to carry the gas to the Bonny liquefaction plant.

the treatment and compression plant for gas re-injection will be completed reaching an installed production capacity of 370 kbbl/d. Subsequently, production capacity of phase-one is expected to step up to 450 kbbl/d, leveraging on availability of further compressor capacity for gas re-injection associated with the start-up of phase-two offshore facilities.
Phase 2 is actually in the stage of Front End Engineering Design (FEED).

Karachaganak The fourth treatment unit has been progressing to completion and will enable to increase export of oil volumes to European markets. Currently non stabilized oil production is delivered to the Orenburg terminal. The development activities of the Uralsk Gas Pipeline are ongoing. This new infrastructure, with a length of 150 kilometers, will link the Karachaganak field to the Kazakhstan gas network. Start-up is expected at the end of the year.

REST OF ASIA

Indonesia Exploration activity yielded positive results in the Muara Bakau permit (Eni operator with a 55% interest), located offshore Borneo, where the Jangkrik 2 appraisal well significantly increased the initial reserve evaluations.
Eni is also involved in the ongoing joint development of the oil and gas discoveries in the Bukat permit (Eni operator with a 66.25% interest) and the five discoveries in the Kutei Deep Water Basin area (Eni s interest 20%).
In the first half of 2010 the preparatory phase of exploration activities started-up in the Sanga Sanga PSC (Eni s interest 37.8%) for the production of coal bed methane. In case of commercial discovery, the project will benefit the opportunities of synergy provided by the existing production and treatment facilities in addition to feeding the Bontang LNG plant.

Iraq On January 22, 2010, Eni leading a consortium of international companies and the Iraqi National Oil Companies, South Oil and Missan Oil signed a technical service contract, under a 20-year term with an option for further 5 years, to develop the Zubair oil field (Eni 32.8%). The field was awarded to the Eni-led consortium following a successful first bid round and was offered under a competitive bid starting on June 30, 2009. The partners of the project plan to gradually

KAZAKHSTAN

Kashagan The phase-one of the Kashagan project (the so-called "Experimental Program") progressed. The 76% of the development activities was completed at the end of June 2010. The starting production capacity is planned at 150 kbbl/d. In the following 12-15 months increase production to a target plateau level of 1.2 mmbbl/d over the next six years. The contract provides that the consortium will earn a remuneration fee on the incremental oil production once production has been raised by 10% from its current level of approximately

180 kbbl/d and will recover its expenditures through a cost recovery production.
Development provides for two phases: (i) Rehabilitation plan, approved in June 2010, aimed at improving the current production level and the knowledge of the reservoir; (ii) Redevelopment plan allowing to reach the scheduled targets.

Iran In the first half of 2010 activities progressed at the Darquain project which related to plant commissioning and start-up in view of making formal hand over of operations to local partners. Darquain was the sole Eni-operated project in the Country.

Pakistan Exploration activity yielded positive results with the Latif North 1 appraisal well (Eni s interest 33.33%) with expected start-up during the year.
Development activities concerned: (i) the Bhit field (Eni operator with a 40% interest) with the ongoing installation of a compressor plant aimed at maintaining current production plateau; (ii) the Sawan field (Eni s interest 23.68%) with the start-up of a new compressor plant; (iii) the Zamzama permit (Eni s interest 17.75%) with the construction of the third treatment plant for the production of HVC gas aimed at optimizing current production.

AMERICA

Trinidad & Tobago The main development project concerns the Poinsettia, Bougainvillea and Heliconia fields in the North Coast Marine Area 1 (Eni s interest 17.4%). The project provides for the installation of a production platform on the Poinsettia field and the linkage to the Hibiscus treatment facility which was already upgraded. Start-up is expected in 2010.

United States The development plan of the Appaloosa discovery (Eni s interest 100%) was completed in synergy with the Longhorn production facilities (Eni s interest 75%). Production start-up, pending to approval of relevant authorities, is expected during the year with production peaking at 1.5 kboe/d.
Other ongoing activities concerned the phased development plan of the Nikaitchuq operated field (Eni s interest 100%), located in North Slope basins in Alaska. First oil is expected in 2011 with peaking production at 28 kbbl/d.

Venezuela Exploration activities yielded positive results with the Perla 2 appraisal well, located in the Cardon IV Block (Eni s interest 50%) in the Gulf of Venezuela. The results exceeded the initial resource estimation by 30%. The development plan provides for a production target of approximately 353 mmcf/d in 2013.
On January 26, 2010 Eni and the Venezuelan National Oil Company PDVSA signed an agreement for the joint development of the giant field Junin 5 with 35 bbbl of certified heavy oil in place, located in the Orinoco oil belt. Production start-up is planned for 2013 at an initial level of 75 kbbl/d and a long term production plateau of 240 kboe/d is targeted.
In June 2010 Eni was awarded gas exploration and development permits with a 40% interest in Punta Pescador and Gulf of Paria West, the latter coinciding with the Corocoro oil field area (Eni s interest 26%). Commitment activities are under negotiation with the relevant authorities

AUSTRALIA AND OCEANIA

Australia Ongoing activities concerned further development phase (phase 2) of the Bayu Undan field (Eni s interest 10.99%) aimed at increasing liquids production and maintaining the field s production profile. Following approval of relevant authorities, Eni started the development project of the Kitan oil field (Eni s operator with a 40% interest) with production start-up expected in 2011. The field is located in the cooperation zone between East Timor and Australia (Joint Development Area - JPDA).

Capital expenditures

Capital expenditures of the Exploration & Production division (euro 5,150 million) concerned development of oil and gas reserves (euro 3,738 million) directed mainly outside Italy, in particular in Congo, Kazakhstan, the United States, Algeria, Angola, Egypt and Norway. Development expenditures in Italy concerned the well drilling program and facilities upgrading in Val d Agri as well as sidetrack and work over activities in mature fields.

About 97% of exploration expenditures that amounted to euro 515 million were directed outside Italy in particular to the United States, Angola, Indonesia, Ghana and Pakistan. In Italy, exploration activities were directed mainly to the offshore of Sicily.

As compared to the first half of 2009, capital expenditures increased by euro 243 million, up 5%, due to higher development expenditures mainly in Algeria, Congo, Norway and the United States.

	(euro million)	First Half			
2009		2009	**2010**	Change	% Ch.
749	Italy	398	**327**	(71)	(17.8)
792	Rest of Europe	362	**431**	69	19.1
2,058	North Africa	1,134	**1,692**	558	49.2
2,495	West Africa	1,142	**1,223**	81	7.1
1,113	Kazakhstan	521	**507**	(14)	(2.7)
663	Rest of Asia	346	**252**	(94)	(27.2)
1,129	America	699	**632**	(67)	(9.6)
487	Australia and Oceania	305	**86**	(219)	(71.8)
9,486		**4,907**	**5,150**	**243**	**5.0**

Gas & Power

Key performance indicators

2009			First Half 2009	First Half 2010
30,447	Net sales from operations [(a)]	(euro million)	17,468	**14,668**
3,687	Operating profit		2,116	**1,908**
3,901	Adjusted operating profit		2,053	**1,896**
1,721	*Marketing*		*987*	***665***
1,796	*Regulated businesses in Italy* [(b)]		*859*	***1,014***
384	*International transport*		*207*	***217***
2,916	Adjusted net profit		1,485	**1,476**
4,403	EBITDA pro-forma adjusted		2,541	**2,257**
2,392	*Market*		*1,558*	***1,155***
1,345	*Regulated businesses in Italy*		*644*	***729***
666	*International transport*		*339*	***373***
1,686	Capital expenditures		751	**677**
25,024	Adjusted capital employed, net at period end [(c)]		23,614	**25,539**
12.3	Adjusted ROACE [(c)]	(%)	11.1	**11.8**
103.72	Worldwide gas sales	(bcm)	52.81	**49.70**
6.17	*of which:* E&P sales [(d)]		2.95	**2.94**
76.90	Gas volumes transported in Italy	(bcm)	38.11	**43.06**
33.96	Electricity sold	(TWh)	15.35	**18.61**
11,404	Employees at period end	(units)	11,623	**11,326**

(a) Before elimination of intragroup sales.
(b) From January 1, 2010, amortization and depreciation in the transportation business segment were determined taking into account an increase in the useful life of pipelines (from 40 to 50 years), which was revised recently by the Authority for Electricity and Gas for tariff purposes. Taking into account the ways of recognizing tariff components linked to new amortization and depreciation, the company decided to adjust the useful life of these assets in line with the conventional tariff duration.
(c) For a detailed explanation of adjusted capital employed and adjusted ROACE, see paragraph "Return On Average Capital Employed (ROACE)".
(d) E&P sales include volumes marketed by the Exploration & Production division in Europe (1.32, 1.17 and 2.57 bcm respectively in the first half of 2009 and 2010 and the full year 2009) and in the Gulf of Mexico (1.63, 1.77 and 3.60 bcm respectively in the first half of 2009 and 2010 and the full year 2009).

NATURAL GAS

Supply of natural gas

In the first half of 2010, Eni s consolidated subsidiaries supplied 41.65 bcm of natural gas, including 8.84 bcm supplied by Distrigas. This represented a decrease of 2.42 bcm, or 5.5% from the first half of 2009, reflecting a decline in natural gas sales. Gas volumes supplied outside Italy (38.03 bcm from consolidated companies), from the Netherlands (up 1.23 bcm) and Norway (up 0.62 bcm). Supplies in Italy (3.62 bcm) increased by 0.14 bcm from the first half of 2009, or 4%. In the first half of 2010, main gas volumes from equity production derived from: (ii) Italian gas fields (3.3 bcm); (ii) the Wafa and Bahr Essalam fields in Libya linked to Italy imported in Italy or sold outside Italy, represented 90% of total supplies, a decrease of 2.56 bcm, or 6.3%, from the first half of 2009, mainly due to lower volumes purchased from Russia, where Eni reduced its off-takes in particular volumes directed to Italy (down 3.43 bcm). In the first half of 2010 higher volumes were purchased through the GreenStream pipeline. In the first half of 2010 these two fields supplied 1.3 bcm net to Eni; (iii) certain Eni fields located in the British and Norwegian sections of the North Sea (1.4 bcm); and (iv) other European areas (in particular Croatia with 0.3 bcm).

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The table below sets forth Eni s purchases of natural gas by source for the periods indicated.

Supply of natural gas

2009	(bcm)	First Half 2009	2010	Change	% Ch.
6.86	**ITALY**	**3.48**	**3.62**	**0.14**	**4.0**
22.02	Russia	9.91	**5.10**	(4.81)	(48.5)
13.82	Algeria (including LNG)	8.02	**8.35**	0.33	4.1
9.14	Libya	4.83	**4.92**	0.09	1.9
11.73	Netherlands	5.39	**6.62**	1.23	22.8
12.65	Norway	6.10	**6.72**	0.62	10.2
3.06	United Kingdom	1.50	**1.76**	0.26	17.3
0.63	Hungary	0.34	**0.27**	(0.07)	(20.6)
2.91	Qatar (LNG)	1.50	**1.50**		
4.49	Other supplies of natural gas	2.35	**2.28**	(0.07)	(3.0)
1.34	Other supplies of LNG	0.65	**0.51**	(0.14)	(21.5)
81.79	**OUTSIDE ITALY**	**40.59**	**38.03**	**(2.56)**	**(6.3)**
88.65	**Total supplies of Eni s consolidated subsidiaries**	**44.07**	**41.65**	**(2.42)**	**(5.5)**
1.25	Offtake from (input to) storage	1.75	**0.83**	(0.92)	(52.6)
(0.30)	Network losses, measurement differences and other changes	(0.13)	**(0.11)**	0.02	15.4
89.60	**AVAILABLE FOR SALE BY ENI S CONSOLIDATED SUBSIDIARIES**	**45.69**	**42.37**	**(3.32)**	**(7.3)**
7.95	**Available for sale by Eni s affiliates**	**4.17**	**4.39**	**0.22**	**5.3**
6.17	**E&P volumes**	**2.95**	**2.94**	**(0.01)**	**(0.3)**
103.72	**TOTAL AVAILABLE FOR SALE**	**52.81**	**49.70**	**(3.11)**	**(5.9)**

Sales of natural gas

In the first half of 2010, worldwide natural gas sales of 49.70 bcm, including own consumption, sales by affiliates and E&P sales in Europe and in the Gulf of Mexico, declined from the first half of 2009 (down 3.11 bcm, or 5.9%) mainly due to the significant decline in gas sales in Italy and increasing competitive pressures in the power generation, industrial and wholesalers segment. These decreases were partially offset by steady trends in sales on the European markets.

Natural gas sales in Italy were 17.14 bcm (including own consumption and sales by affiliates), a decline of 3.97 bcm from 2009, or 18.8%, due to strong competitive pressures and to oversupply conditions characterizing the marketplace. Eni suffered lower sales in almost all of its segments, including the power generation business (down 3.42 bcm) and, at a lower extent, wholesalers (down 1.17 bcm) and industrial bcm) were nearly unchanged, while sales to medium-sized enterprises and services posted a small increase (up 0.06 bcm).

International sales were up 0.86 bcm, or 2.7%, to 32.56 bcm, benefiting from organic growth achieved on target markets in the Rest of Europe, particularly in France (up 0.65 bcm), Belgium (up 0.60 bcm), Germany/Austria (up 0.39 bcm) and in Northern Europe (up 0.31 bcm). Sales decreases were recorded in Turkey (down 0.87 bcm), Hungary (down 0.11 bcm) and to importers in Italy (down 0.42 bcm).

Sales to markets outside Europe (1.14 bcm) increased by 0.22 bcm from the first half of 2009.

E&P sales in Europe and the Gulf of Mexico (2.94 bcm) were stable.

customers (down 1 bcm). Sales volumes to the residential sector (3.87

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Gas sales by market

2009	(bcm)	First Half 2009	2010	Change	% Ch.
40.04	**ITALY**	**21.11**	**17.14**	**(3.97)**	**(18.8)**
5.92	Wholesalers	3.75	**2.58**	(1.17)	(31.2)
1.30	*Gas release*	0.65	**0.54**	(0.11)	(16.9)
2.37	Italian gas exchange and spot markets	0.39	**1.75**	1.36	..
7.58	Industries	4.09	**3.09**	(1.00)	(24.4)
1.08	Medium-sized enterprises and services	0.60	**0.66**	0.06	10.0
9.68	Power generation	5.00	**1.58**	(3.42)	(68.4)
6.30	Residential	3.87	**3.87**		
5.81	Own consumption	2.76	**3.07**	0.31	11.2
63.68	**INTERNATIONAL SALES**	**31.70**	**32.56**	**0.86**	**2.7**
55.45	**Rest of Europe**	**27.83**	**28.48**	**0.65**	**2.3**
10.48	Importers in Italy	5.77	**5.35**	(0.42)	(7.3)
44.97	European markets	22.06	**23.13**	1.07	4.9
6.81	*Iberian Peninsula*	*3.25*	***3.33***	*0.08*	*2.5*
5.36	*Germany-Austria*	*2.68*	***3.07***	*0.39*	*14.6*
14.86	*Belgium*	*7.26*	***7.86***	*0.60*	*8.3*
2.58	*Hungary*	*1.46*	***1.35***	*(0.11)*	*(7.5)*
4.31	*Northern Europe*	*1.98*	***2.29***	*0.31*	*15.7*
4.79	*Turkey*	*2.32*	***1.45***	*(0.87)*	*(37.5)*
4.91	*France*	*2.36*	***3.01***	*0.65*	*27.5*
1.35	*Other*	*0.75*	***0.77***	*0.02*	*2.7*
2.06	**Extra European markets**	**0.92**	**1.14**	**0.22**	**23.9**
6.17	**E&P sales in Europe and in the Gulf of Mexico**	**2.95**	**2.94**	**(0.01)**	**(0.3)**
103.72	**WORLDWIDE GAS SALES**	**52.81**	**49.70**	**(3.11)**	**(5.9)**

Gas sales by entity

2009	(bcm)	First Half 2009	2010	Change	% Ch.
89.60	**Total sales of subsidiaries**	**45.69**	**42.26**	**(3.43)**	**(7.5)**
40.04	Italy (including own consumption)	21.11	**17.11**	(4.00)	(18.9)
48.65	Rest of Europe	24.20	**24.71**	0.51	2.1
0.91	Outside Europe	0.38	**0.44**	0.06	15.8
7.95	**Total sales of Eni s affiliates (net to Eni)**	**4.17**	**4.50**	**0.33**	**7.9**
	Italy		**0.03**	0.03	..
6.80	Rest of Europe	3.63	**3.77**	0.14	3.9
1.15	Outside Europe	0.54	**0.70**	0.16	29.6
6.17	**E&P in Europe and in the Gulf of Mexico**	**2.95**	**2.94**	**(0.01)**	**(0.3)**
103.72	**WORLDWIDE GAS SALES**	**52.81**	**49.70**	**(3.11)**	**(5.9)**

POWER

Availability of electricity

Eni s power generation sites are located in Ferrera Erbognone, Ravenna, Livorno, Taranto, Mantova, Brindisi, Ferrara and in Bolgiano.
In the first half of 2010, power generation was 12.58 TWh, up 1.36 TWh, or 12.1% from the corresponding period of 2009, mainly due to higher production in particular at the Brindisi plant.
Power availability in the first half of 2010 was supported by the growth in electricity trading activity (up 1.9 TWh, or 46%) due to higher volumes traded on the Italian power exchange.
As of June 30, 2010, installed operational capacity was 5.3 GW[1].

(1) Capacity available after completion of dismantling of obsolete plants.

Power sales

In the first half of 2010, electricity sales of 18.61 TWh were directed to the free market (70%), the Italian power exchange (19%), industrial sites (8%) and others (3%). Power sales increased by 21.2% from the first half of 2009 driven by a slight recovery in electricity demand and mainly related to higher volumes traded on the Italian power exchange (up 2.06 TWh). Sales on open markets and to industrial plants benefited from a greater availability of power generated by Eni s plants and volumes traded.

Power sales

2009	(TWh)	First Half 2009	2010	Change	% Ch.
24.09	Power generation	11.22	**12.58**	1.36	12.1
9.87	Trading of electricity [a]	4.13	**6.03**	1.90	46.0
33.96		**15.35**	**18.61**	**3.26**	**21.2**
24.74	Free market	12.44	**12.97**	0.53	4.3
4.70	Italian Exchange for electricity	1.48	**3.54**	2.06	..
2.92	Industrial plants	1.43	**1.56**	0.13	9.1
1.60	Other [a]		**0.54**	0.54	..
33.96	**Power sales**	**15.35**	**18.61**	**3.26**	**21.2**

(a) Include positive and negative imbalances.

Transport and regasification of natural gas

Volumes of gas transported in Italy (43.06 bcm in the first half of 2010) increased by 4.95 bcm from the first half of 2009, or 13%), reflecting a recovery in the domestic gas demand.
Eni transported 25.52 bcm of natural gas on behalf of third parties, up 7.45 bcm from the first half of 2009, or 41.2%.

In the first half of 2010, the LNG terminal in Panigaglia (La Spezia) regasified 1.11 bcm of natural gas (up 0.47 bcm, or 73.4%, from the first half of 2009).

Storage

In the first half of 2010, 4.84 bcm of gas were offtaken (down 1.21 bcm from the first half of 2009) while 3.81 bcm were input to Company s storage deposits, a decrease of 0.49 bcm compared to the same period of 2009.
Storage capacity amounted to 14.2 bcm, of which 5 bcm were destined to strategic storage.
The share of modulation storage capacity used by third parties was about 76% (64% in the first half of 2009).

Storage

2009			First Half 2009	2010	Change	% Ch.
16.52	**Total offtake from (input to) storage:**	(bcm)	**10.35**	**8.65**	**(1.70)**	**(16.4)**
7.81	*- input to storage*		*4.30*	***3.81***	*(0.49)*	*(11.4)*
8.71	*- offtake from storage*		*6.05*	***4.84***	*(1.21)*	*(20.0)*

70	**Modulation capacity: share utilized by third parties**	(%)	**64**	**76**	**12**	**18.8**
56	**Total customers**	(No.)	**49**	**63**	**14**	**28.6**

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Main development projects for the first half of 2010

Marketing

Divestment of Gas Brasiliano Distribuidora SA

On May 27, 2010 Eni signed a preliminary agreement to divest its 100% interest in Gas Brasiliano Distribuidora, a company that markets and distributes natural gas in Brazil, to Petrobras Gàs, a fully owned subsidiary of Petróleo Brasileiro ("Petrobras"). Total cash consideration is expected to amount to $250 million. The completion of the transaction is subject to approval of the relevant Brazilian authorities.

International transport

Sale of 25% of the share capital of GreenStream BV

On April 27, 2010, Eni sold to NOC (Libyan National Oil Corporation) a 25% stake in the share capital of GreenStream BV, the company owning and managing the gas pipeline for importing to Italy natural gas produced in Libya. Following the decrease of Eni s shareholding in the company to 50% and the implementation of renewed shareholders arrangements, Eni no longer controls the company and it has therefore been excluded from the consolidation area as of May 1, 2010.

GreenStream BV operates the import gas pipeline from Libya which in 2009 transported approximately 9 bcm. The company is part of the Western Libyan Gas Project which includes a 520-kilometer long gas underwater pipeline with a diameter of 32 inches, a compression station in Mellitah and a terminal in Gela in Sicily, the point of entry into the Italian natural gas transport system managed by Snam Rete Gas. In 2009 the pipeline was upgraded by 3 bcm/y, which are expected to come fully on stream in 2010, bringing total capacity to 11 bcm/y.

South Stream

On June 18, 2010 Eni and Gazprom signed a Memorandum of Understanding to define terms and conditions for the French company EDF entering the South Stream project. As part of the agreement, EDF is expected to acquire an interest in the venture that is

Regulatory framework

Framework legislative decree containing measures for increasing competition in the natural gas market and transferring the ensuing benefits to final customers according to Article 30, lines 6 and 7, of Law 23 July, 2009, No. 99

Implementing the provisions of Law 99/2009, on April 23, 2010, the Italian Council of Ministers approved a framework decree for introducing a system of wholesale market shares for operators inputting natural gas in the Italian transport network which substitutes the existing antitrust ceilings introduced by Legislative Decree No. 164/2000 due to expire at the end of 2010, also identifying new measures for increasing competition in the natural gas market. This draft decree has been examined and approved by the relevant parliamentary commissions, under certain conditions, and is awaiting finalization.

The decree provides that antitrust ceilings be calculated with reference to the market share of each operator and no longer to the amount of natural gas input by that subject into the national network. Market shares are going to be calculated starting from this input amount which will be increased with the purchases and sales of each operator under a method to be defined. Said market share will be not lower than the amount input to the network. Operators in the natural gas market will have to comply with a maximum share of 40% of domestic consumption. A mechanism of gas release is provided in case an operator fails to comply with the mandatory ceilings on the market share. The incumbent operator will be allowed to increase its threshold to 60% if it commits itself to developing new storage capacity of 4 billion cubic meters. In this case, this operator will: (i) allow third parties (such as industrial customers, groups of companies, consortia of final customers) to participate in the construction of storage infrastructure either by means of direct investment or of long term contracts for storage services; (ii) respect the mechanism of advancement of benefits under conditions and volumes defined by the Ministry of Economic Development and the Authority for Electricity and Gas (AEEG).

The decree also introduces measures aiming at regulating the upgrading of strategic infrastructure such as regasification terminals and gas pipelines, at planning to build a new infrastructure to transport Russian gas across the Black Sea and Bulgaria to European markets.

increasing storage capacity, supporting the security of supplies and increasing flexibility in the gas system, in addition to transferring the benefits deriving from a more open market to end users.

Eni s management is monitoring this area and evaluating any possible financial or economic impact associated with the proposed measures.

Resolution ARG/gas 89/10 - Change in the criteria for determining and upgrading tariffs applied to residential customers

Following a consultation procedure initiated by the Authority for Electricity and Gas with DCO 5/10 consultation document regarding the mechanism used to determine and update the tariffs for supplying residential users with consumption lower than 200 thousands of cubic meters, on June 18, 2010, the Authority published a resolution, ARG/gas 89/10, applied to the October 1, 2010-September 30, 2011 thermal year, providing for a 7.5% reduction in the raw material cost component of those supplies reflecting the current scenario of the Italian gas market in terms of supply, the impact of the economic downturn and the potential outcomes of the renegotiation of long-term supply contracts on part of Italian importers.
Considering the new calculation does not cover supply costs of an efficient portfolio of long-term contracts and considering the relevant impact on its consolidated accounts deriving from this new resolution, Eni s management is considering an appeal against the ARG/gas 89/10 resolution.

Negotiation Platform for gas trading

On March 18, 2010 the Ministry for Economic Development published a decree that implements a trading platform for natural gas starting from May 10, 2010 aimed at increasing competition and flexibility on wholesale markets. Management and organization of this platform are entrusted to an independent operator, the GME (Gestore del Mercato Elettrico).
This trading platform will evolve into a more structured gas exchange, effective from October 1, 2010.
Currently on this platform, certain volumes of gas are traded that correspond to the legal obligations on part of Italian importers and producers as per Law Decree No. 7/2007. Under these provisions, importers from non European countries were expected to supply given amounts of gas to the virtual exchange in order to receive permission to import. Eni is required to offer at that platform about 40 mmcm, completing the offer obligation related to the volumes imported in thermal year October 1, 2008-September 30, 2009 that had been submitted to the virtual exchange in 2009, as well as approximately 150/160 mmcm related to the October 1, 2009-September 30, 2010 thermal year.
Operators, also non importers, are allowed to negotiate additional gas volumes over the compulsory amounts on the platform according to the supply rules determined by the Authority for Electricity and Gas.
With a later administrative measure, also royalties due to the Italian state by gas producers will be traded on the virtual exchange.

European Directive No. 2009/73/CE of the European Parliament and Council on common regulations for the internal natural gas market

On July 13, 2009 European Directive No. 2009/73/CE on the regulation of the internal natural gas market was issued. Member states are expected to implement it in their legislation by March 3, 2011 and to choose one of two options for guaranteeing the independence of transport companies.
The two options provided are:
(i) Separation of ownership under two alternative modes:
- Ownership Unbundling (OU): the company that owns the networks and manages transport activities is unbundled from its integrated parent company that will retain supply/production and sale activities;
- Independent System Operator (ISO): the vertically integrated company retains ownership of the networks but confers their management to a third independent party.

(ii) Strengthened functional separation:
- Independent Transmission Operator (ITO): the vertically integrated company retains control of the company that manages transport activities and owns transport networks, provided the vertically integrated company refrains from interfering in the decision making process of the controlled carrier company.

While respecting the functional unbundling rules in force, as per AAEG Resolution No. 11/2007 as amended, Eni is monitoring the evolution of European rules and the possible economic and financial impacts associated with this matter.

Capital expenditures

In the first half of 2010, capital expenditures in the Gas & Power segment totaled euro 677 million and mainly related to: (i) developing and upgrading Eni s transport network in Italy (euro 342 million); (ii) developing and upgrading Eni s distribution network in Italy (euro 123 million); (iii) developing and upgrading Eni s storage capacity in Italy (euro 96 million); (iv) completion of construction of combined cycle power plants (euro 55 million), in particular at the Ferrara site; (v) development of the project intended to build an offshore storage facility in the Hewett area (Eni s interest 89%) located in the Southern Gas Basin in the North Sea, near the Bacton terminal.

Capital expenditures

(euro million)

2009		First Half 2009	First Half 2010	Change	% Ch.
175	**Marketing**	**55**	**110**	**55**	**100.0**
1,479	**Regulated businesses in Italy**	**676**	**561**	**(115)**	**(17.0)**
919	Transport	400	**342**	(58)	(14.5)
278	Distribution	144	**123**	(21)	(14.6)
282	Storage	132	**96**	(36)	(27.3)
32	**International transport**	**20**	**6**	**(14)**	**(70.0)**
1,686		**751**	**677**	**(74)**	**(9.9)**

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Refining & Marketing

Key performance indicators

2009			First Half 2009	First Half 2010
		(euro million)		
31,769	Net sales from operations [a]		14,121	**20,255**
(102)	Operating profit [b]		287	**360**
(357)	Adjusted operating profit		(51)	**(146)**
(197)	Adjusted net profit		(31)	**(49)**
635	Capital expenditures		217	**267**
7,560	Adjusted capital employed, net at period end [c]		8,539	**7,932**
(2.6)	Adjusted ROACE [c]	(%)	4.1	**(2.8)**
34.55	Refinery throughputs on own account	(mmtonnes)	16.65	**16.87**
60	Conversion index	(%)	59	**62**
747	Balanced capacity of refineries	(kbbl/d)	757	**747**
12.02	Retail sales of petroleum products in Europe	(mmtonnes)	5.86	**5.62**
5,986	Service stations in Europe at period end	(units)	6,018	**6,017**
2,477	Average throughput per service station in Europe	(kliters)	1,206	**1,142**
8,166	Employees at period end	(units)	8,371	**8,083**

(a) Before elimination of intragroup sales.
(b) From January 1, 2010, management has reviewed the residual useful lives of refineries and related facilities due to a change in the expected pattern of consumption of the expected future economic benefit embodied in those assets. In doing so, the Company has aligned with practices prevailing among integrated oil companies, particularly the European companies. Management s conclusions have been supported by an independent technical review.
(c) For a detailed explanation of adjusted capital employed and adjusted ROACE, see paragraph "Return On Average Capital Employed (ROACE)".

Supply and trading

In the first half of 2010, a total of 32.84 mmtonnes of crude were purchased by the Refining & Marketing division (32.72 mmtonnes in the first half of 2009), of which 14.77 mmtonnes from Eni s Exploration & Production division. Volumes amounting to 10.08 mmtonnes were purchased on the spot market, while 7.99 mmtonnes were purchased under long-term supply contracts with producing countries. Approximately 23% of crude purchased in the first half of 2010 came from Russia, 23% from West Africa, 12% from the North Sea, 13% from the Middle East, 11% from North Africa, 5% from Italy, and 13% from other areas.

In the first half of 2010 some 17.40 mmtonnes of crude purchased were marketed, a slight increase from the same period of 2009 (approximately up 180 ktonnes, or 1%). In addition, 1.61 mmtonnes of intermediate products were purchased (1.54 mmtonnes in the first half of 2009) to be used as feedstock in conversion plants and 7.16 mmtonnes of refined products (6.97 mmtonnes in the first half of 2009) were purchased to be sold on markets outside Italy (4.83 mmtonnes) and on the domestic markets (2.33 mmtonnes) as a complement to available production.

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Purchases

2009	(mmtonnes)	First Half 2009	2010	Change	% Ch.
	Equity crude oil				
29.84	Eni s production outside Italy	15.62	**13.17**	(2.45)	(15.7)
2.91	Eni s production in Italy	1.45	**1.60**	0.15	10.3
32.75		**17.07**	**14.77**	**(2.30)**	**(13.5)**
	Other crude oil				
14.94	Purchases on spot markets	6.37	**10.08**	3.71	58.2
19.71	Purchases under long-term contracts	9.28	**7.99**	(1.29)	(13.9)
34.65		**15.65**	**18.07**	**2.42**	**15.5**
67.40	**Total crude oil purchases**	**32.72**	**32.84**	**0.12**	**0.4**
2.92	Purchases of intermediate products	1.54	**1.61**	0.07	4.5
13.98	Purchases of products	6.97	**7.16**	0.19	2.7
84.30	**TOTAL PURCHASES**	**41.23**	**41.61**	**0.38**	**0.9**
(0.96)	Consumption for power generation	(0.46)	**(0.47)**	(0.01)	2.2
(1.64)	Other changes [(a)]	(1.42)	**(1.10)**	0.32	(22.5)
81.70		**39.35**	**40.04**	**0.69**	**1.8**

(a) Includes change in inventories, decrease in transportation, consumption and losses.

Refining

Availability of refined products

2009	(mmtonnes)	First Half 2009	2010	Change	% Ch.
24.02	At wholly-owned refineries	11.62	**12.40**	0.78	6.7
(0.49)	Less input on account of third parties	(0.25)	**(0.25)**		
5.87	At affiliated refineries	2.79	**2.15**	(0.64)	(22.9)
29.40	**Refinery throughputs on own account**	**14.16**	**14.30**	**0.14**	**1.0**
(1.60)	Consumption and losses	(0.80)	**(0.75)**	0.05	(6.3)
27.80	**Products available for sale**	**13.36**	**13.55**	**0.19**	**1.4**
3.73	Purchases of refined products and change in inventories	1.17	**2.26**	1.09	93.2
(3.89)	Products transferred to operations outside Italy	(1.17)	**(2.35)**	(1.18)	..
(0.96)	Consumption for power generation	(0.46)	**(0.47)**	(0.01)	2.2
26.68	**Sales of products**	**12.90**	**12.99**	**0.09**	**0.7**
	OUTSIDE ITALY				
5.15	**Refinery throughputs on own account**	**2.49**	**2.57**	**0.08**	**3.2**
(0.25)	Consumption and losses	(0.13)	**(0.11)**	0.02	(15.4)
4.90	**Products available for sale**	**2.36**	**2.46**	**0.10**	**4.2**
10.12	Purchases of refined products and change in inventories	5.70	**4.84**	(0.86)	(15.1)
3.89	Products transferred from Italian operations	1.17	**2.35**	1.18	..
18.91	**Sales of products**	**9.23**	**9.65**	**0.42**	**4.6**
34.55	**Refinery throughputs on own account**	**16.65**	**16.87**	**0.22**	**1.3**
5.11	*of which: refinery throughputs of equity crude on own account*	*2.67*	*2.59*	*(0.08)*	*(3.0)*
45.59	**Total sales of refined products**	**22.13**	**22.64**	**0.51**	**2.3**

36.11	**Crude oil sales**	**17.22**	**17.40**	**0.18**	**1.0**
81.70	**TOTAL SALES**	**39.35**	**40.04**	**0.69**	**1.8**

In the first half of 2010, refining throughputs on own account in Italy and outside Italy were 16.87 mmtonnes, up approximately 220 ktonnes from the first half of 2009, or 1.3%. Volumes processed in Italy registered an increase from the same period of 2009 due to refinery downtimes registered in Livorno and Gela plants, mainly due to re-scheduling of maintenance activities to capture upsides relating to a more favorable scenario in the second quarter.

Volumes processes outside Italy increased by

approximately 80 ktonnes, or up 3.2%, in particular due to higher volumes processed in the Czech Republic in response to the recovery of market demand.
Total throughputs at wholly-owned refineries (12.40 mmtonnes) increased by approximately 780 ktonnes, up 6.7%, from the first half of 2009, resulting in a 90% utilization rate as a consequence of the end of some processing contracts on account of third parties. Approximately 16.8% of volumes of processed crude were supplied by Eni s Exploration & Production segment (17.9% in the first half of 2009) representing a 1.1 percentage points decrease from the first half of 2009, corresponding to a lower volume of approximately 80 ktonnes.

Marketing of refined products

In the first half of 2010, sales volumes of refined products (22.64 mmtonnes) were up 0.51 mmtonnes from the first half of 2009, or 2.3%, mainly due to higher sales to oil companies and traders in Italy and outside Italy.

Product sales in Italy and outside Italy by market

	(mmtonnes)	First Half			
2009		2009	2010	Change	% Ch.
9.03	Retail	4.41	**4.18**	(0.23)	(5.2)
9.56	Wholesale	4.66	**4.37**	(0.29)	(6.2)
1.33	Petrochemicals	0.63	**0.88**	0.25	39.7
6.76	Other sales	3.20	**3.56**	0.36	11.3
26.68	**Sales in Italy**	**12.90**	**12.99**	**0.09**	**0.7**
2.99	Retail rest of Europe	1.45	**1.44**	(0.01)	(0.7)
3.66	Wholesale rest of Europe	1.76	**1.83**	0.07	4.0
0.41	Wholesale outside Italy	0.21	**0.20**	(0.01)	(4.8)
11.85	Other sales	5.81	**6.18**	0.37	6.4
18.91	**Sales outside Italy**	**9.23**	**9.65**	**0.42**	**4.6**
45.59	**TOTAL SALES**	**22.13**	**22.64**	**0.51**	**2.3**

Retail sales in Italy

In the first half of 2010, retail sales in Italy (4.18 mmtonnes) slightly decreased from the first half of 2009 (down by approximately 230 ktonnes, or 5.2%). These reductions were mainly due to lower domestic demand for fuels, in particular for gasoline. Eni s retail market share for the first half of 2010 was 30.3% down 1.3 percentage points from the corresponding period of 2009 (31.6%).
As of June 30, 2010, Eni s retail network in the rest of Europe consisted of 4,503 units, an increase of 29 units from December 31, 2009 (4,474 service stations), resulting from the positive balance of acquisitions/releases of lease concessions (37 units), the opening of new service stations (5 units), which were partially offset by the closing of low throughput service stations (10 units) and the release of 3 service stations under highway concession.
2009, and represented 10.4% of gasoil sales on Eni s retail network. As of June 30, 2010, service stations marketing BluDieselTech totaled 4,115 units (4,104 as of December 31, 2009) covering approximately 91% of Eni s network.
Retail sales of BluSuper amounted to approximately 34 ktonnes (approximately 45 mmliters), registering a slight decrease from the first half of 2009, and covered 2.5% of gasoline sales on Eni s retail network. As of June 30, 2010, service stations marketing BluSuper totaled 2,699 units (2,679 as of December 31, 2009), covering approximately 60% of Eni s network.
In February 2010, to substitute the promotional campaign "You&Agip" completed in 2009, Eni launched the new fidelity program "you&eni" which will last for 3 years until January 31, 2013. As of June 30, 2010, the number of cards used by customers in the period amounted to approximately 3.9 million.

Average throughput related to gasoline and gasoil (1,130 kliters) registered a decrease of approximately 86 kliters from the first half of 2009.

In the first half of 2010, sales of BluDieselTech amounted to approximately 281 ktonnes (approximately 337 mmliters), registering a slight decline from the first half of

The average number of cards active each month was approximately 2.7 million. Volumes of fuel marketed under this initiative represented over 42% of total volumes marketed on Eni s service stations joining the program, and approximately 41% of overall volumes marketed on Eni s network.

Retail and wholesale sales of refined products

2009	(mmtonnes)	First Half 2009	2010	Change	% Ch.
18.59	**Italy**	**9.07**	**8.55**	**(0.52)**	**(5.7)**
9.03	**Retail sales**	**4.41**	**4.18**	**(0.23)**	**(5.2)**
3.05	Gasoline	1.50	**1.34**	(0.16)	(10.7)
5.74	Gasoil	2.80	**2.72**	(0.08)	(2.9)
0.22	LPG	0.10	**0.12**	0.02	20.0
0.02	Lubricants	0.01		(0.01)	(100.0)
9.56	**Wholesale sales**	**4.66**	**4.37**	**(0.29)**	**(6.2)**
4.30	Gasoil	2.04	**1.98**	(0.06)	(2.9)
0.72	Fuel Oil	0.39	**0.24**	(0.15)	(38.5)
0.35	LPG	0.19	**0.17**	(0.02)	(10.5)
0.12	Gasoline	0.06	**0.07**	0.01	16.7
0.09	Lubricants	0.04	**0.05**	0.01	25.0
1.38	Bunker	0.67	**0.68**	0.01	1.5
2.60	Other	1.27	**1.18**	(0.09)	(7.1)
7.06	**Outside Italy (retail+wholesale)**	**3.42**	**3.47**	**0.05**	**1.5**
1.89	Gasoline	0.89	**0.88**	(0.01)	(1.1)
3.54	Gasoil	1.75	**1.83**	0.08	4.6
0.35	Jet fuel	0.17	**0.19**	0.02	11.8
0.28	Fuel Oil	0.17	**0.13**	(0.04)	(23.5)
0.10	Lubricants	0.05	**0.05**		
0.50	LPG	0.24	**0.24**		
0.40	Other	0.15	**0.15**		
25.65	**TOTAL SALES**	**12.49**	**12.02**	**(0.47)**	**(3.8)**

Retail sales in the Rest of Europe

In the first half of 2010, retail sales of refined products marketed in the rest of Europe (1.44 mmtonnes) were almost in line with the same period of 2009. Increases were recorded in Slovakia, France and Romania, while decreases were recorded mainly in Germany and Hungary.

At June 30, 2010, Eni s retail network in the rest of Europe consisted of 1,514 units, an increase of 2 units from December 31, 2009 (1,512 service stations). The network evolution was as follows: (i) positive balance of acquisitions/releases of lease concessions (5 units) with positive changes mainly in Hungary; (ii) purchased 4 service stations; (iii) 7 low throughput service stations were closed.

Average throughput (1,175 kliters) was nearly unchanged the first half of 2009 (1,177 kliters).

Wholesale and other sales

In the first half of 2010, sales volumes on wholesale markets in Italy (4.37 mmtonnes) were down 290 ktonnes from the first half of 2009, or 6.2%, mainly reflecting a decrease in demand in particular for fuel oil, due to lower industrial consumption reflecting the economic downturn.

Sales on wholesale markets in the rest of Europe (1.83 mmtonnes) increased by approximately 70 ktonnes, or 4%, mainly in France, Germany and the Czech Republic.

Supplies of feedstock to the petrochemical industry (approximately 880 ktonnes) increased by approximately 250 ktonnes due to the recovery in industrial demand.

Other sales (9.74 mmtonnes) increased by approximately 730 ktonnes, or 8.1%, mainly due to the increase of volumes sold to the cargo market.

Capital expenditures

In the first half of 2010, capital expenditures in the Refining & Marketing segment amounted to euro 267 million and regarded mainly: (i) refining, supply and logistics (euro 201 million), with projects designed to improve the conversion rate and flexibility of refineries (in particular Sannazzaro and Taranto plants) as well as expenditures on health, safety and environmental upgrades; (ii) upgrade of the retail network in Italy and in the Rest of Europe (euro 57 million).

Expenditures on health, safety and the environment amounted to euro 52 million.

Capital expenditures (euro million)

		First Half			
2009		2009	**2010**	Change	% Ch.
436	Refinery, supply and logistics	135	**201**	66	48.9
172	Marketing	65	**57**	(8)	(12.3)
27	Other	17	**9**	(8)	(47.1)
635		**217**	**267**	**50**	**23.0**

Petrochemicals

Key performance indicators

2009			First Half 2009	2010
		(euro million)		
4,203	Net sales from operations [a]		1,905	**3,174**
(675)	Operating profit		(454)	**53**
(426)	Adjusted operating profit		(257)	**(70)**
(340)	Adjusted net profit		(209)	**(66)**
145	Capital expenditures		45	**71**
6,521	Production	(ktonnes)	3,254	**3,748**
4,265	Sales of petrochemical products		2,118	**2,477**
65.4	Average plant utilization rate	(%)	66.0	**76.0**
6,068	Employees at period end	(units)	6,158	**5,980**

(a) Before elimination of intragroup sales.

Sales-production-prices

In the first half of 2010 sales of petrochemical products (3,174 ktonnes) increased by 1,269 ktonnes (or 66.6%) from the first half of 2009 due to a steep increase in average unit prices (50%) and a significant increase in sales volumes (up 17%, particularly in polymers) as a result of the demand recovery from the very low levels of the same period of last year.

Petrochemical production (3,748 ktonnes) increased by 494 ktonnes from the first half of 2009, or 15.2% in all business areas. The recovery in demand determined a production increase in all Eni s main plants, in Italy and outside Italy.
Nominal production capacity was substantially in line with the first half of 2009. The average plant utilization rate, calculated on nominal capacity increased from 66% to 76% as a result of higher volumes produced. In particular the volumes produced in the Priolo, Porto Marghera and Dunkerque crackers increased by 80%.

Average unit sale prices increased by 50% from the depressed levels registered in 2009. The most relevant increase was registered in the average price of monomers (76% on average) due to the positive impact of the oil price scenario (virgin naphtha prices increased due to an increase in demand while supply was low). Average unit prices of styrene and polyethylene increased by 40%, while elastomers achieved lower increases.

Product availability

2009	(ktonnes)	First Half 2009	2010	Change	% Ch.
4,350	Basic petrochemicals	2,175	**2,536**	361	16.6
2,171	Polymers	1,079	**1,212**	133	12.3

6,521	**Production**	**3,254**	**3,748**	**494**	**15.2**
(2,701)	Consumption and losses	(1,350)	**(1,524)**	(174)	12.9
445	Purchases and change in inventories	214	**253**	39	18.2
4,265		**2,118**	**2,477**	**359**	**16.9**

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Sales	(euro million)	First Half			
2009		2009	**2010**	Change	% Ch.
1,832	Basic petrochemicals	816	**1,483**	667	81.7
2,185	Polymers	995	**1,596**	601	60.4
186	Other sales	94	**95**	1	1.1
4,203		**1,905**	**3,174**	**1,269**	**66.6**

Business trends

Basic petrochemicals

Basic petrochemical revenues (euro 1,483 million) increased by euro 667 million (up 81.7%) from the first half of 2009 in all the main business segments due to the steep increase in average unit prices (ranging from 50% to 76%) as a result of the improved scenario. In particular sales volumes of olefins and intermediates increased by 20%. Sales volumes of aromatics (up 4%) affected by lower sales volumes of xylems, registered lower increases.

Basic petrochemical production (2,536 ktonnes) increased by 361 ktonnes from the first six months of 2009 (up 16.6%) due to the recovery in the demand for monomers.

Polymers

Polymers revenues (euro 1,596 million) increased by euro 601 million from the first half of 2009 (up 60.4%) due to average unit prices increasing by 44% for styrenic polymers, by 41% for polyethylene following the monomer increases and lower increases for elastomers, up 26%. Sales volumes increased on average by 16.4%.

Polymers production (1,212 ktonnes) increased by 133 ktonnes from the first half of 2009 (up 12.3%) as a result of the recovery of production started in the first months of 2010 due to the partial recovery in the main end-markets (automotive, construction and packaging). Production volumes of elastomers, polyethylene and styrene registered an increase from the first half of 2009 (up 15%, 13% and 9%, respectively).

Capital expenditures

In the first half of 2010 capital expenditures amounted to euro 71 million (euro 45 million in the first half of 2009) and regarded mainly plant upgrades (euro 40 million), energy recovery (euro 10 million), environmental protection, safety and environmental regulation compliance (euro 10 million), and upkeeping (euro 6 million).

Engineering & Construction

Key performance indicators

2009		(euro million)	First Half 2009	First Half 2010
9,664	Net sales from operations [(a)]		4,881	**5,008**
881	Operating profit		580	**625**
1,120	Adjusted operating profit		569	**632**
892	Adjusted net profit		449	**470**
1,630	Capital expenditures		888	**792**
15.4	Adjusted ROACE [(b)]	(%)	16.1	**14.1**
9,917	Orders acquired		5,068	**7,059**
18,730	Order backlog		19,015	**20,404**
35,969	Employees at period end	(units)	35,119	**37,958**

(a) Before elimination of intragroup sales.
(b) For a detailed explanation of adjusted capital employed and adjusted ROACE, see paragraph "Return On Average Capital Employed (ROACE)".

Activity for the year

Among the main orders acquired in the first half of 2010 were:

- EPC contracts on behalf of Abu Dhabi Gas Development for the construction of a gas processing plant (with a treatment capacity of 1 billion cubic feet per day of gas), a sulphur recovery unit and the related transporting facilities as part of the Shah Gas development program in the United Arab Emirates;
- an EPC contract on behalf of Kuwait Oil Company for the construction of a booster station made up of three high and low-pressure gas trains to produce 234 million cubic feet a day of dry gas and 69,000 barrels per day of condensates in Western Kuwait;
- an EPC contract on behalf of PEMEX for the construction of two desulphurization units and two amine regeneration units. The facilities will be built at two of the Client s refineries north of Mexico City, 2,000 and 1,700 meters above the
- the extension of the "Kashagan Piles and Flares" contract on behalf of Agip KCO for the installation of the offshore facilities system relating to the experimental phase of the Kashagan field development program, in Kazakhstan;
- a contract on behalf of Snam Rete Gas for the installation of a new onshore gas import system from a Floating Storage Regasification Unit to be installed off the coast of Livorno, Italy.

Orders acquired in the first half of 2010 amounted to euro 7,059 million, of which 94% representing projects to be carried out outside Italy, while orders from Eni companies amounted to 8% of the total. Order backlog was euro 20,404 million at June 30, 2010 (euro 18,730 million at December 31, 2009). Projects to be carried out outside Italy represented 93% of the total order backlog, while orders from Eni companies amounted to 19% of the total.

sea level;

(euro million)	First Half 2009	2010	Change	% Ch.
Orders acquired	**5,068**	**7,059**	**1,991**	**39.3**
Offshore construction	1,864	**1,923**	59	3.2
Onshore construction	2,340	**4,781**	2,441	..
Offshore drilling	331	**149**	(182)	(55.0)
Onshore drilling	533	**206**	(327)	(61.4)
of which:				
- Eni	1,478	**596**	(882)	(59.7)
- Third parties	3,590	**6,463**	2,873	80.0
of which:				
- Italy	369	**455**	86	23.3
- Outside Italy	4,699	**6,604**	1,905	40.5

(euro million)	Dec. 31, 2009	June 30, 2010	Change	% Ch.
Order backlog	**18,730**	**20,404**	**1,674**	**8.9**
Offshore construction	5,430	**5,194**	(236)	(4.3)
Onshore construction	8,035	**10,261**	2,226	27.7
Offshore drilling	3,778	**3,581**	(197)	(5.2)
Onshore drilling	1,487	**1,368**	(119)	(8.0)
of which:				
- Eni	4,103	**3,812**	(291)	(7.1)
- Third parties	14,627	**16,592**	1,965	13.4
of which:				
- Italy	1,341	**1,330**	(11)	(0.8)
- Outside Italy	17,839	**19,074**	1,235	6.9

Capital expenditures

In the second half of 2010 capital expenditures in the Engineering & Construction segment (euro 792 million) mainly regarded:

(i) Offshore drilling: construction of the semi-submersible rig Scarabeo 9, completion of the activities of completion of the new ultra deep water drill ship Saipem 12000, purchase of the jack up Perro Negro 8, under construction;

(ii) Offshore construction: construction of a new pipelayer and the ultra-deep water Field Development Ship FDS2, construction of a new fabrication yard in Indonesia and activities for the conversion of a tanker into an FPSO;

(iii) Onshore drilling: development of operating structures;

(iv) Onshore construction: maintenance of the existing asset base.

Capital expenditures (euro million) First Half

2009		2009	2010	Change	% Ch.
691	Offshore construction	370	**349**	(21)	(5.7)
19	Onshore construction	13	**6**	(7)	(53.8)
706	Offshore drilling	408	**320**	(88)	(21.6)
188	Onshore drilling	97	**117**	20	20.6
26	Other expenditures				
1,630	**Capital expenditures**	**888**	**792**	**(96)**	**(10.8)**

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ENI INTERIM CONSOLIDATED REPORT / FINANCIAL REVIEW AND TREND INFORMATION

Financial review

PROFIT AND LOSS ACCOUNT

	(euro million)	First Half			
2009		2009	2010	Change	% Ch.
83,227	Net sales from operations	42,008	**47,706**	5,698	13.6
1,118	Other income and revenues	501	**537**	36	7.2
(62,532)	Operating expenses	(31,597)	**(34,665)**	(3,068)	(9.7)
(250)	*of which non-recurring items*				
55	Other operating income (expense)	48	**33**	(15)	(31.3)
(9,813)	Depreciation, depletion, amortization and impairments	(4,588)	**(4,459)**	129	2.8
12,055	**Operating profit**	**6,372**	**9,152**	**2,780**	**43.6**
(551)	Finance income (expense)	(219)	**(601)**	(382)	..
569	Net income from investments	358	**672**	314	87.7
12,073	**Profit before income taxes**	**6,511**	**9,223**	**2,712**	**41.7**
(6,756)	Income taxes	(3,361)	**(4,865)**	(1,504)	(44.7)
56.0	*Tax rate (%)*	*51.6*	***52.7***	*1.1*	
5,317	**Net profit**	**3,150**	**4,358**	**1,208**	**38.3**
	of which attributable to:				
4,367	**- Eni s shareholders**	**2,736**	**4,046**	**1,310**	**47.9**
950	- Non-controlling interest	414	**312**	(102)	(24.6)

Net profit

Net profit attributable to Eni s shareholders for the first half of 2010 was euro 4,046 million, an increase of euro 1,310 million from the first half of 2009, or 47.9%. The result was driven by an improved operating performance (up by euro 2,780 million, or 43.6% in the first half of 2010) which was mainly reported by the Exploration & Production division. Also higher profits were reported form equity-accounted entities, helped by gains on divestments. These additions were partly offset by higher losses on fair-valued derivative instruments on currencies, which were recognized through profit and loss as they did not meet the formal criteria to be assessed as hedges under IFRS. Finally, Group results were affected by increased income taxes, with a tax rate increasing from 51.6% to 52.7%.

Adjusted net profit

	(euro million)	First Half			
2009		2009	2010	Change	% Ch.
4,367	**Net profit attributable to Eni s shareholders**	**2,736**	**4,046**	**1,310**	**47.9**

(191)	Exclusion of inventory holding (gains) losses	(52)	**(530)**		
1,031	Exclusion of special items	(23)	**(69)**		
	of which:				
250	*- non-recurring items*				
781	*- other special items*	*(23)*	***(69)***		
5,207	**Adjusted net profit attributable to Eni s shareholders**[a]	**2,661**	**3,447**	**786**	**29.5**

(a) For a detailed explanation of adjusted operating profit and net profit see paragraph "Reconciliation of reported operating profit and reported net profit to results on an adjusted basis".

Adjusted net profit attributable to Eni s shareholders for the first half of 2010 was euro 3,447 million, an increase of euro 786 million from the first half of 2009 (up 29.5%). Adjusted net profit is calculated by excluding an inventory holding profit of euro 530 million and net special gains of euro 69 million, resulting in an overall adjustment equal to a decrease of euro 599 million.

Special charges of operating profit mainly related to light impairment charges of oil&gas properties in the Exploration & Production division and capital expenditures for the period on health, safety and environmental upgrades on assets impaired in previous reporting periods in the Refining & Marketing and Petrochemical divisions. Also provisions for redundancy incentives and environmental provisions were recorded. Those special charges were offset by gains from the divestment of certain non-strategic assets in the Exploration & Production division. Special charges of net profit included a currency adjustment amounting to euro 47 million to the loss provision accrued in the 2009 financial statements to take account of the TSKJ proceeding. Certain special gains were also recorded related to the divestment of a 25% stake in GreenStream BV (euro 93 million), including a gain from revaluating the residual interest in the venture, and a 100% interest in the Belgian company DistriRe SA (euro 47 million), as well as impairment of the Company s interest in an industrial venture in Venezuela (euro 20 million)[1].

The breakdown of **adjusted net profit** by division is shown in the table below:

	(euro million)	First Half			
2009		2009	**2010**	Change	% Ch.
3,878	Exploration & Production	1,916	**2,684**	768	40.1
2,916	Gas & Power	1,485	**1,476**	(9)	(0.6)
(197)	Refining & Marketing	(31)	**(49)**	(18)	(58.1)
(340)	Petrochemicals	(209)	**(66)**	143	68.4
892	Engineering & Construction	449	**470**	21	4.7
(245)	Other activities	(100)	**(122)**	(22)	(22.0)
(744)	Corporate and financial companies	(466)	**(531)**	(65)	(13.9)
(3)	Impact of unrealized intragroup profit elimination [(a)]	31	**(103)**	(134)	
6,157	**Adjusted net profit**	**3,075**	**3,759**	**684**	**22.2**
	of which attributable to:				
950	- Non-controlling interest	414	**312**	(102)	(24.6)
5,207	**- Eni s shareholders**	**2,661**	**3,447**	**786**	**29.5**

(a) This item concerned mainly intragroup sales of commodities, services and capital goods recorded in the assets of the purchasing business segment as of end of the period.

The increase in the Group adjusted net profit in the first half of 2010 reflected higher adjusted net profit mainly reported by:

- The **Exploration & Production** division reported better adjusted net results (up euro 768 million, or 40.1%) driven by a better operating performance (up euro 2,323 million, or 54.8%). The main positive trends were higher oil realizations in dollar terms. On the negative side, the impacted by high supply costs of oil-based feedstock that were not fully recovered in sales prices.
- The **Engineering & Construction** division reported improved net profit (up euro 21 million, or 4.7%) driven by better operating performance (up euro 63 million) due to increased revenues and higher profitability of acquired orders.

adjusted tax rate was up by 3.3 percentage points in the first half of 2010 (from 56.8% to 60.1%).

- The **Petrochemicals** division achieved a remarkable improvement by trimming net loss by euro 143 million or 68.4% (from euro 209 million to euro 66 million). The improvement was driven by a better operating performance (up euro 187 million in the first half of 2010) due to an increase in sales volumes and cost efficiencies. Profitability continued being negatively

These positive performances were partly offset by lower results reported by:

- The **Refining & Marketing** division continued to report losses which amounted to euro 49 million for the first half of 2010, compared with net loss of euro 31 million a year ago. The euro 18 million decline (down 58.1%) was mainly due to a further deterioration in operating profitability (down by euro 95 million to euro 146 million), mainly as a result of unprofitable refining

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(1) A further impairment of the Company s interest in the above mentioned industrial venture resulting from the bolivar translation differences was accounted on the Company s equity for a total amount of euro 29 million.

margins, partly offset by higher profits of entities accounted for with the equity method.

- The **Gas & Power** division reported modest changes in adjusted net profit which was euro 9 million lower in the first half of 2010 (down 0.6%) from the previous year. The Marketing performance was sharply lower (down euro 322 million, or 32.6%) pressured by negative pricing conditions in oil-linked formulae, volumes losses in Italy and lowered marketing margins. Those negatives were counterbalanced by the effect of the renegotiation of certain long-term supply contracts and supply optimization actions, as well as a robust performance delivered by the Regulated businesses in Italy (up 18% in the first half), as well as higher profit reported by equity-accounted entities.

Return on average capital employed (ROACE) calculated on an adjusted basis for the twelve-month period to June 30, 2010 was 9.7% (13% at June 30, 2009).

Eni s results for the first half of 2010 were achieved in a trading environment characterized by an average 48.3% increase in hydrocarbon realizations driven by a recovery in Brent prices which were up 49.7% from the first half of 2009. Gas realizations showed a less lively pace (down by 4.8%) due to time lags in oil-linked pricing formulae and weak demand in areas where gas is sold on a spot basis.

Underlying fundamentals in the refining business remained weak as high costs of oil-based feedstock were only partially transferred to product prices pressured by excess capacity, sluggish demand and high inventory levels. Eni s refining margins showed an improvement in the second quarter of 2010, driven by a re-opening of light-heavy crude differentials in the Mediterranean area. This trend benefited the profitability of Eni s complex refineries, characterized by high conversion rate.

The depreciation of the euro vs. the US dollar (down 0.3%) generated a negligible impact on the results of the first half. On the contrary, shareholders equity benefited from a large drop recorded in the euro versus the US dollar exchange rate as of end of the first half 2010 which was down by 15% from December 31, 2009 as a result of currency translation differences. This determined a recovery in the net borrowings to shareholders equity ratio leverage that decreased to 0.41 at June 30, 2010 from 0.46 as of December 31, 2009.

Analysis of Profit and Loss Account Items

Net sales from operations

	(euro million)	First Half			
2009		2009	**2010**	Change	% Ch.
23,801	Exploration & Production	11,828	**14,569**	2,741	23.2
30,447	Gas & Power	17,468	**14,668**	(2,800)	(16.0)
31,769	Refining & Marketing	14,121	**20,255**	6,134	43.4
4,203	Petrochemicals	1,905	**3,174**	1,269	66.6
9,664	Engineering & Construction	4,881	**5,008**	127	2.6
88	Other activities	47	**52**	5	10.6
1,280	Corporate and financial companies	611	**634**	23	3.8
(66)	Impact of unrealized intragroup profit elimination	(19)	**(107)**	(88)	
(17,959)	Consolidation adjustment	(8,834)	**(10,547)**	(1,713)	

83,227	**42,008**	**47,706**	**5,698**	**13.6**

Eni s **net sales from operations** (revenues) for the first half of 2010 (euro 47,706 million) were up euro 5,698 million from the same period of the previous year (up 13.6%) primarily reflecting higher realizations on oil, products and natural gas in dollar terms.

Revenues generated by the Exploration & Production division (euro 14,569 million) increased by euro 2,741 million (up 23.2%) due to higher oil realizations in dollar terms (up 48.3%) reflecting the first half of 2010 trading environment, partly offset by lower gas realizations in dollar (down 4.8%) due to unfavorable time lags in oil-linked pricing formulae and weak spot prices. Eni s average liquid realizations decreased by 1.22 $/bbl in the first half of 2010 to 71.63 $/bbl, due to the settlement of certain commodity derivatives relating to the sale of 14.2 mmbbl in the first half. For further details see the disclosure on adjusted net profit of the Exploration & Production division.

Revenues generated by the Gas & Power division (euro 14,668 million) decreased by euro 2,800 million (down 16%) due in particular to lower volumes sold in Italy (down 4 bcm, or 18.9%) due to higher competitive pressure, partly offset by the positive results reported by subsidiaries operating outside Italy, reflecting organic growth in the international markets.

Revenues generated by Refining & Marketing division (euro 20,255 million) increased by euro 6,134 million (up 43.4%) due to higher sales prices.

Revenues generated by the Petrochemical division (euro 3,174 million) increased by euro 1,269 million (up 66.6%) from the first half of 2009 mainly reflecting higher sales prices (up 50% on average) and increased sales volumes (up 17%, mainly regarding polymers) due to a recovery of higher end-market demand compared to the particularly depressed market of 2009.

Revenues generated by the Engineering & Construction business (euro 5,008 million) increased by euro 127 million (up 2.6%) from the first half of 2009, as a result of the higher levels of activity in the Onshore and Drilling sectors.

Operating expenses

	(euro million)	First Half			
2009		2009	**2010**	Change	% Ch.
58,351	Purchases, services and other	29,520	**32,466**	2,946	10.0
	of which:				
250	*- non-recurring items*				
537	*- other special items*	*110*	***97***		
4,181	Payroll and related costs	2,077	**2,199**	122	5.9
	of which:				
134	*- provision for redundancy incentives*	*38*	***44***		
62,532		**31,597**	**34,665**	**3,068**	**9.7**

Operating expenses reported in the first half of 2010 increased by euro 3,068 million to euro 34,665 million from the first half of 2009 (up 9.7%).

Purchases, services and other (euro 32,466 million) increased by euro 2,946 million (up 10%) due to the recovery of supply costs of oil and petrochemicals feedstock affected by energy parameters. Purchases, services and other include euro 97 million of **special charges**, relating mainly to environmental and other risk provisions.
In the first half of 2009, **special charges** amounting to euro 110 million related mainly to impairment losses on certain receivables associated with a capital project, and environmental and other risk provisions.

Payroll and related costs (euro 2,199 million) increased by euro 122 million (up 5.9%) due to higher unit labor cost in Italy and outside Italy (partly reflecting the impact of the appreciation of the dollar), an increase in the average number of employees outside Italy, mainly in the Engineering & Construction business due to higher activity levels, as well as higher provisions for redundancy incentives.
These increases were partly offset by a decrease in the average number of employees in Italy.

Depreciation, depletion, amortization and impairments

	(euro million)	First Half			
2009		2009	**2010**	Change	% Ch.
6,789	Exploration & Production	3,262	**3,429**	167	5.1

981	Gas & Power	477	**470**	(7)	(1.5)
408	Refining & Marketing	197	**167**	(30)	(15.2)
83	Petrochemicals	48	**39**	(9)	(18.8)
433	Engineering & Construction	216	**236**	20	9.3
2	Other activities	1	**1**		
83	Corporate and financial companies	40	**37**	(3)	(7.5)
(17)	Impact of unrealized intragroup profit elimination	(7)	**(9)**	(2)	
8,762	**Total depreciation, depletion and amortization**	**4,234**	**4,370**	**136**	**3.2**
1,051	Impairments	354	**89**	(265)	(74.9)
9,813		**4,588**	**4,459**	**(129)**	**(2.8)**

Depreciation, depletion and amortization charges (euro 4,370 million) increased by euro 136 million, up 3.2%, mainly in: (i) the Exploration & Production division (up euro 167 million) as new fields were brought into production and increase capital expenditure was incurred in connection with production optimization, partly offset by lower exploration expenditures; (ii) the Engineering & Construction division (up euro 20 million) due to entry into operation of new vessels. A reduction was recorded in the Refining & Marketing division related mainly to a revision of the residual useful lives of refineries and related facilities from January 1, 2010, based also on practices prevailing among European integrated oil companies. In the Gas & Power division, the impact of new assets entered into operation was offset by a revision in the useful life of pipelines (from 40 to 50 years), which was revised recently by the Authority for Electricity and Gas for tariff purposes, starting from January 1, 2010.

Impairment charges of euro 89 million mainly regarded impairment charges recorded on oil&gas properties in the Exploration & Production division due to updated commodity prices and cost increases mainly recorded in the Gulf of Mexico and Egypt, as well as capital expenditures for the period on health, safety and environmental upgrades on assets impaired in previous reporting periods in the Refining & Marketing and Petrochemical division.

The breakdown of impairment charges by division is shown in the table below:

	(euro million)	First Half			
2009		2009	**2010**	Change	% Ch.
576	Exploration & Production	209	**29**	(180)	(86.1)
	Gas & Power		**10**	10	
346	Refining & Marketing	52	**33**	(19)	(36.5)
121	Petrochemicals	89	**9**	(80)	(89.9)
2	Engineering & Construction				
6	Other activities	4	**8**	4	100.0
1,051		**354**	**89**	**(265)**	**(74.9)**

Operating profit

The breakdown of reported operating profit by division is provided below:

	(euro million)	First Half			
2009		2009	**2010**	Change	% Ch.
9,120	Exploration & Production	4,152	**6,698**	2,546	61.3
3,687	Gas & Power	2,116	**1,908**	(208)	(9.8)
(102)	Refining & Marketing	287	**360**	73	25.4
(675)	Petrochemicals	(454)	**53**	507	..
881	Engineering & Construction	580	**625**	45	7.8
(382)	Other activities	(177)	**(153)**	24	13.6
(474)	Corporate and financial companies	(187)	**(174)**	13	7.0
	Impact of unrealized intragroup profit elimination	55	**(165)**	(220)	
12,055	**Operating profit**	**6,372**	**9,152**	**2,780**	**43.6**

Adjusted operating profit

The breakdown of adjusted operating profit by division is provided below:

	(euro million)	First Half			
2009		2009	2010	Change	% Ch.
12,055	**Operating profit**	**6,372**	**9,152**	**2,780**	**43.6**
(345)	Exclusion of inventory holding (gains losses	(65)	**(777)**		
1,412	Exclusion of special items	(4)	**84**		
	of which:				
250	*- non-recurring items*				
1,162	*- other special items*	*(4)*	*84*		
13,122	**Adjusted operating profit**	**6,303**	**8,459**	**2,156**	**34.2**
	Breakdown by division				
9,484	Exploration & Production	4,237	**6,560**	2,323	54.8
3,901	Gas & Power	2,053	**1,896**	(157)	(7.6)
(357)	Refining & Marketing	(51)	**(146)**	(95)	..
(426)	Petrochemicals	(257)	**(70)**	187	72.8
1,120	Engineering & Construction	569	**632**	63	11.1
(258)	Other activities	(128)	**(108)**	20	15.6
(342)	Corporate and financial companies	(175)	**(140)**	35	20.0
	Impact of unrealized intragroup profit elimination	55	**(165)**	(220)	

In the first half o f 2010 **Eni s adjusted operating profit** amounted to euro 8,459 million, an increase of euro 2,156 million from the first half of 2009 (up 34.2%). Adjusted operating profit is calculated by excluding an inventory holding profit of euro 777 million and special gains of euro 84 million net, resulting in an overall adjustment equal to a decrease of euro 693 million.

This increase is mainly due to the better operating performance recorded by the following divisions:

- **Exploration & Production** (up euro 2,323 million, or 54.8%) mainly driven by higher oil realizations in dollars (up 48.3%) and lower exploration expenditure. These positives were partly offset by higher operating expenses and amortization charges, and by lower gas realizations in dollar terms (down 4.8%);
- **Engineering & Construction** (up euro 63 million, or 11.1%) driven by a growth in revenues and higher profitability of acquired orders.

These increases were partly offset by a decrease in the adjusted operating profit reported in the following divisions:

- **Gas & Power** (down euro 157 million, or 7.6%) reported a decrease in operating profit affected by the lower operating performance of the Marketing business (down 32.6%), negatively affected by negative pricing conditions in oil-linked formulae, volume losses in Italy and lowered marketing margins, partly offset by the effect of the renegotiation of certain long-term supply contracts and supply optimization actions. The Regulated businesses in Italy delivered a robust performance (up 18%);

- **Petrochemicals** (up euro 187 million, or 72.8%) driven by a significant increase in sales volumes (up 17%, particularly in polymers) and cost efficiencies. These positives were partly offset by higher supply costs of oil-based feedstock that were not fully recovered in sales prices;
- **Refining & Marketing** (down euro 95 million) reported an operating loss, moving from minus euro 51 million to minus euro 146 million, due to sharply lower refining margins affected by an unfavorable trading environment, mainly in the first quarter of 2010. Also marketing activities in Italy reported a decrease in results, due to lower sales of gasoline.

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Finance income (expense)

2009	(euro million)	First Half 2009	2010	Change
(673)	**Finance income (expense) related to net borrowings**	**(335)**	**(307)**	**28**
(753)	Finance expense on short and long-term debt	(389)	**(353)**	36
33	Net interest due to banks	17	**8**	(9)
47	Net income from receivables and securities for non-financing operating activities	37	**38**	1
(4)	**Income (expense) on derivatives**	**48**	**(331)**	**(379)**
(106)	**Exchange differences, net**	**(201)**	**42**	**243**
9	**Other finance income and expense**	**147**	**(93)**	**(240)**
163	Income from equity instruments	172		(172)
43	Net income from receivables and securities for financing operating activities and interest on tax credits	20	**33**	13
(218)	Finance expense due to the passage of time (accretion discount)	(82)	**(132)**	(50)
21	Other	37	**4**	(33)
(774)		**(341)**	**(691)**	**(350)**
223	Finance expense capitalized	122	**90**	(33)
(551)		**(219)**	**(601)**	**(382)**

In the first half of 2010, net finance expense increased by euro 382 million to euro 601 million from the first half of 2009. This increase was mainly related to losses on fair-valued derivative instruments on exchange rates which are recognized through profit and loss as they did not meet the formal criteria to be designated as hedges under IFRS (from a gain of euro 48 million in the first half 2009 to a loss of euro 331 million in the first half of 2010), which effects were partly absorbed by positive exchange differences of euro 243 million. Exchange differences included a euro 47 million adjustment on the loss provision accrued in the 2009 financial statements relating to the TSKJ dispute, to account for the depreciation of the euro over the dollar. Furthermore, in the fist half of 2009 financial gains amounting to euro 172 million had been recorded related to the contractual remuneration on the 20% interest in OAO Gazprom Neft, calculated until April 24, 2009, when Gazprom paid for the call option exercised. Lower finance charges on finance debt reflected lower interest rates on both euro-denominated (down 1.1 percentage points) and dollar loans (down 0.7 percentage points).

Net income from investments

The table below sets forth the breakdown of net income from investments by division for the first half of 2010:

First Half of 2010 (euro million)	**Exploration & Production**	**Gas & Power**	**Refining & Marketing**	**Engineering & Construction**	**Other**	**Group**
Share of gains (losses) from equity-accounted investments	66	187	46	(4)	(3)	**292**
Dividends	205	7	30			**242**
Gains on disposal		140	2		1	**143**
Other income (expense), net	(5)			1	(1)	**(5)**
	266	**334**	**78**	**(3)**	**(3)**	**672**

Net income from investments amounted to euro 672 million and related mainly to: (i) Eni s share of profit of entities accounted for with the equity method (euro 292 million), mainly in the Gas & Power and Exploration & Production divisions; (ii) dividends received by entities accounted for at cost (euro 242 million), mainly relating to Nigeria LNG Ltd; (iii) net gains from divestments (euro 143 million), mainly related to the divestment of a 25% stake in GreenStream (euro 93 million), including a gain from revaluating the residual interest in the venture, and a 100% interest in the Belgian company DistriRe (euro 47 million). These positives were partly offset by impairment of the Company s interest in an industrial venture in Venezuela (euro 23 million) in the Refining & Marketing division, reflecting net loss for the period and management s forecast for reduced industrial margins and expectations of further depreciation of the bolivar exchange rate in the future.

The table below sets forth a breakdown of net income/loss from investments for the periods presented:

2009	(euro million)	First Half 2009	First Half 2010	Change
393	Share of gains (losses) from equity-accounted investments	205	**292**	87
164	Dividends	136	**242**	106
16	Gains on disposal	10	**143**	133
(4)	Other income (expense), net	7	**(5)**	(12)
569		**358**	**672**	**314**

The increase of euro 314 million from the first half of 2009 related to higher profits and dividends paid by equity-accounted entities in the Gas & Power and Exploration & Production divisions due to the trading environment, as well as net gains on disposal of assets.

Income taxes

2009	(euro million)	First Half 2009	First Half 2010	Change
	Profit before income taxes			
2,403	Italy	2,062	**1,841**	(221)
9,670	Outside Italy	4,449	**7,382**	2,933
12,073		**6,511**	**9,223**	**2,712**
	Income taxes			
1,190	Italy	1,007	**843**	(164)
5,566	Outside Italy	2,354	**4,022**	1,668
6,756		**3,361**	**4,865**	**1,504**
	Tax rate (%)			
49.5	Italy	48.8	**45.8**	(3.0)
57.6	Outside Italy	52.9	**54.5**	1.6
56.0		**51.6**	**52.7**	**1.1**

Income taxes were euro 4,865 million, up euro 1,504 million, or 44.7%, mainly reflecting an increased taxable profit. In particular, higher income taxes were recorded by subsidiaries in the Exploration & Production division operating outside Italy.
Reported tax rate increased by 1.1 percentage points, due to a higher share of profit earned by subsidiaries in the Exploration & Production division which bear a higher tax rate than the Group average tax rate.

Adjusted tax rate, calculated as the ratio of income taxes to net profit before taxes on an adjusted basis, was 55.4% (52.1% in the first half of 2009).

Non-controlling interest

Non-controlling interest s share of profit was euro 312 million and related mainly to Snam Rete Gas SpA (euro 246 million) and Saipem SpA (euro 46 million).

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Divisional performance[2]

Exploration & Production

2009	(euro million)	First Half 2009	2010	Change	% Ch.
9,120	**Operating profit**	**4,152**	**6,698**	**2,546**	**61.3**
364	Exclusion of special items:	85	**(138)**		
618	*- asset impairments*	*220*	***29***		
(270)	*- gains on disposals of assets*	*(167)*	***(167)***		
31	*- provision for redundancy incentives*	*5*	***8***		
(15)	*- re-measurement gains/losses on commodity derivatives*	*27*	***(8)***		
9,484	**Adjusted operating profit**	**4,237**	**6,560**	**2,323**	**54.8**
(23)	Net finance income (expense) [(a)]	83	**(106)**	(189)	
243	Net income (expense) from investments [(a)]	113	**266**	153	
(5,826)	Income taxes [(a)]	(2,517)	**(4,036)**	(1,519)	
60.0	*Tax rate (%)*	*56.8*	***60.1***	*3.3*	
3,878	**Adjusted net profit**	**1,916**	**2,684**	**768**	**40.1**
	Results also include:				
7,365	amortizations and depreciations	3,471	**3,458**	(13)	(0.4)
	of which:				
1,551	exploration expenditures	920	**630**	(290)	(31.5)
1,264	*- amortizations of exploratory drilling expenditures and other*	*770*	***380***	*(390)*	*(50.6)*
287	*- amortizations of geological and geophysical exploration expenses*	*150*	***250***	*100*	*66.7*

(a) Excluding special items.

In the first half of 2010 the Exploration & Production division reported an **adjusted operating profit** of euro 6,560 million, an increase of euro 2,323 million from the first half of 2009, up 54.8%, mainly driven by higher oil realizations in dollars (up 48.3%). Lower expenses were also incurred in connection with exploration activities. These positives were partly offset by rising operating costs and amortization charges taken in connection with development activities as new fields were brought into production, as well as lower gas realizations in dollar (down 4.8%).

Special charges excluded from the adjusted operating profit amounted to euro 138 million and mainly concerned gains from the divestment of certain exploration and production assets and light impairments of oil&gas properties.

on average by 48.3% in dollar terms from the corresponding period a year ago driven by a favorable scenario (Brent increased by 49.7% in the first half of 2010).

Eni s **average liquid realizations** decreased by 1.22 $/bbl in the first half of 2010 due to the settlement of certain cash flow hedges commodity derivatives relating to the sale of 14.2 mmbbl in the first half. This was part of a derivative transaction the Company entered into to hedge exposure to variability in future cash flows expected from the sale of a portion of the Company s proved reserves for an original amount of approximately 125.7 mmbbl in the 2008-2011 period. As of June 30, 2010, the residual amount of that hedging transaction was 23.3 mmbbl.

Eni s average gas realizations showed a decrease of 4.8% in the first half of 2010 due to time lags in oil-linked pricing formulae and weak demand in areas where gas is

In the first half of 2010 **liquid realizations** increased sold on a spot basis.

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(2) For a detailed explanation of adjusted operating profit and net profit, see paragraph "Reconciliation of reported operating profit and reported net profit to results on an adjusted basis".

Liquid realizations and the impact of commodity derivatives were as follows:

Liquids		First Half 2009	**2010**
Sales volumes	(mmbbl)	187.0	**172.2**
Sales volumes hedged by derivatives (cash flow hedge)		21.0	**14.2**
Total price per barrel, excluding derivatives	($/bbl)	**47.51**	**72.85**
Realized gains (losses) on derivatives		0.79	**(1.22)**
Total average price per barrel		**48.30**	**71.63**

Gas & Power

2009	(euro million)	First Half 2009	**2010**	Change	% Ch.
3,687	**Operating profit**	**2,116**	**1,908**	**(208)**	**(9.8)**
326	Exclusion of inventory holding (gains) losses	294	**(106)**		
(112)	Exclusion of special items:	(357)	**94**		
19	*- environmental provisions*	*17*	***4***		
27	*- asset impairments*		***10***		
(6)	*- gains on disposals of assets*	*(5)*	***1***		
115	*- provisions for risks*				
25	*- provisions for redundancy incentives*	*8*	***8***		
(292)	*- re-measurement gains/losses on commodity derivatives*	*(377)*	***71***		
3,901	**Adjusted operating profit**	**2,053**	**1,896**	**(157)**	**(7.6)**
1,721	*Marketing*	*987*	***665***	*(322)*	*(32.6)*
1,796	*Regulated businesses in Italy*	*859*	***1,014***	*155*	*18.0*
384	*International transport*	*207*	***217***	*10*	*4.8*
(15)	Net finance income (expense) [(a)]	(12)	**7**	19	
332	Net income (expense) from investments [(a)]	162	**195**	33	
(1,302)	Income taxes [(a)]	(718)	**(622)**	96	
30.9	*Tax rate (%)*	*32.6*	***29.6***	*(3.0)*	
2,916	**Adjusted net profit**	**1,485**	**1,476**	**(9)**	**(0.6)**

(a) Excluding special items.

In the first half of 2010 the Gas & Power division reported **adjusted operating profit** of euro 1,896 million, a decrease of euro 157 million from the first half of 2009, down 7.6%, due to a lower performance delivered by the Marketing business (down 32.6%), partly offset by a better performance of the Italian regulated business (up 18%). Results from the Marketing activity were negatively affected by the same business trends as in the second quarter and did not take those derivatives as being hedges with associated gains recognized in each of the reporting periods where the associated sales occurred (see page below).

Special items excluded from operating profit amounted to net charges of euro 94 million. These mainly related to the impact on fair value evaluation of certain non-hedging commodity derivatives in the Marketing business (euro 71 million), impairment of minor assets into account certain gains recorded in previous quarters on the settlement of non-hedging commodity derivatives amounting to euro 82 million which could be associated with the sale of gas and electricity occurred in the first half of 2010. In the first half of 2009, those gains amounted to euro 160 million which were not recognized in the operating profit of that period. Those gains were reflected in calculating the EBITDA pro-forma adjusted which represented and provisions for redundancy incentives.

Adjusted net profit for the first half of 2010 was euro 1,476 million, decreasing by euro 9 million from the first half of 2009 (down 0.6%) due to a lowered operating performance, partly offset by higher earnings reported by equity-accounted entities and a lowered tax rate (down by 3 percentage points).

Marketing

In the first half of 2010, the marketing business reported **adjusted operating profit** of euro 665 million representing a decrease of euro 322 million from the first half of 2009 (down 32.6%). In considering the impact associated with the above mentioned non-hedging commodity derivatives, the following factors had a negative effect on Marketing results:

(i) Unfavorable trends in energy parameters provided in contractual oil-linked pricing formulae;

(ii) Sharply lower sales volumes in Italy (down 4 bcm, or 18.9%) and declining margins as competitive pressures mounted.

These negatives were partly offset by the renegotiation of a number of long-term supply contracts and supply optimization measures.

Regulated Businesses in Italy

In the first half of 2010 these businesses reported an **adjusted operating profit** of euro 1,014 million, up euro 155 million from a year-ago, up 18%, due also to synergies achieved by integrating the businesses following the reorganization that took place in 2009.

The Transport activity increased the operating performance by euro 121 million, or 23.1% mainly due to: (i) lower operating cost related to in-kind remuneration of gas used in transport activity; (ii) lower amortization charges, related to the revision of the useful lives of gas pipelines (from 40 to 50 years); (iii) increased volumes transported on behalf of third parties, due to a slight recovery in domestic demand. Also the Distribution Business reported improved results (up euro 26 million) driven by a positive impact associated with a new tariff regime set by the Authority for Electricity and Gas intended to cover amortization charges.

The storage business reported an adjusted operating profit of euro 134 million, a slight increase from the first half of 2009 (euro 126 million).

International Transport

This business reported an **adjusted operating profit** of euro 217 million for the first half representing an increase of euro 10 million, or 4.8%, from the first half of 2009.

Other performance indicators

Follows a breakdown of the pro-forma adjusted EBITDA by business:

	(euro million)	First Half			
2009		2009	2010	Change	% Ch.
4,403	**Pro-forma EBITDA adjusted**	**2,541**	**2,257**	**(284)**	**(11.2)**
2,392	Marketing	1,558	**1,155**	(403)	(25.9)
(133)	*of which: +/(-) adjustment on commodity derivatives*	*160*	***82***		
1,345	Regulated businesses in Italy	644	**729**	85	13.2
666	International transport	339	**373**	34	10.0

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization charges) on an adjusted basis is calculated by adding amortization and depreciation charges to adjusted operating profit which is also account the amount of own shares held in treasury by the subsidiary itself) although this Company is fully consolidated when preparing consolidated financial statements in accordance with IFRS, due to its listed modified to take into account the impact associated with certain derivatives instruments as discussed below. This performance indicator includes the adjusted EBITDA of Eni s wholly owned subsidiaries and Eni s share of adjusted EBITDA generated by certain associates which are accounted for under the equity method for IFRS purposes. Snam Rete Gas EBITDA is included according to Eni s share of equity (55.57% as of June 30, 2010, which takes into company status. Italgas SpA and Stoccaggi Gas Italia SpA results are also included according to the same share of equity as Snam Rete Gas (55.57%), due to the closing of the restructuring deal which involved Eni s regulated business in the Italian gas sector. The parent company Eni SpA divested the entire share capital of the two subsidiaries to Snam Rete Gas. In order to calculate the pro-forma adjusted EBITDA, the adjusted operating profit of the Marketing business has

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been modified to take into account the impact of the settlement of certain commodity and exchange rate derivatives that do not meet the formal criteria to be classified as hedges under the IFRS. These are entered into by the Company in view of certain amounts of gas and electricity that the Company expects to supply at fixed prices during future periods. The impact of those derivatives has been allocated to the pro-forma adjusted EBITDA relating to the reporting periods during which those supplies at fixed prices are recognized. Management believes that the EBITDA pro-forma adjusted is an important alternative measure to assess the performance of Eni s Gas & Power division, taking into account evidence that this division is comparable to European utilities in the gas and power generation sector. This measure is provided in order to assist investors and financial analysts in assessing the Eni Gas & Power divisional performance as compared to its European peers, as EBITDA is widely used as the main performance indicator for utilities. The pro-forma adjusted EBITDA is a non-GAAP measure under IFRS.

Refining & Marketing

2009	(euro million)	First Half 2009	2010	Change	% Ch.
(102)	**Operating profit**	**287**	**360**	**73**	**25.4**
(792)	Exclusion of inventory holding (gains) losses	(467)	**(537)**		
537	Exclusion of special items:	129	**31**		
72	*- environmental provisions*	*22*	***34***		
389	*- asset impairments*	*52*	***33***		
(2)	*- gains on disposal of assets*	*1*	***(10)***		
17	*- risk provisions*	*15*			
22	*- provisions for redundancy incentives*	*8*	***6***		
39	*- re-measurement gains/losses on commodity derivatives*	*31*	***(32)***		
(357)	**Adjusted operating profit**	**(51)**	**(146)**	**(95)**	**..**
75	Net income (expense) from investments [(a)]	39	**66**	27	
85	Income taxes [(a)]	(19)	**31**	50	
..	*Tax rate (%)*	..	..		
(197)	**Adjusted net profit**	**(31)**	**(49)**	**(18)**	**..**

(a) Excluding special items.

In the first half of 2010 the Refining & Marketing division reported an **adjusted operating loss** of euro 146 million, increasing by euro 95 million from the same period of the previous year, driven by lower refining margins as profitability of simple throughputs was impaired by lowered relative prices of products to oil feedstock costs due to weak industry fundamentals. This trend was partly offset by an improved profitability of complex throughputs, reflecting the re-opening of light-heavy crude differentials in the Mediterranean area in recent months. Another positive factor was the appreciation of the dollar over the euro in second quarter. Operating results were also affected by a lower activities in Italy, due to lower volumes sold driven by weak national demand.

Special charges excluded from adjusted operating loss (euro 31 million) mainly related to environmental provisions, impairment of capital expenditures on assets impaired in previous reporting periods, partly offset by re-measurement gains recorded on fair value evaluation of certain non-hedging commodity derivatives.

Adjusted net loss was euro 49 million (down euro 18 million from the first half of 2009) mainly due to a lower operating performance partly offset by higher operating performance delivered by the Marketing earnings reported by equity-accounted entities.

Petrochemicals

	(euro million)	First Half			
2009		2009	**2010**	Change	% Ch.
(675)	**Operating profit**	**(454)**	**53**	**507**	**..**
121	Exclusion of inventory holding (gains) losses	108	**(134)**		
128	Exclusion of special items:	89	**11**		
121	*- asset impairments*	*89*	***9***		
10	*- provisions for redundancy incentives*	*3*	***2***		
(3)	*- re-measurement gains/losses on commodity derivatives*	*(3)*			
(426)	**Adjusted operating profit**	**(257)**	**(70)**	**187**	**72.8**
	Net income (expense) from investments [(a)]		**2**	2	
86	Income taxes [(a)]	48	**2**	(46)	
(340)	**Adjusted net profit**	**(209)**	**(66)**	**143**	**68.4**

(a) Excluding special items.

In the first half of 2010, the Petrochemicals division achieved a remarkable improvement by trimming its **adjusted operating loss** by euro 187 million, or 72.8% (from a loss of euro 257 million in the first half of 2010 to a loss of euro 70 million) driven by a 17% increase in sales volumes and cost efficiencies. Profitability continued being negatively impacted by high supply costs of oil-based feedstock that were not fully recovered in sales prices.

Adjusted net loss amounted to euro 66 million, a reduction of euro 143 million from the same period of the previous year due to the better operating performance.

Engineering & Construction

	(euro million)	First Half			
2009		2009	**2010**	Change	% Ch.
881	**Operating profit**	**580**	**625**	**45**	**7.8**
239	Exclusion of special items:	(11)	**7**		
	of which:				
250	Non-recurring items				
(11)	Other special items:	(11)	**7**		
2	*- asset impairments*				
3	*- gains on disposals of assets*	*(1)*			
	- provisions for redundancy incentives	*(10)*	***7***		
(16)	*- re-measurement gains/losses on commodity derivatives*				
1,120	**Adjusted operating profit**	**569**	**632**	**63**	**11.1**
	Net finance income (expense) [(a)]		**47**	47	
49	Net income (expense) from investments [(a)]	19	**(3)**	(22)	
(277)	Income taxes [(a)]	(139)	**(206)**	(67)	
23.7	*Tax rate (%)*	*23.6*	***30.5***	*6.9*	
892	**Adjusted net profit**	**449**	**470**	**21**	**4.7**

(a) Excluding special items.

In the first half of 2010 the Engineering & Construction division reported an **adjusted operating profit** increasing by euro 63 million, or 11.1%, to euro 632 million, reflecting a better performance recorded in particular in: (i) the onshore construction due to a better operating performance; (ii) offshore drilling due to higher activity levels of the Perro Negro 6 jack up and Scarabeo 4 and 7 semi-submersible platforms.

Special charges excluded from adjusted operating profit related mainly to provisions for redundancy incentives. Special charges of net profit included a currency adjustment amounting to euro 47 million to the loss provision accrued in the 2009 financial statements to take account of the TSKJ proceeding, to account for the depreciation of the euro over the dollar.

Adjusted net profit was euro 470 million, up euro 21 million from the first half of 2009 due to a better operating performance.

Other activities

	(euro million)	First Half			
2009		2009	2010	Change	% Ch.
(382)	**Operating profit**	**(177)**	**(153)**	**24**	**13.6**
124	Exclusion of special items:	49	**45**		
153	*- environmental provisions*	*45*	***31***		
5	*- asset impairments*	*4*	***8***		
(2)	*- gains on disposal of assets*	*(2)*			
(4)	*- risk provisions*	*(4)*	***6***		
8	*- provisions for redundancy incentives*	*2*	***1***		
(36)	*- other*	*4*	***(1)***		
(258)	**Adjusted operating profit**	**(128)**	**(108)**	**20**	**15.6**
12	Net financial income (expense) [a]	28	**(10)**	(38)	
1	Net income (expense) from investments [a]		**(4)**	(4)	
(245)	**Adjusted net profit**	**(100)**	**(122)**	**(22)**	**(22.0)**

(a) Excluding special items.

Corporate and financial companies

	(euro million)	First Half			
2009		2009	2010	Change	% Ch.
(474)	**Operating profit**	**(187)**	**(174)**	**13**	**7.0**
132	Exclusion of special items:	12	**34**		
54	*- environmental provisions*		**22**		
38	*- provisions for redundancy incentives*	*12*	**12**		
40	*- other*				
(342)	**Adjusted operating profit**	**(175)**	**(140)**	**35**	**20.0**
(525)	Net financial income (expense) [a]	(318)	**(492)**	(174)	
	Net income (expense) from investments [a]		**(1)**	(1)	
123	Income taxes [a]	27	**102**	75	
(744)	**Adjusted net profit**	**(466)**	**(531)**	**(65)**	**13.9**

(a) Excluding special items.

NON-GAAP measures

Reconciliation of reported operating profit and reported net profit to results on an adjusted basis

Management evaluates Group and business performance on the basis of adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses and special items. Furthermore, finance charges on finance debt, interest income, gains or losses deriving from the evaluation of certain derivative financial instruments at fair value through profit or loss (as they do not meet the formal criteria to be assessed as hedges under IFRS, excluding commodity derivatives), and exchange rate differences are all excluded when determining adjusted net profit of each business segment.
The taxation effect of the items excluded from adjusted operating or net profit is determined based on the specific rate of taxes applicable to each of them. The Italian statutory tax rate is applied to finance charges and income (34% is applied to charges recorded by companies in the energy sector, whilst a tax rate of 27.5% is applied to all other companies). Adjusted operating profit and adjusted net profit are non-GAAP financial measures under either IFRS, or U.S. GAAP. Management includes them in order to facilitate a comparison of base business performance across periods and allow financial analysts to evaluate Eni s trading performance on the basis of their forecasting models. In addition, management uses segmental adjusted net profit when calculating return on average capital employed (ROACE) by each business segment.

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

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

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

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

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

events and transactions, being identified

(euro million)

First Half 2010	**E&P**	**G&P**	**R&M**	**Petrochemicals**	**Engineering & Construction**	**Other activities**	**Corporate and financial companies**	**Impact of unrealized intragroup profit elimination**	**Group**
Reported operating profit	**6,698**	**1,908**	**360**	**53**	**625**	**(153)**	**(174)**	**(165)**	**9,152**
Exclusion of inventory holding (gains) losses		(106)	(537)	(134)					(777)
Exclusion of special items:									
environmental charges		4	34			31	22		91
asset impairments	29	10	33	9		8			89
gains on disposal of assets	(167)	1	(10)						(176)
risk provisions						6			6
provision for redundancy incentives	8	8	6	2	7	1	12		44
re-measurement gains/losses on commodity derivatives	(8)	71	(32)						31
other						(1)			(1)
Special items of operating profit	**(138)**	**94**	**31**	**11**	**7**	**45**	**34**		**84**
Adjusted operating profit	**6,560**	**1,896**	**(146)**	**(70)**	**632**	**(108)**	**(140)**	**(165)**	**8,459**
Net finance (expense) income [(a)]	(106)	7			47	(10)	(492)		(554)
Net income from investments [(a)]	266	195	66	2	(3)	(4)	(1)		521
Income taxes [(a)]	(4,036)	(622)	31	2	(206)		102	62	(4,667)
Tax rate (%)	*60.1*	*29.6*	*..*		*30.5*				*55.4*
Adjusted net profit	**2,684**	**1,476**	**(49)**	**(66)**	**470**	**(122)**	**(531)**	**(103)**	**3,759**
of which:									
- adjusted net profit of non-controlling interest									312
- adjusted net profit attributable to Eni s shareholders									**3,447**
Reported net profit attributable to Eni s shareholders									**4,046**
Exclusion of inventory holding (gains) losses									(530)
Exclusion of special items									(69)
Adjusted net profit attributable to Eni s shareholders									**3,447**

(a) Excluding special items.

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ENI INTERIM CONSOLIDATED REPORT / FINANCIAL REVIEW AND TREND INFORMATION

(euro million)

First Half 2009	**E&P**	**G&P**	**R&M**	**Petrochemicals**	**Engineering & Construction**	**Other activities**	**Corporate and financial companies**	**Impact of unrealized intragroup profit elimination**	**Group**
Reported operating profit	**4,152**	**2,116**	**287**	**(454)**	**580**	**(177)**	**(187)**	**55**	**6,372**
Exclusion of inventory holding (gains) losses		294	(467)	108					(65)
Exclusion of special items:									
- environmental charges		17	22			45			84
- asset impairments	220		52	89		4			365
- gains on disposal of assets	(167)	(5)	1		(1)	(2)			(174)
- risk provisions			15			(4)			11
- provision for redundancy incentives	5	8	8	3		2	12		38
- re-measurement gains/losses on commodity derivatives	27	(377)	31	(3)	(10)				(332)
- other						4			4
Special items of operating profit	**85**	**(357)**	**129**	**89**	**(11)**	**49**	**12**		**(4)**
Adjusted operating profit	**4,237**	**2,053**	**(51)**	**(257)**	**569**	**(128)**	**(175)**	**55**	**6,303**
Net finance (expense) income [(a)]	83	(12)				28	(318)		(219)
Net income from investments [(a)]	113	162	39		19				333
Income taxes [(a)]	(2,517)	(718)	(19)	48	(139)		27	(24)	(3,342)
Tax rate (%)	*56.8*	*32.6*	..		*23.6*				*52.1*
Adjusted net profit	**1,916**	**1,485**	**(31)**	**(209)**	**449**	**(100)**	**(466)**	**31**	**3,075**
of which:									
- adjusted net profit of minority interest									414
- adjusted net profit attributable to Eni s shareholders									**2,661**
Reported net profit attributable to Eni s shareholders									**2,736**
Exclusion of inventory holding (gains) losses									(52)
Exclusion of special items									(23)
Adjusted net profit attributable to Eni s shareholders									**2,661**

(a) Excluding special items.

(euro million)

2009	**E&P**	**G&P**	**R&M**	**Petrochemicals**	**Engineering & Construction**	**Other activities**	**Corporate and financial companies**	**Impact of unrealized intragroup profit elimination**	**Group**
Reported operating profit	**9,120**	**3,687**	**(102)**	**(675)**	**881**	**(382)**	**(474)**		**12,055**
Exclusion of inventory holding (gains) losses		326	(792)	121					(345)
Exclusion of special items									
of which:									
Non-recurring (income) charges					**250**				**250**
Other special (income) charges:	**364**	**(112)**	**537**	**128**	**(11)**	**124**	**132**		**1,162**
- environmental charges		19	72			153	54		298
- asset impairments	618	27	389	121	2	5			1,162
- gains on disposals of assets	(270)	(6)	(2)		3	(2)			(277)
- risk provisions		115	17			(4)			128
- provision for redundancy incentives	31	25	22	10		8	38		134
- re-measurement gains/losses on commodity derivatives	(15)	(292)	39	(3)	(16)				(287)
- other						(36)	40		4
Special items of operating profit	**364**	**(112)**	**537**	**128**	**239**	**124**	**132**		**1,412**
Adjusted operating profit	**9,484**	**3,901**	**(357)**	**(426)**	**1,120**	**(258)**	**(342)**		**13,122**
Net finance (expense) income [a]	(23)	(15)				12	(525)		(551)
Net income from investments [a]	243	332	75		49	1			700
Income taxes [a]	(5,826)	(1,302)	85	86	(277)		123	(3)	(7,114)
Tax rate (%)	*60.0*	*30.9*			*23.7*				*53.6*
Adjusted net profit	**3,878**	**2,916**	**(197)**	**(340)**	**892**	**(245)**	**(744)**	**(3)**	**6,157**
of which:									
- adjusted net profit of minority interest									950
- adjusted net profit attributable to Eni s shareholders									**5,207**
Reported net profit attributable to Eni s shareholders									**4,367**
Exclusion of inventory holding (gains) losses									(191)
Exclusion of special items:									1,031
- non-recurring charges									*250*
- other special (income) charges									*781*
Adjusted net profit attributable to Eni s shareholders									**5,207**

(a) Excluding special items.

Breakdown of special items

2009	(euro million)	First Half 2009	First Half 2010
250	**Non-recurring charges**		
250	*of which: estimated charge of the possible resolution of the TSKJ matter*		
1,162	**Other special charges (income):**	**(4)**	**84**
298	- environmental charges	84	**91**
1,162	- asset impairments	365	**89**
(277)	- gains on disposal of assets	(174)	**(176)**
128	- risk provisions	11	**6**
134	- provision for redundancy incentives	38	**44**
(287)	- re-measurement gains/losses on commodity derivatives	(332)	**31**
4	- other	4	**(1)**
1,412	**Special items of operating profit**	**(4)**	**84**
	Net finance income		**47**
179	**Net income from investments**	**(8)**	**(118)**
	of which:		
	- gains from disposal of assets		***(140)***
	- impairments		***20***
(560)	**Income taxes**	**(11)**	**(82)**
	of which:		
(27)	*- tax impact pursuant to Law Decree No. 112 of June 25, 2008 for Italian subsidiaries*	*(27)*	
72	*- impairment of deferred tax assets E&P*		
(192)	*- other special items*	*16*	
(413)	*- taxes on special items of operating profit*		***(82)***
1,031	**Total special items of net profit**	**(23)**	**(69)**

Breakdown of impairment

2009	(euro million)	First Half 2009	First Half 2010	Change
993	Asset impairment	331	**89**	(242)
58	Goodwill impairment	23		(23)
1,051	**Sub total**	**354**	**89**	**(265)**
111	Impairment of losses on receivables related to non recurring activities	11		(11)
1,162	**Impairments**	**365**	**89**	**(276)**

SUMMARIZED GROUP BALANCE SHEET

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

Summarized Group Balance Sheet (a)

(euro million)	Dec. 31, 2009	June 30, 2010	Change
Fixed assets			
Property, plant and equipment (b)	59,765	**67,477**	7,712
Inventories - compulsory stock	1,736	**1,997**	261
Intangible assets	11,469	**11,479**	10
Equity-accounted investments and other investments	6,244	**6,389**	145
Receivables and securities held for operating purposes	1,261	**1,976**	715
Net payables related to capital expenditures	(749)	**(710)**	39
	79,726	**88,608**	**8,882**
Net working capital			
Inventories	5,495	**6,641**	1,146
Trade receivables	14,916	**15,493**	577
Trade payables	(10,078)	**(11,536)**	(1,458)
Tax payables and provision for net deferred tax liabilities	(1,988)	**(4,059)**	(2,071)
Provisions	(10,319)	**(10,854)**	(535)
Other current assets and liabilities (c)	(3,968)	**(2,895)**	1,073
	(5,942)	**(7,210)**	**(1,268)**
Provisions for employee post-retirement benefits	**(944)**	**(1,012)**	**(68)**
Net assets held for sale including related net borrowings	**266**	**331**	**65**
CAPITAL EMPLOYED, NET	**73,106**	**80,717**	**7,611**
Eni shareholders equity	46,073	**53,379**	7,306
Non-controlling interest	3,978	**3,996**	18
	50,051	**57,375**	**7,324**
Net borrowings	**23,055**	**23,342**	**287**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**73,106**	**80,717**	**7,611**

(a) For a reconciliation to the statutory balance sheet see the paragraph "Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to statutory schemes".
(b) For the effects deriving from the application of IFRIC, see notes to the consolidated interim financial statements.
(c) Include receivables and securities for financing operating activities for euro 496 million at June 30, 2010 (euro 339 million as of December 31, 2009) and securities covering technical reserves of Eni s insurance activities for euro 266 million at June 30, 2010 (euro 381 million as of December 31, 2009).

The depreciation of the euro versus the US dollar, from December 31, 2009 (the EUR/USD exchange rate was 1.227 as of June 30, 2010, as compared to 1.441 as of December 31, 2009, down 14.9%) increased net capital employed, net equity and net borrowings by approximately euro 5,700 million, euro 5,000 million and euro 700 million, respectively, as a result of exchange rate translation differences.

At June 30, 2010, **net capital employed** totaled euro 80,717 million representing an increase of euro 7,611 million from December 31, 2009.

Fixed assets

Fixed assets amounted to euro 88,608 million, representing an increase of euro 8,882 million from December 31, 2009 reflecting exchange rate translation differences and capital expenditures incurred in the period (euro 7,107 million), partly offset by depreciation, depletion, amortization and impairment charges (euro 4,459 million) recorded in the period.

Net working capital

At June 30, 2010, **net working capital** amounted to a negative euro 7,210 million, representing a decrease of euro 1,268 million from December 31, 2009, mainly due to:

- higher tax payables and provisions for net deferred tax liabilities (up euro 2,071 million) related to income taxes accrued for the period;
- higher trade payables partly offset by increased trade receivables, reflecting the impact of higher prices of commodities, resulting in an increase of euro 881 million.

These effects were partly offset by:

- an increase in oil, gas and petroleum products inventories (up euro 1,146 million) as a result of a recovery in oil and products prices in the evaluation of the inventories on the basis of the weighted-average cost method and higher volumes of gas input to storage compared with the off-takes made in winter months;
- a reduction in the item other current assets and liabilities (down euro 1,073 million) associated with a positive change of euro 234 million (from a negative euro 530 million to a negative euro 296 million; respectively down euro 312 million and euro 177 million net of taxes) in fair value of certain commodity derivatives instruments Eni entered into to hedge exposure to variability in future cash flows deriving from the sale in the 2008-2011 period of approximately 2% of Eni s proved reserves as of December 31, 2006 corresponding to 125.7 mmboe, decreasing to 23.3 mmboe as of the end of June 2010 due to settled transactions up to the end of the first half 2010. Also other non-current assets, which were comprised in the balance above, included as accounted in Eni 2009 financial statements a deferred cost classified as a non current asset which related to amounts of gas which were collected below minimum take quantities for the year 2009 as provided for by take-or-pay clauses contained in certain long-term gas purchase contracts. The Company plans to collect the underlying gas volumes beyond a twelve-month period. The amount recognized in the balance sheet corresponding to a receivable in-kind was stated at the lower of purchase cost and net realizable value as of the end of the period based on realized prices on sales to different customer segments incurred in the previous twelve-month period (euro 255 million).

Net assets held for sale including related liabilities (euro 331 million) mainly related to the following assets: certain oil&gas properties in Italy which were contributed in kind to two subsidiaries Società Padana Energia SpA and Società Adriatica Idrocarburi SpA, and the subsidiary Gas Brasiliano Distribuidora.

Return On Average Capital Employed (ROACE)

Return on Average Capital Employed for the Group, on an adjusted basis is the return on the Group average capital invested, calculated as ratio of net adjusted profit before minority interest, plus net finance charges on net borrowings net of the related tax effect, to net average capital employed. The tax rate applied on finance charges is the Italian statutory tax rate (34% is applied to charges recorded by companies in the energy sector, whilst a tax rate of 27.5% is applied to other companies). The capital invested as of period end used for the calculation of net average capital invested is obtained by deducting inventory gains or losses in the period, net of the related tax effect. ROACE by division is determined as ratio of adjusted net profit to net average capital invested pertaining to each division and rectifying the net capital invested as of period-end, from net inventory gains or losses (after applying the division specific tax rate).

Calculated on a 12-month period ending on June 30, 2010 (euro million)	**Exploration & Production**	**Gas & Power**	**Refining & Marketing**	**Group**
Adjusted net profit	**4,646**	**2,907**	**(215)**	**6,841**
Exclusion of after-tax finance expense/interest income	-	-	-	**341**
Adjusted net profit unlevered	**4,646**	**2,907**	**(215)**	**7,182**
Adjusted capital employed, net:				
- at the beginning of period	30,489	23,614	7,359	**68,564**
- at the end of period	38,847	25,539	7,932	**80,048**
Adjusted average capital employed, net	**34,668**	**24,577**	**7,646**	**74,306**
Adjusted ROACE (%)	**13.4**	**11.8**	**(2.8)**	**9.7**

Calculated on a 12-month period ending on June 30, 2009 (euro million)	**Exploration & Production**	**Gas & Power**	**Refining & Marketing**	**Group**
Adjusted net profit	**5,743**	**2,481**	**366**	**8,207**
Exclusion of after-tax finance expense/interest income	-	-	-	**243**
Adjusted net profit unlevered	**5,743**	**2,481**	**366**	**8,450**
Adjusted capital employed, net:				
- at the beginning of period	22,763	21,017	9,466	**60,454**
- at the end of period	30,489	23,614	8,539	**70,018**
Adjusted average capital employed, net	**26,626**	**22,316**	**9,003**	**65,236**
Adjusted ROACE (%)	**21.6**	**11.1**	**4.1**	**13.0**

Calculated on a 12-month period ending on December 31, 2009 (euro million)	**Exploration & Production**	**Gas & Power**	**Refining & Marketing**	**Group**
Adjusted net profit	**3,878**	**2,916**	**(197)**	**6,157**
Exclusion of after-tax finance expense/interest income	-	-	-	**283**
Adjusted net profit unlevered	**3,878**	**2,916**	**(197)**	**6,440**
Adjusted capital employed, net:				

- at the beginning of period	30,362	22,547	7,379	**66,886**
- at the end of period	32,455	25,024	7,560	**72,915**
Adjusted average capital employed, net	**31,409**	**23,786**	**7,470**	**69,901**
Adjusted ROACE (%)	**12.3**	**12.3**	**(2.6)**	**9.2**

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Leverage and net borrowings

Leverage is a measure used by management to assess the Company s level of indebtedness. It is calculated as ratio of net borrowings which is calculated by excluding cash and cash equivalents and certain very liquid assets from financial debt to shareholders equity, including minority interest. Management periodically reviews leverage in order to assess the soundness and efficiency of the Group balance sheet in terms of optimal mix between net borrowings and net equity, and to carry out benchmark analysis with industry standards.

(euro million)	Dec. 31, 2009	**June 30, 2010**	Change
Total debt:	24,800	**25,151**	351
- short-term debt	*6,736*	***6,749***	*13*
- long-term debt	*18,064*	***18,402***	*338*
Cash and cash equivalents	(1,608)	**(1,675)**	(67)
Securities held for non-operating purposes	(64)	**(70)**	(6)
Financing receivables for non-operating purposes	(73)	**(64)**	9
Net borrowings	**23,055**	**23,342**	**287**
Shareholders equity including non-controlling interest	**50,051**		