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Norway

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	10
	14
	20
	37
	41
	42
Netherlands	
	2
	2
	1
	1
Rest of World	
	17
	16
	22
	30

	48
	86
	109
	130
	144
	142
Pakistan	
	2
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	28
	45
	48
Kazakhstan	
	11
	18

23

19

26

28

34

38

Indonesia

41

39

36

30

24

United States

17

16

11

	12
	23
	20
	30
	23
	19
	14
Trinidad & Tobago	
	2
	10
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	10
Croatia	
	2
	4

	5
	5
	6
	7
Australia	
	1
Total outside Italy	
	61
	76
	91
	120
	182
	273
	321
	365
	399

451
370
375
385
390
439
512
551
581
590
626

(1) Includes natural gas consumed in operations (16,000, 23,000, 26,000, 38,000 and 44,000 boe/day in 2001, 2002, 2003, 2004 and 2005 respectively).

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Hydrocarbon production by country (1)	(thousand boe/day)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Italy		**406**	**403**	**394**	**358**	**333**	**308**	**316**	**300**	**271**	**261**
North Africa		**228**	**229**	**236**	**269**	**306**	**317**	**354**	**351**	**380**	**480**
Egypt		78	92	111	157	189	180	192	187	200	**213**
Libya		112	103	92	80	82	87	83	84	97	**164**
Algeria		22	20	19	18	21	35	65	66	68	**88**
Tunisia		16	14	14	14	14	15	14	14	15	**15**
West Africa		**184**	**180**	**196**	**206**	**224**	**233**	**237**	**260**	**316**	**343**
Nigeria		84	80	70	69	86	98	98	132	161	**152**
Angola		55	55	58	59	63	64	62	58	80	**124**
Congo		45	45	67	75	72	69	75	68	74	**67**
Gabon				1	3	3	2	2	2	1	
North Sea		**114**	**155**	**156**	**154**	**168**	**288**	**308**	**345**	**308**	**283**
United Kingdom		54	92	97	95	93	202	212	202	164	**145**
Norway		60	63	59	59	75	84	94	142	143	**138**
Netherlands							2	2	1	1	
Rest of World		**52**	**54**	**56**	**77**	**156**	**223**	**257**	**306**	**349**	**370**
Kazakhstan		14	16	23	37	50	42	58	69	88	**102**
Venezuela							39	42	54	67	**61**
Pakistan							4	7	28	46	**49**
United States		24	22	15	17	61	46	59	48	44	**33**
Indonesia							47	44	41	34	**27**
Australia									14	21	**22**
Ecuador					2	22	25	22	21	19	**17**
Trinidad & Tobago								2	10	10	**10**
Iran								3	9	9	**35**
Croatia						2	2	5	5	6	**7**
China		14	13	12	14	14	12	10	7	5	**7**
Qatar			3	6	7	7	6	5			
Total outside Italy		**578**	**618**	**644**	**706**	**854**	**1,061**	**1,156**	**1,262**	**1,353**	**1,476**
		984	**1,021**	**1,038**	**1,064**	**1,187**	**1,369**	**1,472**	**1,562**	**1,624**	**1,737**

(1) Includes natural gas consumed in operations (16,000, 23,000, 26,000, 38,000 and 44,000 boe/day in 2001, 2002, 2003, 2004 and 2005 respectively).

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Hydrocarbon production sold	(million boe)	1996	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Hydrocarbon production		360.3	372.5	378.8	388.4	434.5	499.7	537.3	570	594.6	**634.2**
Over/under lifting and change in inventories		0.9	(1.4)	(3.3)	(1.5)	(1.9)	(3.1)	(4)	(4.3)	(4.2)	**(3.1)**
Withdrawals from (input to) natural gas storage		(4)	(1)	6.9	6.7	(4.6)	9.1	(1.8)			
Own consumption of gas							(6)	(8.4)	(9.5)	(13.9)	**(16.2)**
Hydrocarbon production sold		**357.2**	**370.1**	**382.4**	**393.6**	**428**	**499.7**	**523.1**	**556.2**	**576.5**	**614.9**
oil	(million barrels)	225.5	234.30	234.86	244.53	272.45	310.69	333.40	354.10	375.40	**402.60**
- of which to R&M Division		*95.9*	*89.30*	*93.79*	*202.29*	*214.42*	*216.38*	*242.89*	*247.87*	*260.83*	***272.29***
natural gas	(billion cubic meters)	21.01	21.69	23.58	23.89	25.03	30.50	30.68	32.73	32.89	**34.53**
- of which to G&P Division		*17.13*	*16.87*	*17.76*	*16.24*	*13.70*	*14.39*	*13.69*	*14.07*	*13.16*	***15.19***

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Principal oil and natural gas interests at 31 December 2005

	Commencement of operations	Number of interests	Gross exploration and development acreage (1)	Net exploration and development acreage (1)	Net development acreage (1)	Type of fields/ surface	Number of producing fields	Number of other fields
Italy	1926	**180**	**31,048**	**24,053**	**12,700**	Onshore/Offshore	**83**	**79**
Outside Italy		**861**	**479,153**	**241,949**	**42,398**	Onshore/Offshore	**348**	**232**
North Africa								
Algeria	1981	37	14,352	3,792	860	Onshore/Offshore	23	15
Egypt	1954	56	34,918	22,644	4,180	Onshore/Offshore	35	28
Libya	1959	15	44,955	37,703	15,466	Onshore/Offshore	11	7
Tunisia	1961	11	6,464	2,317	1,601	Onshore/Offshore	9	6
		119	**100,689**	**66,456**	**22,107**		**78**	**56**
West Africa								
Angola	1980	53	15,234	2,310	715	Offshore	36	32
Congo	1968	20	9,855	4,224	880	Offshore	16	8
Nigeria	1962	49	46,075	8,922	6,539	Onshore/Offshore	119	69
		122	**71,164**	**15,456**	**8,134**		**171**	**109**
North Sea								
Norway	1965	51	26,601	8,814	128	Offshore	14	13
United Kingdom	1964	84	6,504	1,506	652	Offshore	29	15
		135	**33,105**	**10,320**	**780**		**43**	**28**
Rest of World								
Australia	2001	15	31,948	22,349	3,299	Offshore	2	1
Brazil	1999	2	2,203	2,057		Offshore		1
China	1983	4	866	181	103	Offshore	8	4
Croatia	1996	3	6,056	3,029	988	Offshore	2	6
Ecuador	1988	1	2,000	2,000	2,000	Onshore	1	1
India	2005	2	14,445	5,698		Onshore/Offshore		
Indonesia	2001	12	31,419	15,859	984	Onshore/Offshore	7	8
Iran	1957	4	1,456	820	820	Onshore/Offshore	4	
Kazakhstan	1995	6	4,934	959	488	Onshore/Offshore	1	5
Pakistan	2000	14	21,876	11,692	615	Onshore/Offshore	6	1
Saudi Arabia	2004	1	51,687	25,844		Onshore		
Trinidad & Tobago	1970	1	382	66	66	Offshore	3	2
United States	1968	389	7,890	3,569	389	Onshore/Offshore	17	8
Venezuela	1998	4	1,701	867	511	Onshore/Offshore	5	2
		458	**178,863**	**94,990**	**10,263**		**56**	**39**
Other countries		9	6,276	1,279	1,114	Offshore		1
Other countries with only exploration activity		18	89,056	53,448		Onshore/Offshore		
Total		**1,041**	**510,201**	**266,002**	**55,098**		**431**	**311**

(1) Square kilometers.

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Exploration wells	(units)	1996	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Wells drilled		**113**	**127**	**121**	**60**	**95**	**110**	**120**	**105**	**66**	**52**
Outside Italy		81	98	82	43	75	99	111	97	60	**50**
Italy		32	29	39	17	20	11	9	8	6	**2**
Wells drilled (net to Eni)		**66**	**74**	**66**	**29**	**47**	**47**	**52**	**43**	**30**	**22**
Outside Italy		41	52	35	16	30	37	45	36	26	**20**
Italy		25	22	31	13	17	10	7	7	4	**2**
SEC Criteria											
Wells drilled			95	122	65	72	85	83	107	71	**56**
Total successful wells			39	54	32	24	31	32	50	37	**22**
Total success rate	(%)		**41.1**	**44.3**	**49.2**	**33.3**	**36.5**	**38.6**	**46.7**	**52.1**	**39.3**
Wells drilled (net to Eni)			62	68	31	40	40	43	47	32	**24**
Total successful wells (net to Eni)			27	32	12	12	13	17	22	19	**12**
Total success rate (net to Eni)	(%)		**43.3**	**47.0**	**38.0**	**30.6**	**31.3**	**39.1**	**45.7**	**57.3**	**47.4**

Reserve life index	(years)	1996	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Italy		11.2	11.5	10.2	10.7	11.7	10.9	10.8	9	8.8	**9.2**
North Africa		16.7	18	19.3	18.6	17.5	18.4	15.8	15.9	15.5	**11.7**
West Africa		12.8	12.8	12.4	14.6	13.3	13.4	14.8	13.9	11.7	**10.2**
North Sea		15.4	11	11.7	12	11.4	8.4	7.4	7.2	7.2	**7.3**
Rest of World		6.7	19.7	20.9	16.8	15.6	18	17.1	18.1	16.1	**13.9**
		13.1	**13.6**	**13.4**	**14**	**14**	**13.7**	**13.2**	**12.7**	**12.1**	**10.8**

Reserve replacement ratio	(%)	1996	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Italy		32	106	53	30	26	39	..	..	..	**77**
North Africa		618	229	277	265	172	267	30	93	168	**60**
West Africa		65	107	179	312	132	151	273	138	128	**42**
North Sea		244	120	119	113	185	271	53	168	6	**53**
Rest of World		(5)	1.410	245	196	825	818	324	396	124	**..**
		200	**207**	**147**	**171**	**210**	**282**	**119**	**142**	**91**	**40**

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Economic indicators per boe (USD/boe)	1996	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Revenues	20.66	19.02	13.68	16.95	24.67	21.52	22.07	24.82	31.22	**41.97**
Lifting cost (1)	3.97	3.98	3.56	3.64	3.75	4.02	3.87	4.09	4.8	**5.45**
Income	4.95	3.86	0.13	4.11	7.86	5.48	5.08	5.95	8.87	**12.2**
Exploration cost (three-year average) - discovery cost (2)	1.56	1.67	1.78	1.77	1.7	1.55	1.38	1.21	1.21	**1.67**
Finding and development cost (three-year average) (3)	4.33	4.72	5.16	5.43	5.35	5.33	5.67	6.53	7.26	**10.72**

(1) Ratio of production costs (incurred for well and facilities maintenance and royalties) and volumes produced.

(2) Exploration cost for each boe of new reserves discovered or proved is calculated as ratio of costs incurred with respect to exploration activity and purchase of unproved property to additions to proved reserves related to improved recovery, extensions and new discoveries and revisions of previous estimates. Starting in 2001 averages were calculated excluding purchase costs of unproved property of Lasmo in 2001 and of Fortum Petroleum in 2003.

(3) Finding and development cost for each boe of new reserves discovered or proved is calculated as ratio of costs incurred with respect to exploration and development activities and purchase of unproved property to additions to proved reserves related to improved recovery, extensions and new discoveries and revisions of previous estimates. In order to allow for an homogeneous comparison the following adjustments were carried out: (i) averages for the 2001-2005 period were calculated with the exclusion of the purchase cost of unproved property of Lasmo (purchased in 2001) and Fortum Petroleum (purchased in 2003); (ii) averages for the 2002-2005 period were calculated with the exclusion of development costs related to Iranian buy-back contracts; (iii) averages in the 2003-2005 period were calculated with the exclusion of estimated costs for asset retirement obligations. Following the Statement of Financial Accounting Standard No. 143 Accounting for Asset Retirement Obligations these costs are capitalized when the related capital expenditure is incurred; further adjustments of previous estimates are recognized whenever an estimate needs to be updated.

Capital expenditure (million euro)	1996	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Exploration	555	677	755	636	811	757	902	635	499	**656**
Italy	192	178	191	132	156	80	66	59	51	**25**
Outside Italy	363	499	564	504	655	677	836	576	448	**631**
Acquisition of proved and unproved properties	**292**	**95**	**103**	**752**	**416**	**67**	**317**	**30**		**301**
Italy	55	48		54		13				
Outside Italy	237	47	103	698	416	54	317	30		**301**
Development and capital goods	**816**	**1,550**	**2,024**	**1,880**	**2,312**	**3,452**	**4,396**	**5,016**	**4,354**	**4,007**
Italy	383	581	507	435	543	600	442	469	390	**414**
Outside Italy	433	969	1,517	1,445	1,769	2,852	3,954	4,547	3,964	**3,593**
	1,663	**2,322**	**2,882**	**3,268**	**3,539**	**4,276**	**5,615**	**5,681**	**4,853**	**4,964**

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ENI FACT BOOK / GAS & POWER

Gas & Power

STRATEGIES

Maintain leadership position in the Italian natural gas market

Grow market share in European gas markets

Increase LNG sales also to monetize Eni s natural gas reserves

Improve quality of commercial offer

NATURAL GAS

Eni operates in the supply, transport, distribution and sale of natural gas. In 2005, Eni sold 96 billion cubic meters of natural gas including direct upstream sales in Europe. Eni s transport network in Italy through medium and high pressure pipelines is about 31,000-kilometer long. Outside Italy Eni owns transportation rights on over 5,000 kilometers of pipelines.

Eni aims to strengthen its position as the leading European operator in terms of sales by maximizing value from its unique mix of equity gas in Italy, Libya, Egypt and the North Sea and long-term supply contracts with major producers Gazprom, Sonatrach, Gasunie and Statoil.

Growth in natural gas sales in the rest of Europe and in the LNG business is intended to compensate for the lower growth opportunities on the domestic market, due to the limits imposed to operators by the sector regulation. In Italy, in an increasingly competitive market Eni intends to maintain sales volumes and margins by leveraging on a competitive offer in terms of price and quality of services, also integrating the supply of natural gas and electricity. The respect of the regulatory limits to volumes input into the network and on direct sales will be guaranteed through the optimal allocation of natural gas availability from production and supplies between sales in Italy and in the rest of Europe and by using natural gas at its own power generation plants and, at the same time, leveraging on the expected increase in demand.

In the rest of Europe the demand for natural gas is expected to increase at an average rate of 3% from 2005. The development of sales on European target markets will leverage on the competitive advantage of Eni s diversified portfolio of supply contracts and extensive gas pipeline network which allows the supply of natural gas from several sources, as well as the long standing relationships with producing countries and a good knowledge of markets. Eni intends to consolidate its presence in target markets (Iberian Peninsula, Germany and Turkey) and develop sales in markets with significant growth and profitability prospects (in particular France and the United Kingdom). The flexibility of Eni s commercial supply will be boosted by the upgrade of logistical services.

Based on contracts signed and actions defined or planned, Eni expects to sell over 100 billion cubic meters of natural gas on European markets in 2009.

Eni also intends to accelerate the development of its LNG business on a global scale through the acquisition of interests in assets covering the whole LNG chain (in particular regasification terminals) also in order to monetize in its own natural gas reserves. Eni is targeting sales of 13 billion cubic meters in 2009, thus acting as one of the world leading operators in LNG.

Main results

Natural gas sales (96 billion cubic meters including direct upstream sales in Europe) were up 8% due to increased demand for power generation in Italy and the acquisition of new customers combined with growth in markets in the rest of Europe as a result of Eni s expansion strategy. Eni expects to sell over 100 billion cubic meters of natural gas on European markets in 2009

The agreement signed by Eni, Amorim Energia and Rede Eléctrica Nacional shareholders of Galp with 33.34, 13.312 and 18.30% respectively confers stability to the shareholding structure of the Portuguese energy company and sets the stage for future developments aimed at enhancing Eni s investment. The Portuguese Government is expected to sell part of its Galp holding through a public offer before the end of 2006

As part of its strategy of international expansion in LNG, Eni purchased 6 billion cubic meters/year for 20 years of the regasification capacity of the Cameron terminal on the coast of Louisiana in the USA with start-up planned for 2008-2009. This will allow Eni to sell in the United States part of its natural gas reserves located in North Africa and Nigeria

Eni continues its development in power generation aimed at reaching 5.5 gigawatt of installed capacity by 2009 with total expected expenditure of euro 2.4 billion, of which 1.8 already disbursed. The new combined cycle power plants will absorb over 6 billion cubic meters/year of natural gas from Eni s portfolio of supplies. At year-end 2005 installed capacity was 4.5 gigawatt

Eni defined the plans for the upgrade of transport capacity of pipelines carrying natural gas from Algeria and Russia. When fully operational in the 2009-2010 thermal year these upgrades will allow an increase in import capacity of about 13 billion cubic meters/year. All the new capacity will be made available to third parties under non discriminating procedures

In January 2005, Eni agreed a long-term contract for the supply of 1.2 billion cubic meters/year of natural gas to the German company Wingas starting in 2006. The gas will be delivered at Eynatten at the German-Belgian border

Eni purchased 50% of Siciliana Gas SpA in which it already held a 50% interest. Siciliana Gas SpA operates in natural gas distribution in Sicily and holds the rights for the distribution of gas to 76 Sicilian municipalities, including Agrigento, Enna, Trapani and Gela (of these 70 concessions are operating) through a 2,600-kilometer long network. It owns Siciliana Gas Vendite SpA operating in the sale of natural gas to end users with approximately 215,000 customers and sales volumes of about 190 million cubic meters per year

Main financial data	Italian GAAP									IFRS	
(million euro)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004	**2005**
Revenues	9,352	9,985	9,625	9,900	14,427	16,098	15,297	16,067	17,258	17,302	**22,969**
Operating profit	2,024	2,012	2,513	2,580	3,178	3,672	3,244	3,627	3,463	3,428	**3,321**
Replacement cost operating profit						3,672	3,244	3,627	3,463	3,416	**3,194**
Adjusted operating profit						3,672	3,373	3,661	3,514	3,448	**3,531**
Capital expenditure	1,207	881	921	906	794	1,065	1,315	1,760	1,446	1,451	**1,152**

Main operating data		1996	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Sales of natural gas to third parties	(bn cm)	56.03	55.94	58.41	62.92	62.63	63.72	64.12	69.49	72.79	**77.08**
Own consumption of natural gas	(bn cm)					2.00	2.00	2.02	1.90	3.70	**5.54**
Sales to third parties and own consumption	(bn cm)					64.63	65.72	66.14	71.39	76.49	**82.62**
Sales of natural gas of Eni s affiliates (net to Eni)	(bn cm)	0.11	0.13	0.16	0.16	0.87	1.38	2.40	6.94	7.32	**8.53**
Total sales and own consumption of natural gas	(bn cm)	56.14	56.07	58.57	63.08	65.50	67.10	68.54	78.33	83.81	**91.15**
Natural gas transported on behalf of third parties in Italy	(bn cm)	2.42	4.35	6.07	6.90	9.45	11.41	19.11	24.63	28.26	**30.22**
Electricity production sold	(TWh)					4.77	4.99	5.00	5.55	13.85	**22.77**

THE ITALIAN NATURAL GAS SYSTEM

In the next decade world consumption of natural gas is expected to increase due to: (i) the continuous improvement in technologies applicable to all phases of the natural gas chain and capable of reducing distances between mineral assets and consumption areas (LNG, GTL gas to liquids, TAP high pressure transport); (ii) the higher environmental compatibility of natural gas as compared to other hydrocarbons in particular in electricity generation; (iii) the expected demographic, economic and social developments; (iv) the steady increase in natural gas reserves. Europe represents one of the areas with the highest growth rate, where the average increase in consumption is expected to be about 3% per year.

Given the recent regulatory and organizational of these hubs, currently located in Great Britain, Belgium and Germany, can be attributed to the progressive cancellation of the territorial destination clause in supply contracts and to the new regulations on third party access to transmission networks. Hubs represent an opportunity for Eni for selling increasing gas volumes, as Eni can leverage on its diversified supply portfolio and the flexibility provided by long-term supply contracts.

The demand for natural gas in Italy

Italy is the third European gas market after Great Britain and Germany. In 2005 consumption amounted to 86 developments, the Italian national natural gas system takes part in the structural change ongoing in Europe with the prospect of a single market for energy. In this context Italy will be able to make good use of its geographical position and its double integration with the European internal market and the Mediterranean area. Eni has the know-how and experience necessary for becoming a leader in this process of European development.

One of the new features of the development process ongoing in Europe is the importance acquired by international hubs, the major interconnection points in international transmission networks where volumes of natural gas are traded on a spot basis. The development billion cubic meters (increasing 7% from 2004). About 18% of natural gas requirements were met through domestic production (including natural gas volumes withdrawn from commercial inventories), while imports covered about 82%.

Eni expects natural gas consumption in Italy to reach about 95 billion cubic meters in 2010, corresponding to a compound annual average increase of about 2%. The share of natural gas on total domestic energy requirements is expected to reach nearly 36% as compared to the present 33%.

Most of this increase will concern natural gas used in electricity generation, because of the significant advantages of the use of natural gas in combined cycle plants, thanks to its lower investment cost, higher yields and reduced polluting emissions as compared to other fuels. Demand is expected to increase also from residential and commercial users, due to the increased use of natural gas in residential space heating in households and services, in large tertiary firms and as vehicle fuel.

Eni is a party of long-term purchase contracts with producing countries that currently have a residual average term of approximately 15 years. Existing contracts, which in general contain take-or-pay clauses, will ensure a total of about 67.3 billion cubic meters of natural gas per year (Russia 28.5, Algeria 21.5, Netherlands 9.8, Norway 6 and Nigeria - LNG 1.5) by 2008. The average annual minimum quantity (take-or-pay) is approximately 85% of said quantities. Despite the fact that increasing volumes of natural gas available to Eni are currently being sold outside Italy, the expected development of Italian demand and supply of natural gas in the medium and long-term and the evolution of regulations in this segment represent a risk element in the management of take-or-pay contracts.

In 2005 Eni withdrew about 3.8 billion cubic meters more than its minimum offtake obligation.

Transport, dispatching

Supply of natural gas

In 2005, Eni s requirements for natural gas were met for over 84% with supplies from foreign countries (mainly Algeria, Russia, the Netherlands and Norway) under long-term contracts. The remaining part was covered by gas supplied by Eni s Exploration & Production segment.

and regasification

Transport, dispatching and regasification activities in Italy are carried out by Snam Rete Gas, a company listed on the Italian Stock Exchange (in which Eni holds a 50.05% interest). Eni s primary transmission network was conferred to Snam Rete Gas in July 2001 in implementation of Legislative Decree No. 164/2000 concerning the Italian natural gas market, which provides for the separation of transport, dispatching and regasification activities from all other activities in the natural gas segment. This Decree also establishes that transport activity qualifies as a public concern activity and consequently is regulated.

The Italian natural gas transport system is made up of a national pipeline network and a regional pipeline network for a total length of 33,000 kilometers, of which 30,712 owned by Eni.

The **ITALIAN NATIONAL TRANSPORT NETWORK** is made up of high pressure trunklines, mainly with a large diameter, which carry natural gas from the entry points to the system   import lines, storage sites and main Italian natural gas fields to the linking points with the regional transport network. The national network includes also some interregional lines reaching important markets.

The **REGIONAL TRANSPORT NETWORK** is made up of the remaining lines and allows the transport of natural gas to industries, power stations and local distribution companies of the various local areas served.

At 31 December 2005 the national pipeline network owned by Eni extended for 8,392 kilometers. Underground pipelines have a maximum diameter of 48 inches and carry natural gas at pressures of 24 to 75 bars. The underwater pipeline crossing the Messina Strait has a diameter of 20 to 26 inches and carries natural gas at a pressure equal to or higher than 115 bars.

The major pipelines interconnected with import trunklines that are part of Eni s national network are:

for natural gas imported from Algeria:

- two lines with a 48/42-inch diameter, each approximately 1,500-kilometer long, including the smaller pipes that cross underwater the Messina Strait, which link Mazara del Vallo (on the Southern coast of Sicily) to Minerbio (near Bologna). This pipeline is undergoing an upgrade with the laying of a third line with 48 inch diameter

for natural gas imported from Russia:

- two lines with 42/36/34-inch diameters extending for a total length of approximately 900 kilometers that are linked to the Austrian network in Tarvisio and cross the Po Valley reaching Sergnano (near Cremona) and Minerbio. The pipeline is being upgraded by the laying of a third 264-kilometer long line with diameter from 48 to 56 inches; 214 kilometers already operating at the end of 2005, from Tarvisio to Zimella (Verona) and by the upgrading of the Malborghetto compression station. The pipeline transport capacity[1] at the Tarvisio entry point amounts to approximately 99 million cubic meters/day;

290-kilometer long (of these 241 are already operating). Transport capacity[1] at the Mazara del Vallo entry point is approximately 83 million cubic meters/day;

for natural gas imported from Libya:

- a 36-inch line, 67-kilometer long linking Gela, the entry point of the Greenstream underwater pipeline into the national network near Enna along the import pipeline from Algeria. Transport capacity[1] at the Gela entry point is approximately 26 million cubic meters/day;

(1) Transport capacity is related to 1 October, the first day of a thermal year.

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for natural gas imported from the Netherlands and Norway:

- two lines, with a 48/34-inch diameter, 301-kilometer long extending from the Italian border at Passo Gries (Verbania), point of connection with the Swiss network, to the node of Mortara, in the Po Valley. The pipeline transport capacity[2] at the Passo Gries entry point amounts to 63 million cubic meters/day;

for natural gas coming from the Panigaglia LNG terminal:

- one line, with a 30-inch diameter, 170-kilometer long linking the Panigaglia terminal to the national network near Parma. The pipeline transport capacity at the Panigaglia entry point amounts to 13 million cubic meters/day.

In 2005, Eni s national network of owned pipelines increased by 196 kilometers due to the upgrade of the trunklines for gas imported from Russia and Algeria.

Eni s regional transport network is made up of pipes with smaller diameter than the national lines for a total length 22,320 kilometers. These pipes carry natural gas at pressures between 5 and 12 bars, between 12 and 24 bars and between 24 and 75 bars. In 2005, Eni s regional network decreased by 29 kilometers despite the entry into service of new lines.

Eni s system is completed by: (i) 11 compressor stations with a total power of 683 megawatts; (ii) 5 marine terminals linking underwater pipelines with the on-land network at Mazara del Vallo, Messina and Gela in Sicily and Favazzina and Palmi in Calabria for the Greenstream pipeline.
The control room of the dispatching system is located in San Donato Milanese and oversees and monitors the whole transmission network in cooperation with peripheral units. In 2005 this system obtained the ISO 9001-2000 certification. Peripheral units are represented by 8 districts that monitor the transmission network through 60 centers that guarantee operation, maintenance and control of the whole system. Each unit is responsible for operations in accordance with technical specifications and applicable laws and regulations.

In the next four years Eni approved a capital expenditure plan for approximately euro 3.5 billion aimed mainly at the upgrade of its transport network in view of the expected increase in import capacity (in particular from Russia and Algeria).

Eni also owns the Panigaglia (Liguria) LNG terminal, which receives liquefied natural gas (LNG) carried by tanker ships. At its maximum this terminal can input 3.5

(2) Transport capacity is related to 1 October, the first day of a thermal year.

billion cubic meters/year into the transport network.
LNG is downloaded from tanker ships and stored, then vaporized in a regasification plant made up of cryogenic pumps and submerged flame vaporizers. When it has recovered the gaseous state, natural gas is input in the transport network. In 2005, volumes of LNG regasified amounted to the equivalent of approximately 2.49 billion cubic meters of natural gas.
In 2005 a total of 85.1 billion cubic meters of natural gas were input in the national network, of these 64% were owned by Eni.

The Italian natural gas system is supplied for about 82% with imported gas, transported to Italy through a network of international high pressure pipelines for a total of over 4,300 kilometers; in which Eni owns transportation rights, in particular:

- the **TAG PIPELINE**, 1,018-kilometer long, made up of two lines, each about 380-kilometer long and a third line 258-kilometer long, with a transit capacity[3] of 81.3 million cubic meters/day and three compression stations, which transports natural gas from Russia across Austria from Baumgarten, the delivery point at the border of Austria and Slovakia, to Tarvisio, point of entry in the Italian natural gas transport system. This pipeline is going to be upgraded by 6.5 billion cubic meters/year, of these 3.2 starting in October 2008 and 3.3 in April 2009 with capital expenditure estimated at about euro 275 million. The capacity of the first upgrade has been assigned to third parties importing natural gas into Italy in February 2006. In addition, the upgrade related to the build-up of the fourth import contract from Russia is nearly completed (up 4 billion cubic meters from 2007);
- the **TTPC PIPELINE**, 742-kilometer long, made up of two lines each 371-kilometer long with a transit capacity of 81.2 million cubic meters/day and three compression stations, which transports natural gas from Algeria across Tunisia from Oued Saf Saf at the Algerian border to Cap Bon on the Mediterranean coast where it links with the TMPC pipeline. This pipeline is going to be upgraded by 6.5 billion cubic meters/year, of
- the **TMPC PIPELINE** for the import of Algerian gas, 775-kilometer long, made up of five lines each 155-kilometer long with a transit capacity of 100.5 million cubic meters/day which crosses underwater the Sicily Channel from Cap Bon to Mazara del Vallo in Sicily, the point of entry into the Italian natural gas transport system;
- the **TENP PIPELINE**, 968-kilometer long (a 500-kilometer long single line and a 468-kilometer long doubling line) with transit capacity of 44 million cubic meters/day and four compression stations, transports natural gas from the Netherlands through Germany, from the German-Dutch border of Bocholtz to Wallbach at the German-Swiss border;
- the **TRANSITGAS PIPELINE**, 291-kilometer long, with one compression station, which transports natural gas from the Netherlands and from Norway crossing Switzerland with its 165-kilometer long main line and a 71-kilometer long doubling line, from Wallbach where it joins the TENP pipeline to Passo Gries at the Italian border. It has a transit capacity of 61 million cubic meters/day. A new 55-kilometer long line from Rodersdorf at the French-Swiss border to Lostorf, an interconnection point with the line coming from Wallbach was built for the transport of Norwegian gas;
- the **GREENSTREAM PIPELINE** for the import of Libyan gas, 520-kilometer long, with a transit capacity of 24.4 million cubic meters/day which crosses underwater the Mediterranean Sea from Mellitah to Gela in Sicily, the point of entry into the Italian natural gas transport system. The pipeline started operations in October 2004 and by 2006 is going to transport 8 billion cubic meters/year already booked under long-term contracts with Italian operators and the further volumes produced that cannot be absorbed by the Libyan market (0.77 billion cubic meters in 2005). An upgrade of the pipeline s transport capacity from 8 to 11 billion cubic meters is being planned with an expenditure of euro 80 million to be achieved also with minor interventions for optimizing the transport system. This new capacity will be available

these 3.2 starting in April 2008 and 3.3 in October 2008 with capital expenditure estimated at about euro 345 million. The capacity of the first upgrade has been assigned to third parties importing natural gas into Italy; relevant contracts become effective in April 2008. The transit capacity of the downstream TMPC pipeline is already adequate to the upgrade of the TTPC;

from 2010 and will allow to monetize further volumes of natural gas reserves located in Libya through the sale on the Italian market.

(3) Transit capacity is the maximum daily capacity entering in different access points of a trunkline and carried to the next trunkline.

Eni holds a 50% interest in the Blue Stream underwater pipeline linking the Russian and Turkish coast of the Black Sea that started operations in 2002. Laid at a record depth of over 2,150 meters, this 774-kilometer long pipeline with two lines and a transmission capacity of 49 million cubic meters/day, will transport 16 billion cubic meters per year (Eni s share 8 billion) of Russian natural gas to be sold on the Turkish market in 2010 (see Development Projects below). At the end of 2005 the first section of the Dzhubga compression station on the Russian coast of the Black Sea started operations. It is made up of three turbocompressors and three turbogenerators that will allow to increase the volumes of gas transported.
Considering the planned upgrade of the TAG and TTPC pipelines (for an overall amount of 13 billion cubic meters), the coming on stream in 2006 of full supplies from Libya through the Greenstream pipeline (8 billion cubic meters/year) and the ongoing upgrade of the transport capacity of the TAG pipeline in light of the build-up of the gas supply contract with Russia (up 4 billion cubic meters/year from 2007) from 2009 a total of about 25 billion cubic meters of natural gas per year of new imports will be available. Excluding the 4 billion cubic meters related to the build-up of the Russian contract, these new volumes (14.4 billion cubic meters) have been sold or will be sold (6.6 billion cubic meters) on markets under non discriminating procedures.

Sales in Italy

In 2005, Eni s natural gas sales in Italy amounted to 58.08 billion cubic meters (including own consumption[4]). The Italian natural gas market is made up of three main segments of consumption: residential and commercial, industrial and power generation. Customers can be divided into three groups: (i) high consumption final users directly linked to the national and regional natural gas networks (industries and power stations); (ii) customers of the residential and commercial sector such as residential and commercial users, hospital, schools, public utilities, small enterprises located in urban centers supplied by wholesalers through a

In 2005, Eni s natural gas sales to wholesalers amounted to 12.05 billion cubic meters (down 13% from 2004). Further volumes of 1.95 billion cubic meters were supplied to this segment under the so called gas release, in accordance with certain decisions of the Antitrust Authority.

Natural gas consumption in the industrial segment amounted to approximately 21.8 billion cubic meters (approximately 25% of total demand[5]), with a 2.3% decrease from 2004. In 2005, Eni s sales of natural gas to industrial users amounted to about 13 billion cubic meters (up 5.5% from 2004).

Natural gas consumption for power generation amounted to approximately 33 billion cubic meters (approximately 38% of total demand), with an approximately 14% increase from 2004. In 2005, Eni s sales of natural gas to thermoelectric users amounted to 17.6 billion cubic meters (up 10.6% from 2004).

Natural gas consumption in the residential and commercial segment amounted to over 30 billion cubic meters (35% of total demand), with a 6.9% increase from 2004 due to the effect of weather conditions. Eni manages directly over 5 million residential customers and in 2005 sales Eni s sales amounted to 7.8 billion cubic meters (up 6% from 2004).

In 2005 Eni consumed 5.5 billion cubic meters of natural gas as own consumption for power generation in EniPower s power stations (4.4 billion cubic meters) and in Eni s petrochemical plants and refineries.

low pressure distribution network; (iii) wholesalers (mainly local selling companies and distributors of natural gas for automotive use) purchasing natural gas to sell it to residential and commercial customers.

(4) In accordance with article 19, paragraph 4 of Legislative Decree No. 164/2000, the volumes of natural gas consumed in operations by a company or its subsidiaries are excluded from the calculation of ceilings for sales to end customers and from volumes input into the Italian network to be sold in Italy.

(5) Including consumption and losses.

Eni s marketing strategy

Eni intends to pursue a more efficient and price competitive commercial policy in particular by offering different contract formulas including different indexation types depending on the customer s purchasing profile. Eni intends also to develop the integrated supply of gas and electricity.

Eni s commercial structure is made up of: (i) branches in Italy in order to react promptly and efficiently to the requirements of large and medium enterprises, power producers and wholesalers with a dedicated sales team; (ii) a contact center business; (iii) a website providing new services of analysis and monitoring of costs and gas offtake; (iv) a portfolio of over 50 different kinds of technical assistance and consultancy services; (v) a network of channels dedicated to residential users broken up by type (households, public entities, the tertiary sector, condominiums and small enterprises) which has its own contact center, an online service for all operations related to supply contracts and a franchised assistance network.

Customers are offered a wide range of services. Residential users can contact the franchisor for supplies, installation and ordinary and extraordinary maintenance of their heating systems, while condominiums, public administrations and enterprises are offered a turn-key service for all what concerns their heating requirements. In 2005 Eni launched a Safe cooking campaign which coupled the installation of gas cookers with a communication program addressed to new customers (who received an information booklet) related to the requirements provided for by Decision No. 40/2004 of the Authority for electricity and gas concerning safety of individual plants and containing regulations for: (i) users changing fuel and accessing natural gas for the first time; (ii) reactivation of supplies after works or damages.

Distribution activities

Distribution involves the delivery of natural gas to residential and commercial consumers in urban centers through low pressure networks. Eni, through its 100% subsidiary Italgas and other subsidiaries, is engaged in the distribution activity in Italy serving 1,282 municipalities through a low pressure network consisting of over 48,000 kilometers of pipelines supplying 5.8 million customers. Legislative Decree No. 164/2000 concerning the opening up of the natural gas market in Italy defines distribution a public service which is subject to regulation and its management is entrusted to natural gas companies by local Authorities exclusively under bid procedures. Concessions existing at the coming into force of Legislative Decree No. 164/2000 and awarded with a bid procedure expire on 31 December 2012; all other concession expire on 31 December 2007 (with an optional three-year extension under certain conditions). Eni intends to increase the number of customers served by expanding its concession portfolio in particular in new regional projects that can support sales activities. Within this strategy Eni: (i) purchased 50% of Siciliana Gas SpA (in which it already held a 50% interest), a company operating in Sicily and holding the rights for the distribution of gas to 76 Sicilian municipalities, including Agrigento, Enna, Trapani and Gela (of these 70 concessions are operating) through a 2,600-kilometer long network; (ii) started-up the Toscana Project through the incorporation of Toscana Energia SpA (Eni s interest 48.7%) which was contributed in kind two distribution companies, Toscana Gas (Eni s interest 46.1%) and Fiorentina Gas (Eni s interest 51.03%,) later to be merged. Eni will be the industrial partner with operating and management responsibilities.

For the next four years Eni defined a capital expenditure plan of approximately euro 0.7 billion for the development and maintenance of distribution networks.

Distribution Italy		2004	**2005**
Volumes distributed	(bn cm)	8.14	**8.65**
to Eni		*7.73*	***8.13***
to third parties		*0.41*	***0.52***
Installed network	(km)	46,954	**48,146**
Active meters	(no. of users)	5,418,262	**5,838,085**

Municipalities served	1,227	**1,282**

Sales in the rest of Europe

Between 1999 and 2001 Eni signed seven long-term supply contracts with operators in the natural gas sector who in turn import supplied volumes of natural gas in Italy. These contracts, when fully operational in 2006, will enable Eni to supply about 15 billion cubic meters of natural gas per year, including 8 billion cubic meters (Eni s share 4 billion) from Libyan fields. Until the production from Libyan fields comes on stream in 2006, these supplies will be covered with gas derived from Eni s wide and diversified portfolio of supply contracts.

In 2005 sales in European markets amounted to 31.3 billion cubic meters, including sales through affiliates.

In 2005 Eni sold on extra-European markets 1.85 billion cubic meters of natural gas mostly in Argentina (1.6 billion).

DEVELOPMENT PROJECTS

In the rest of Europe demand is expected to growth in the medium term at an annual average rate of 3% from 2005. Eni intends to grow its natural gas sales on European markets by leveraging on a favorable competitive positioning ensured by gas availability, access to infrastructure that allows for supplies from different sources, long standing relations with producing countries and knowledge of markets. Eni

Natural gas sales in the rest of Europe	(billion cubic meters)	2004	**2005**
Importers to Italy		10.96	**11.53**
Hungary		3.35	**3.39**

North Europe	2.93	**2.74**
Turkey	1.71	**2.57**
Iberian Peninsula	4.28	**5.30**
Germany-Austria	3.96	**4.23**
France	0.65	**1.14**
Switzerland	0.19	**0.18**
Slovenia	0.04	**0.05**
Greece	0.07	**0.09**
Other		**0.07**
	28.14	**31.29**

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intends to strengthen its presence in target markets (Iberian Peninsula, Germany, Turkey) and develop sales in markets with interesting growth and profitability prospects (in particular France and the United Kingdom). It will increase the flexibility of its offers by upgrading its logistical services.

Germany

Eni is present on the German natural gas market since late 2002 through GVS (Gasversorgung Süddeutschland GmbH) in which it holds a 50% interest. GVS is the sixth operator in the German gas market. Through a 1,863-kilometer long gas pipeline network (of these 1,750 are owned and 113 are managed) it transports and markets about 7 billion cubic meters of gas per year to local distribution companies serving about 750 municipalities in the south-western areas of Germany.

In January 2005 Eni agreed a long term contract, starting in 2006, for the supply of 1.2 billion cubic meters/year of natural gas to the German company Wingas. The gas will be delivered at Eynatten at the German-Belgian border.

agreement provides in particular for a new strategic plan targeting: (i) the achievement of a leading market position in natural gas, refining and petroleum products marketing in the Iberian Peninsula; (ii) an increase in the weight of upstream activities in Galp s asset portfolio; (iii) access to the Portuguese electricity sector.

In 2005 Galp sold about 1.56 billion cubic meters of gas to approximately 820,000 customers and managed a high, medium and low pressure network covering about

In 2009 Eni expects to sell over 7 billion cubic meters, from the current 4.2 billion cubic meters, corresponding to a 7% market share resulting from an increase in direct sales.

Iberian Peninsula

Portugal

Eni operates on the Portuguese market through Galp Energia (Eni s interest 33.34%). In March 2006 a new agreement among Eni Amorim Energia and Rede Electrica National came into force for the joint management of Galp for a period of 8 years. This new

11,700 kilometers. The assets of Galp include among other things two import infrastructures: the Transmaghreb pipeline and the Sines LNG regasification plant. Following the entry into force of the new agreement, these transport and regasification infrastructures are expected to be spinned off.

Spain

Eni operates on the Spanish market through the Unión Fenosa Gas group (Eni s interest 50%) active in natural gas supply and sale to final users and to power generation companies. In 2005 natural gas sales of Unión Fenosa Gas amounted to 1.52 billion cubic meters net to Eni. Unión Fenosa Gas is active in LNG through an 80% interest in the Damietta liquefaction plant, on the Egyptian coast (see below), and through a 7.36% interest in a liquefaction plant in Oman, completed in 2005. In addition, it holds an 18.9% and a 42.5% interest in the El Ferrol and Sagunto regasification plants under construction and expected to start operations between 2006 and 2007.

Eni targets to increase its sales in the Iberian Peninsula from the current 5.3 to about 7.5 billion cubic meters by 2009, corresponding to an 18% market share as a result of increased activity levels of Galp and Unión Fenosa Gas and of the development of direct sales.

Turkey

Blue Stream

Eni sells natural gas in Turkey. The gas produced in Russia is carried across the Black Sea by the Blue Stream pipeline owned by Blue Stream Pipeline Co BV a 50/50 joint venture between Gazprom and Eni. In 2005 volumes transported and sold in Turkey amounted to 5.14 billion cubic meters of natural gas (50% of which were Eni s share) corresponding to an 18% market share. When the pipeline is fully operational volumes transported and marketed are targeted to about 16 billion cubic meters per year (8 billion net to Eni).

Other countries in Europe

Eni sells natural gas to industrial customers and wholesalers in France. Gas volumes available are provided also by a swap contract with Gaz de France, to which Eni sells natural gas volumes in Italy. Sales in France are expected to increase significantly in the medium term. Eni also sells natural gas in the United Kingdom and at continental hubs with good growth prospects in the medium term, in particular at these hubs.

LNG

Eni intends to develop its presence in the LNG business through the acquisition of interests in assets that allow to cover the whole chain of LNG (in particular regasification terminals) also in order to monetize its natural gas reserves. Eni targets to sell 13 billion cubic meters in 2009 and to become one of the major operators worldwide in the long term. Eni s main assets in LNG are:

United States

As part of its strategy of expansion in the LNG business, on 1 August 2005, Eni signed an agreement with the US company Cameron LNG Llc (belonging to the Sempra Energy group) to purchase a share of the regasification capacity of the Cameron liquefied natural gas terminal under construction in Louisiana expected to be completed in 2008-2009. The share of regasification capacity purchased amounts to 6 billion cubic meters per year for a period of 20 years, which corresponds to about 40% of the overall initial capacity of the terminal (15.5 billion cubic meters per year). This transaction will enable Eni to sell part of its natural gas reserves from North African and Nigerian fields in the United States.

Egypt
In January 2005, the first LNG shipment was made from the Damietta liquefaction plant (Eni s interest 40% through its 50% interest in Unión Fenosa Gas) that is targeted to produce about 7 billion cubic meters/year. The partners in the project (Unión Fenosa Gas, the Egyptian company EGAS and oil producers Eni and BP) are negotiating terms and conditions for an expansion of the plant consisting in the construction of a second train with the same capacity of the first one. Eni will supply about 3 billion cubic meters/year of natural gas to the first train for twenty years. Further volumes will be supplied to the second train under an intent protocol signed in March 2005 with the Egyptian Government.

Spain
Eni holds a 9.5% and a 21.25% interest in the El Ferrol and Sagunto regasification plants under construction and expected to start operations between 2006 and 2007. Eni s share of regasification capacity amounts to 1.8 billion cubic meters/year.

POWER GENERATION

EniPower and its subsidiaries manage power generation activities in their power stations at Ferrera Erbognone, Ravenna, Livorno, Taranto, Mantova, Brindisi and Ferrara with installed capacity of 4.5 gigawatt at 31 December 2005 (3.3 gigawatt in 2004).

Eni is completing a plan for expanding its power generation capacity, targeted at an installed capacity of 5.5 gigawatt in 2009 with production amounting to 30 terawatthour from 2008, corresponding to over 10% of electricity generated in Italy at that date. Planned capital expenditure amounts to approximately euro 2.4 billion, of these works for euro 1.8 billion have already been completed.

New installed generation capacity employs the CCGT technology (combined cycle gas fired), which allows to obtain high efficiency and low environmental impact. In particular, Eni estimates that given the same amount of energy (electricity and heat) produced, the use of the CCGT technology on a production of 30 terawatthour will allow to reduce emissions of carbon dioxide by approximately 11 million tonnes, as mode that entails priority on the national dispatching network and the exemption from the purchase of green certificates.
EniPower intends to become a cost leader in the Italian electricity industry thanks to the high technology content and optimal size the plants it is building. In 2008, consumption of natural gas of Eni s plants will reach about 6 billion cubic meters/year, supplied by Eni.

compared to emissions caused by conventional power stations, consistently with the requirements of the Kyoto Protocol.
The co-generation mode has been acknowledged by the Authority for Electricity and Gas as a production

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Natural gas supplies (billion cubic meters)	1996	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Italy	**17.05**	**16.81**	**17.70**	**16.16**	**13.64**	**14.62**	**12.67**	**12.16**	**11.30**	**10.73**
Russia for Italy	13.56	13.75	16.69	19.09	21.03	19.51	18.62	18.92	20.62	**21.03**
Russia for Turkey								0.63	1.60	**2.47**
Algeria	18.55	16.02	16.83	20.40	21.56	18.39	16.35	16.53	18.86	**19.58**
Netherlands	4.45	5.00	3.02	2.87	6.09	7.00	7.55	7.41	8.45	**8.29**
Norway						1.10	4.83	5.44	5.74	**5.78**
Hungary	2.80	2.79	2.73	2.67	2.67	3.11	3.05	3.56	3.57	**3.63**
United Kingdom							1.48	1.98	1.76	**2.28**
Libya									0.55	**3.84**
Croatia							0.31	0.65	0.35	**0.43**
Algeria (LNG)		1.89	1.99	2.06	2.01	1.79	1.92	1.98	1.27	**1.45**
Others (LNG)							0.30	0.72	0.70	**0.69**
Other supplies Europe		0.01	0.01	0.01	0.02	0.03	0.03	0.04	0.12	**1.18**
Outside Europe					0.94	0.96	0.96	1.14	1.20	**1.18**
Outside Italy	**39.36**	**39.46**	**41.27**	**47.10**	**54.32**	**51.89**	**55.40**	**59.00**	**64.79**	