ENI SPA
Form 6-K
August 02, 2017

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of July 2017

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 ¨

(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 ¨   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: Roberto Ulissi
Title: Corporate Affairs and Governance - SEVP

Date: July 31, 2017

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San Donato Milanese
July 28, 2017

Eni results for the second quarter and half year 2017

Key operating and financial results

IQ 17			**IIQ 17**	**IIQ 16**	**% Ch.**	**IH 17**	**IH 16**	**% Ch.**
53.78	Brent dated	$/bbl	49.83	45.57	9	51.81	39.73	30
1.065	Average EUR/USD exchange rate		1.101	1.129	(2)	1.083	1.116	(3)
1,795	**Hydrocarbon production**	kboe/d	**1,771**	**1,715**	3	**1,783**	**1,734**	**3**
1,834	**Adjusted operating profit (loss)** [(a)]	€ million	**1,019**	**188**	..	**2,853**	**771**	..
1,415	*of which: E&P*		*845*	*355*	..	*2,260*	*450*	..
338	*G&P*		*(146)*	*(229)*	36	*192*	*56*	..
189	*R&M and Chemicals*		*352*	*156*	..	*541*	*333*	*62*
744	**Adjusted net profit (loss)** [(a)]		**463**	**(317)**	**..**	**1,207**	**(315)**	**..**
0.21	*- per share (€)*		*0.13*	*(0.09)*		*0.34*	*(0.09)*	..
965	**Net profit (loss)** [(b)]		**18**	**(446)**	**..**	**983**	**(829)**	**..**
0.27	*- per share (€)*		..	*(0.12)*		*0.27*	*(0.23)*	..
2,597	**Adjusted cash flow from operations** [(c)]		**2,284**	**1,004**	..	**4,881**	**2,477**	**97**
1,932	**Net cash flow from operations**		**2,706**	**1,730**	**56**	**4,638**	**3,100**	**50**
2,867	Capital expenditure [(d)]		2,106	2,452	(14)	4,973	6,031	(18)
14,931	**Net borrowings**		**15,467**	**13,814**	**12**	**15,467**	**13,814**	**12**
0.28	**Leverage**	%	**0.32**	**0.26**		**0.32**	**0.26**	

(a) Non-GAAP measure. For further information see the paragraph "Non-GAAP measures" on page 15.
(b) Attributable to Eni's shareholders - continuing operations.
(c) Non GAAP measure. Net cash flow from operations before changes in working capital and excluding inventory holding gains or losses.
(d) Include capital contribution to equity accounted entities.

Yesterday, Eni’s Board of Directors approved the Group results for the second quarter and the first half 2017 (unaudited). Commenting on the results, Claudio Descalzi, CEO of Eni, remarked:

"*In the first half of 2017, Eni produced strong results, confirming the soundness of our strategy. We began production of three major offshore projects in Ghana, Angola and Indonesia achieving a record time-to-market and underscoring the robustness of our development model. We also continued our success in exploration, where we discovered 500 million barrels of new resources in the first half. Total production also grew by around 200 kboe/d or over 6% year-on-year, continuing the upward trend seen in recent months. In addition, at the end of the year production will begin at Zohr.*

These results have been achieved while maintaining an extremely efficient spending structure, which will reduce capex by about 18% compared to 2016, according to our plan. The Gas, R&M and Chemicals businesses continue to deliver results above expectations: in particular, Chemicals achieved a record result of over €300 million in EBIT, a sign that our efforts to boost and reposition the portfolios products as well as our research efficiency are bearing fruit.

These achievements have enabled us to generate around €5 billion of organic cash, with a free cash flow of €700 million, despite the volatile environment. Therefore, we are able to confirm our goal of funding capital investments and the dividend from organic sources. On this basis, I will propose an interim dividend of €0.40 per share to the Board of Directors, on September 14."

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Highlights

Exploration & Production

- **Hydrocarbon Production**: up by 3.3% to 1.77 million boe/d in the quarter; up by 5.2% excluding negative price effects of PSAs and OPEC cuts (up by 6.1% in the first half 2017).

- **Started operations** from **the OCTP gas** project offshore Ghana and the **Jangkrik** offshore complex in Indonesia, in a **record time-to-market**, confirming the value of Eni's development model, which strives for continuous improvement.

- **Additional production from start-ups and ramp-ups**: 192 kboe/d added in the first half of 2017.

- In Area 4 offshore Mozambique the **Coral South LNG project entered the execution phase** with the signing of the construction contract for the Floating LNG unit and finalization of project financing agreements.

- **Restarted operations** at the **Val d'Agri Oil Center** following the finalization of all necessary HSE remediation measures as required by the relevant authorities. Production is already at plateau.

- **Successfully drilled two wells** in the **Amoca** discovery offshore Mexico, boosting the resource estimate of Area 1 to 1.3 billion barrels of oil equivalent in place. The definition of the development plan is expected this year.

- **Additional exploration successes** achieved in Libya, Indonesia and Norway; 0.5 billion boe of additions to the Company's reserve backlog in the first half of 2017.

- **Acquired new leases** in Cyprus, Ivory Coast and Norway, for a total acreage of approximately 11,000 square kilometers.

- **Ongoing progress at the Zohr project:** 80% finalized, start-up confirmed by the end of 2017.

- **E&P adjusted operating profit** more than doubled to €0.85 billion in the second quarter; a fivefold increase to €2.26 billion for the first half of 2017.

Gas & Power

- **Finalized the disposal of the Belgian retail business** in July 2017.

- **G&P adjusted operating result:** reported a 36% improvement vs the second quarter of 2016 in a tipically weak quarter due to seasonality; in the first half of 2017, adjusted operating profit more than tripled y-o-y to €192 million (up €136 million).

Refining & Marketing and Chemicals

- Confirmed **refining breakeven margin below 4 $/barrel** on average for the FY.

- **R&M adjusted operating profit:** €165 million in the second quarter, almost four times greater than the same period in 2016, notwithstanding the partial shutdown of the Sannazzaro refinery (€231 million for the first half, up 110%).

- **Record adjusted operating profit achieved by the Chemical business:** €187 million in the second quarter 2017, up by 67% y-o-y, the highest level ever; €310 million in the first half (up by 39%).

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Group results

- **Adjusted operating profit**: a fivefold increase in the second quarter of 2017 to €1.02 billion (up €0.83 billion y-o-y); an almost fourfold increase in the first half of 2017 to €2.85 billion (up €2.08 billion y-o-y).

- **Adjusted net profit**: €0.46 billion in the quarter, €1.21 billion for the first half of 2017 compared to net losses reported in the 2016 comparative periods.

- **Net profit**: almost at breakeven in the quarter (€0.98 billion in the first half of 2017).

- **Strong cash generation**: €2.71 billion in the second quarter, up by 56% y-o-y; €4.64 billion in the first half of 2017 (up by 50%).

- **Doubled** the **adjusted cash flow from operations** before changes in working capital at replacement cost (€2.28 billion and €4.88 billion in the second quarter and the first half of 2017, respectively).

- **Capex**: €4.97 billion in the first half of 2017 (€4.27 billion on a pro-forma[1] basis), peak expenditure for the year due to the completion of large projects which started production in the first half of 2017, as scheduled. Self-financing ratio of pro-forma capex at approximately 110%.

- **Free cash flow**: €700 million to fund the cash dividend.

- **Disposals** agreed in the first half of 2017 of €2.9 billion, approximately **60% of the minimum target planned for the 2017-2020 four-year period.**

- **Net debt**: €15.5 billion; expected to decrease y-o-y following the closing of the disposals underway.

- **Leverage at June 30, 2017**: 0.32 compared to 0.28 at December 31, 2016, well below the 0.30 threshold at year end based on Eni’s scenario assumptions, driven by cash flow from operations and disposals.

- **2017 interim dividend proposal:** €0.40 per share.

Outlook

Exploration & Production

Confirmed the 2017 target of 0.8 bln boe of new resources, at a unitary discovery cost of approximately 1 $/bbl.

Confirmed FY production target of 1.84 mln boe/d (up by 5% from 2016) leveraging on new project start-ups (Indonesia, Angola and Ghana) and ramp-ups of fields entered into operations in 2016, mainly in Kazakhstan, Egypt and Norway. The unexpected shutdown of Val d'Agri, which lasted almost a full quarter and the impact of OPEC cuts, will be absorbed by the implementation of other initiatives to optimize production, as well as by the earlier than planned start-up of the large projects in Angola, Indonesia and Ghana.

Gas & Power

Confirmed structural positive results from 2017.

Confirmed cost position improvements by leveraging on long-term supply contracts revision already finalized in large part in the first half of the year.

Eni plans to **retain market share** in the large customers and retail segments, increasing the value of the existing customer base by developing innovative commercial initiatives, integrating services and optimizing operations.

[1] Net of reimbursement of capex relating to asset disposals and advances made by the Egyptian partners in the Zohr project, see page 12.

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Refining & Marketing and Chemicals

Confirmed the target of refining breakeven margin at 3 $/barrel in 2018.

Refinery intakes on own account are expected to decrease slightly y-o-y due to the downtime of certain assets at the Sannazzaro refinery and of the Taranto refinery, partially offset by higher volumes at Livorno and Milazzo refineries. Against a backdrop of strong competition, management expects to consolidate **volume and market share in the Italian retail market** by leveraging innovation and product and service differentiation. In the rest of Europe, sales on a like-for-like basis are expected to slightly increase.

In the Chemical business, **sales are expected to trend up**, due to higher production supplies. Cracker and polyethylene margins are expected to decline.

Group

Confirmed the target of around **18% reduction in capex** y-o-y on a pro-forma basis, i.e. net of the capex which will be reimbursed in connection with asset disposals and advances paid by the Egyptian partners in the Zohr project.

Cash neutrality: confirmed the organic coverage of capex and dividends at a Brent price of approximately 60 $/bbl in 2017.

Leverage at the end of 2017: projected to substantially decline from 2016 level, also reflecting the expected closing of portfolio transactions, particularly the Mozambique deal.

Sustainability

		IH 17	IH 16	Ch. %
Total recordable injury rate (TRIR)	(total recordable injury rate/worked hours) x 1,000,000	**0.326**	**0.408**	**(20.1)**
Direct GHG emissions	(mmtonnes CO_2 eq.)	**20.03**	**19.58**	**2.3**

- of which CO_2 from combustion and process		*15.12*	*14.69*	*2.9*
- of which CO_2 eq from methane		*1.02*	*1.21*	*(15.6)*
- of which CO_2 eq from flaring		*3.02*	*2.85*	*6.0*
- of which CO_2 eq from venting		*0.87*	*0.84*	*3.9*
Direct GHG emissions E&P/production	(tonnes CO_2 eq./toe)	**0.165**	**0.167**	***(1.0)***
Water reinjection	(%)	**60**	**57**	**6.3**

- Total recordable injury rate (down by 20.1% y-o-y) confirmed the improving trend, benefitting from performances recorded by both employees (down by 9.5%) and contractors (down by 24.6%).

Direct GHG emissions E&P/production: 0.165 tCO_2 eq/toe, an improvement y-o-y.

Direct GHG emissions from combustion and process increased, reflecting higher production level in the E&P and G&P segments.

- Emissions from flaring in the E&P segment are up by 6% due to an increase in production and the anticipated start-up of East Hub FPSO in Angola and OCTP FPSO in Ghana (for both the projects the gas re-injection is expected within the current year).

Emissions from venting are up by 3.9% due to the temporary issues.

Emissions from methane: down by 15.6% due to better monitoring and reduction of fugitive emissions in the E&P and G&P segments.

- Water reinjection at the E&P segment: a result of 60%, benefitting from the contribution of the subsidiaries in Ecuador, Egypt, Indonesia, Congo and the United States.

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Business segments operating review

Exploration & Production

Production and prices

IQ 17			**IIQ 17**	**IIQ 16**	**% Ch.**	**IH 17**	**IH 16**	**% Ch.**
	Production							
832	Liquids	kbbl/d	827	852	(2.9)	830	871	(4.7)
5,254	Natural gas	mmcf/d	5,152	4,709	9.8	5,203	4,713	10.5
1,795	**Hydrocarbons**	kboe/d	**1,771**	**1,715**	**3.3**	**1,783**	**1,734**	**2.8**
	Average realizations							
48.65	Liquids	$/bbl	45.29	40.58	11.6	46.90	35.14	33.5
3.60	Natural gas	$/kcf	3.45	3.11	10.9	3.53	3.21	10.0
33.42	**Hydrocarbons**	$/boe	**32.05**	**29.30**	**9.4**	**32.73**	**26.69**	**22.6**

- In the second quarter of 2017, **oil and natural gas production** averaged 1,771 kboe/d, up by 3.3% from the same period a year ago (1,783 kboe/d in the first half of 2017, up by 2.8%). This performance was driven by new project start-ups and the ramp-ups at fields started up in 2016, mainly in Angola, Egypt, Ghana, Indonesia, Kazakhstan and Norway (an overall contribution of 224 kboe/d and 192 kboe/d in the two reporting periods, respectively) as well as by higher maintenance activity of the first half of 2016. This trend was partly offset by OPEC production cuts, price effect and mature fields declines. When excluding the price effect on PSAs contracts and OPEC cuts (overall 30 kboe/d and 50 kboe/d in the quarter and the first half of 2017, respectively), hydrocarbon production increased by 5.2% (up 6.1% in the first half of 2017).

- **Liquids production** (827 kbbl/d) decreased by 25 kbbl/d, or 2.9% from the second quarter of 2016 (830 kbbl/d in the first half of 2017, down by 4.7%). Mature fields declines, price effect and OPEC cuts were partly offset by start-ups and ramp-ups of the period mainly in Angola, Ghana, Kazakhstan and Norway.

- **Natural gas production** (5,152 mmcf/d) increased by 443 mmcf/d, or 9.8% compared to the second quarter of the previous year (5,203 mmcf/d in the first half, up by 10.5%). Start-ups and ramp-ups of producing assets were partly offset by mature fields declines and price effect.

- **Val d’Agri** On July 18, 2017, Eni resumed operations at the Val d'Agri Oil Center (COVA) following approval from the Regional Council of the Basilicata Region. The resumption of the plant activity was due to approval from the relevant authorities confirming the functionality of the plant and the presence of all necessary safety conditions. The shutdown of the plant occurred on April 18, 2017. During the shutdown period, Eni performed all of the remediation measures mandated by the relevant authorities, including the upgrading of an oil tank where a spill occurred, which was equipped with a double-bottom.

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Results

IQ 17	(€ million)	IIQ 17	IIQ 16	% Ch.	IH 17	IH 16	% Ch.
1,628	**Operating profit (loss)**	**851**	**194**	**..**	**2,479**	**288**	**..**
(213)	Exclusion of special items	(6)	161		(219)	162	
1,415	**Adjusted operating profit (loss)**	**845**	**355**	**..**	**2,260**	**450**	**..**
56	Net finance (expense) income	(28)	(57)		28	(115)	
18	Net income (expense) from investments	169	33		187	37	
(859)	Income taxes	(425)	(403)		(1,284)	(710)	
57.7	*tax rate (%)*	*43.1*	*121.8*		*51.9*	*190.9*	
630	**Adjusted net profit (loss)**	**561**	**(72)**	**..**	**1,191**	**(338)**	**..**
	Results also include:						
208	**exploration expense:**	**113**	**153**	**(26.1)**	**321**	**240**	**33.8**
65	- prospecting, geological and geophysical expenses	74	59	25.4	139	114	21.9
143	- write-off of unsuccessful wells [(a)]	39	94	(58.5)	182	126	44.4
2,706	**Capital expenditure**	**1,909**	**2,267**	**(15.8)**	**4,615**	**4,509**	**2.4**

(a) Also includes write-off of unproved exploration rights, if any, related to projects with negative outcome.

- In the second quarter of 2017, the Exploration & Production segment reported an **adjusted operating profit** of €845 million, more than doubled from the second quarter of 2016 (€355 million). This improvement reflected the upward trend in crude oil prices (with the Brent price up by 9%), lower differentials of Eni's oil which determined a 11.6% rise in Eni's realizations in dollar terms, production increase and lower operating costs.

In the first half of 2017, adjusted operating profit amounted to €2,260 million, a five-fold increase from the same period of 2016, up by €1,810 million, driven by the same drivers mentioned above and in particular by the higher recovery of Brent price in the first quarter (up by 59%). These positives were partially offset by higher exploration write-offs.

- In the second quarter of 2017, **adjusted net profit** amounted to €561 million, an improvement of €633 million from the second quarter of 2016 (€1,191 million in the first half of 2017, compared to the loss of €338 million reported in the first half of 2016). This was due to the robust recovery in operating performance and the normalization of tax rate due to higher profit before taxes, which helped improve the deductibility of operating expenses including those incurred in connection with PSA schemes, as well as the recognition of deferred tax assets due to the production start-up of the Ghana project and the finalization of all contracts for commencing the development phase of the Coral project in Mozambique.

For the disclosure of the business segment special charges/gains see page 11.

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Gas & Power

Sales

IQ 17