ENI SPA
Form 6-K
November 07, 2018

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 October 2018

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.

/s/ Vanessa Siscaro	
Name:	Vanessa Siscaro
Title:	Head of Corporate Secretary's Staff Office

Date: October 31, 2018

Registered Head Office,

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October 26, 2018

Eni results for the third quarter and nine months of 2018

Key operating and financial results

IIQ 2018			**IIIQ 2018**	**2017**	**% Ch.**	**Nine months 2018**	**2017**	**% Ch.**
74.35	Brent dated	$/bbl	75.27	52.08	45	72.13	51.90	39
1.191	Average EUR/USD exchange rate		1.163	1.175	(1)	1.194	1.114	7
62.40	Brent dated	€/bbl	64.72	44.34	46	60.41	46.59	30
1,863	**Hydrocarbon production**	kboe/d	**1,803**	**1,803**	**0**	**1,844**	**1,790**	**3**
2,564	**Adjusted operating profit (loss)** [(a)]	€ million	**3,304**	**947**	**249**	**8,248**	**3,800**	**117**
2,742	*of which: E&P*		*3,095*	*1,046*	*196*	*7,922*	*3,306*	*140*
108	*G&P*		*71*	*(193)*	*137*	*501*	*(1)*	..
67	*R&M and Chemicals*		*93*	*337*	*(72)*	*237*	*878*	*(73)*
767	**Adjusted net profit (loss)** [(a)(b)]		**1,388**	**229**	**..**	**3,133**	**1,436**	**118**
0.21	*- per share (€)*		*0.39*	*0.06*		*0.87*	*0.40*	
1,252	**Net profit (loss)** [(b)]		**1,529**	**344**	**..**	**3,727**	**1,327**	**181**
0.35	*- per share (€)*		*0.42*	*0.10*		*1.03*	*0.37*	
2,823	**Net cash from operations at replacement cost** [(c)]		**3,396**	**1,938**	**75**	**9,385**	**6,868**	**37**
3,033	**Net cash from operations**		**4,102**	**2,161**	**90**	**9,322**	**6,799**	**37**
1,937	Net capital expenditure [(d)(e)]		1,820	1,463	24	5,515	5,728	(4)
9,897	**Net borrowings**		**9,005**	**14,965**	**(40)**	**9,005**	**14,965**	**(40)**
0.20	**Leverage**		**0.18**	**0.32**		**0.18**	**0.32**	

(a) Non-GAAP measure. For further information see the paragraph "Non-GAAP measures" on page 17.

(b) Attributable to Eni's shareholders.

(c) Non-GAAP measure. Net cash provided by operating activities before changes in working capital excluding inventory holding gains or losses and certain non-recurring items. For further information see page 13.

(d) Include capital contribution to equity accounted entities.

(e) Net of the entry bonus relating to two Concession Agreements acquired in the United Arab Emirates and of the share of 2018 development capex related to the share of 10% in Zohr, reimbursed to Eni by the buyer at the closing of the disposal.

Yesterday, Eni’s Board of Directors approved the Group results for the third quarter and the nine months of 2018 (unaudited). Commenting on the results, Claudio Descalzi, CEO of Eni, remarked:

“*I am very pleased with our performance in the third quarter, which allowed us to record cash flow from operations of €4.1 billion, double the amount we achieved in the same period last year and, even more remarkable, 35% higher than the previous quarter with a Brent price broadly unchanged. All the businesses have performed well, with the Upstream division showing that it can thrive either in an environment of increasing oil prices when compared with the third quarter 2017 and, above all, in an environment of flat oil prices when compared with the second quarter 2018. The Mid and Downstream businesses continue their recovery, demonstrating sustainable profitability despite an unfavorable environment. Net debt reduced €900 million from June to €9 billion following payment of the full year dividend. We are reaffirming our guidance of Group cash neutrality, including the funding of the dividend, at $55 per barrel, roughly $20 lower than the current Brent price. This is in line with the financial discipline we aim to maintain over time.”*

Highlights

Exploration & Production

- **Hydrocarbon production**:

  - **1.8 million boe/d in the third quarter of 2018**, up by 1.2% q-o-q net of price effects (stable on a reported basis[1]). Production growth negatively affected by lower-than-expected produced gas volumes due to the impact of exogenous factors in certain countries;

  - **1.84 million boe/d in the nine months of 2018**, up by 3.9% y-o-y net of price effects (up by 3% on a reported basis[1]);

  - In the quarter hydrocarbon production benefited from:

    - **Production ramp-up at highly-profitable giant projects** (Zohr, Noroos, Jangkrik, OCTP, Nenè phase 2);

    - **Start-ups** of the period: Ochigufu, OCTP gas phase and Bahr Essalam phase 2;

    - Increased production at the Kashagan and Val d'Agri fields (the latter shutdown in 2017);

    - The entry in Abu Dhabi;

these positives more than offset the termination of a production contract in Libya (Intisar) in the second quarter of 2018.

- **Exploration & Production adjusted operating profit**: €3.1 billion in the third quarter, a threefold increase q-o-q (more than doubled to €7.9 billion in the nine months). 13% higher than the second quarter of 2018, in a flattish Brent scenario.

- **Zohr ramp-up** in Egypt: achieved the production target of 2 bscfd (365 kboe/d) with the start-up of the fifth treatment unit, in just few months since the first gas (December 2017).

- **Mexico**: local Authorities approved the accelerated **development plan** of Area 1 discoveries, offshore Mexico, with estimated 2.1 billion of barrels of oil in place. The Final Investment Decision is planned in the fourth quarter, with early production seen in 2019.

- Obtained in **Egypt** a ten-year extension of the **Great Nooros Area concession** located in the Nile Delta and a five-year extension of the **Ras Qattara Concession Agreement** in the Western Desert, unlocking new near-field opportunities.

- **Exploration**:

  - **Gas discovery in Egypt** at the East Obayed concession in proximity of producing assets. Successful appraisal of the Cape Vulture oil discovery in the **Norwegian Sea**;

  - Acquired the **exclusive exploration and development rights** of Block A5-A offshore **Mozambique** and 124 exploration licenses onshore **Alaska** in a high potential area;

  - **Libya**: signed an agreement with the National Oil Corporation and BP to resume exploration activity;

  - **New exploration acreage**: in the nine months, awarded a total of approximately **30,000 square kilometers**;

  - **Resource base**: added approximately 330 mmboe in the nine months. Guidance of additions in the range of 500 mmboe for the full year.

Gas & Power

- **Consolidated the recovery of profitability** thanks to growing the LNG business and optimizations in power and logistics;

[1] Including price effects to PSAs contracts.

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- In the **third quarter**, weakest in the year due to seasonal trends, retained profitable operations with an **adjusted operating profit** of €71 million, sharply higher than the €193 million loss of the third quarter of 2017;

- In the **nine months**, achieved **adjusted operating profit** of €0.5 billion, compared to the breakeven of the previous-year period.

· **LNG sales**: up by 34% to 7.9 bcm in the nine months of 2018, more than half sold on the Asian markets leveraging on supplies of upstream equity gas in Indonesia, as result of the improved integration across the two businesses.

· **Retail business**: continuous increase in the customer base, excluding the impact of the divestments.

Refining & Marketing and Chemicals

· **Versalis**:

- **Acquired in Italy activities and technologies in the segment of green chemicals** based on use of renewable resources, particularly biomass;

- Started up **a new elastomer plant in Ferrara**, mainly supplying specialties to the automotive industry;

- **Petrochemical sales** up by 6% in the third quarter of 2018 (up by 7% in the nine months of 2018), driven by better plant performance.

· **Refining & Marketing adjusted operating profit**: €0.14 billion in the third quarter of 2018, down by 38% q-o-q (€0.22 billion in the nine months of 2018, down by 52%) due to an unfavorable trading environment.

· **Chemicals adjusted operating profit**: operating loss of €47 million in the third quarter of 2018, negatively affected by rapidly escalating costs of oil-based feedstock; €18 million in the nine months of 2018 (down by 96%).

Group results

· **Adjusted operating profit**: €3.3 billion, a more than threefold increase q-o-q; €8.25 billion in the nine months of 2018 more than doubled compared to the nine months of the previous year.

- **Adjusted net profit**: €1.39 billion in the third quarter of 2018 (€0.23 billion in the third quarter of 2017); €3.13 billion in the nine months (more than doubled y-o-y).

- **Net profit**: €1.53 billion in the third quarter; €3.73 billion in the nine months.

- **Cash flow from operations**: €4.1 billion in the third quarter (up by 90% q-o-q); €9.32 billion in the nine months (up by 37% from to the nine months of 2017). Compared to the second quarter of 2018, the increase was 35%, in a flattish crude oil price environment.

- **Adjusted cash flow from operations**[2] before changes in working capital at replacement cost at €3.4 billion in the third quarter (up by 75% q-o-q; up by 20% compared to the second quarter of 2018, in a flattish crude oil price environment). €9.4 billion in the nine months of 2018 (up by 37% y-o-y) determining a capex funding ratio of 170%.

- **Net capex**: €5.52 billion[3] in the nine months.

- **Net borrowings**: €9 billion, down by €1.91 billion compared to December 31, 2017, which also includes dividend payments of €2.95 billion.

- **Leverage**: 0.18, lower than the level of December 31, 2017 (0.23).

[2] See table on page 13.

[3] See details on page 1, footnote (d).

Outlook 2018

Exploration & Production

Hydrocarbon production: assuming the budget Brent price scenario of 60 $/barrel, expected a roughly 3% growth in the FY 2018 vs. 2017, including the negative impact on gas production of exogenous factors in certain countries, with an expected negligible effect on cash flow. Production growth will be driven by: continuing production ramp-up at the fields started up in 2017, in Zohr and Noroos in Egypt, Jangrik in Indonesia and OCTP oil in Ghana, start-ups of the period (Ochigufu, OCTP gas phase, Bahr Essalam phase 2 and Wafa Compression), a larger contribution from the Kashagan, Goliat and Val d'Agri fields, as well as the contribution of the new venture in UAE.

Gas & Power

Recovery in profitability: already achieved the guidance on the FY adjusted operating profit at around €400 million. New guidance for adjusted operating profit at €550 million.

Gas sales: expected to decline in line with an expected reduction in long-term contractual commitments both to procure and to supply gas. An increase in nearly 9 million tons of LNG contracted volumes expected by 2018 year-end.

Refining & Marketing and Chemicals

Refining breakeven margin of approximately 3.2 $/barrel on average in 2018 at the budget scenario. Confirmed the achievement of the target breakeven margin of 3 $/barrel leveraging on the restart of the EST unit, at the Sannazzaro refinery, planned by the first half of 2019.

Refining throughputs on own accounts expected to be flat compared to 2017, due to better performance at the Sannazzaro and Livorno refineries because of unplanned shutdowns in 2017, offset by reductions at the Taranto and Milazzo plants. A higher refineries utilization rate is projected.

Retail sales were substantially unchanged y-o-y in Italy and in European markets. Market share in Italy is expected to be stable at around 24%.

Versalis: spreads of the main commodities, mainly cracker and polyethylene margins, are expected to decline due to the rapid increase in costs of oil-based feedstock, as well as certain segments (butadiene) coming off the peaks seen in 2017. Growth in sales volumes is expected in all business segments driven by higher product availability and by fewer planned standstills and upsets, while polyethylene is expected to decline driven by weaker market conditions.

Group

Cash neutrality: funding of capex for the FY and the dividend is confirmed at a Brent price of approximately 55 $/barrel in 2018.

2018 FY Capex expected to be €7.7 billion, in line with guidance.

Business segments operating review

Exploration & Production

Production and prices

IIQ 2018			IIIQ 2018	2017	% Ch.	Nine months 2018	2017	% Ch.
	Production							
881	Liquids	kbbl/d	886	885	0	884	848	4
5,359	Natural gas	mmcf/d	5,008	5,012	0	5,241	5,138	1
1,863	**Hydrocarbons**	kboe/d	**1,803**	**1,803**	**0**	**1,844**	**1,790**	**3**
	Average realizations							
69.17	Liquids	$/bbl	69.99	48.03	46	66.95	47.31	42
4.52	Natural gas	$/kcf	5.73	3.80	51	4.90	3.61	36
47.62	**Hydrocarbons**	$/boe	**51.85**	**35.14**	**48**	**47.29**	**33.55**	**41**

- In the third quarter of 2018, **oil and natural gas production** averaged 1,803 kboe/d, unchanged from the third quarter of 2017 (1,844 kboe/d in the nine months of 2018; up by 3%). This performance was driven by the ramp-up at fields started up in 2017, mainly in Egypt, Indonesia, Congo and Ghana and the 2018 start-ups (with a total contribution of 284 kboe/d), as well as higher production at the Kashagan field and in Italy as well as the acquisition of the two Concession Agreements Lower Zakum (5%) and Umm Shaif/Nasr (10%) producing offshore in the United Arab Emirates. These positives were partly offset by negative price effects at PSAs contracts, lower-than-expected produced gas volumes due to the impact of exogenous factors in certain countries and the decline of mature fields. When excluding price effects to PSAs contracts (approximately 22 kboe/d and 15 kboe/d in the quarter and the nine months, respectively), hydrocarbon production increased by 1.2% and 3.9% in the quarter and the nine months of 2018, respectively.

- **Liquids production** (886 kbbl/d) was unchanged from the third quarter of 2017 (884 kbbl/d in the nine months of 2018, up by 4%) due to production ramp-ups during the period and the acquisition in the United Arab Emirates offset by price effect and mature fields decline.

- **Natural gas production** (5,008 mmcf/d) was unchanged from the third quarter of 2017 (5,241 mmcf/d in the nine months, up by 1%). Production ramp-ups and start-ups were offset by exogenous factors in certain countries.

Results

IIQ		IIIQ			Nine months		
2018	(€ million)	**2018**	**2017**	**% Ch.**	**2018**	**2017**	**% Ch.**
2,602	**Operating profit (loss)**	**3,220**	**1,041**	**209**	**7,788**	**3,520**	**121**
140	Exclusion of special items	(125)	5		134	(214)	
2,742	**Adjusted operating profit (loss)**	**3,095**	**1,046**	**196**	**7,922**	**3,306**	**140**
(263)	Net finance (expense) income	(110)	(39)		(429)	(11)	
109	Net income (expense) from investments	53	104		197	291	
(1,504)	Income taxes	(1,649)	(670)		(4,293)	(1,954)	
58.1	*tax rate (%)*	*54.3*	*60.3*		*55.8*	*54.5*	
1,084	**Adjusted net profit (loss)**	**1,389**	**441**	**215**	**3,397**	**1,632**	**108**
	Results also include:						
86	**Exploration expenses:**	**100**	**69**	**45**	**261**	**390**	**(33)**
64	- prospecting, geological and geophysical expenses	58	61		186	200	
22	- write-off of unsuccessful wells	42	8		75	190	
1,693	**Capital expenditure**	**1,575**	**1,343**	**17**	**5,636**	**5,958**	**(5)**

- In the third quarter of 2018, the Exploration & Production segment reported an **adjusted operating profit** of €3,095 million and increased almost three times from the third quarter of 2017 (€1,046 million). This improvement reflected higher oil and gas realizations in dollar terms (up by 46% and 51%, respectively) driven by a recovery in crude oil prices with the Brent price up by 45% in dollar terms, as well as production growth with higher profit per boe. In the nine months of 2018, adjusted operating profit was €7,922 million, up by 140%, driven by a sharp increase in crude oil prices (with the Brent price up by 39% in dollar terms) and higher hydrocarbon production, partly offset by currency headwinds (with the EUR/USD exchange rate up by 7%). Furhermore, in the third quarter, adjusted operating profit rose by 13% from the second quarter of 2018 due to higher new accretive production, in a flattish crude oil price scenario.

- In the third quarter of 2018, **adjusted net profit** was €1,389 million, a threefold increase from the third quarter of previous year. This was due to a higher operating performance and a decreased adjusted tax rate (down by approximately 6 percentage points q-o-q) due to a lower tax rate associated with new productions and a positive impact associated with the crude oil price environment. In the nine months of 2018 adjusted net profit was €3,397 million (up by €1,765 million y-o-y) due to a higher operating performance. This positive was partially offset by the write-off of financing receivables related to an unsuccessful exploration project managed by a joint venture in the Black Sea (approximately €270 million), with an additional effect on adjusted tax rate due to the fact that these expenses were non-deductible. In the nine months of 2018, adjusted tax rate increased by approximately 1.3 percentage points also due to the recognition of deferred tax assets relating to the achievement of certain project milestones in 2017.

- Cash tax rate was 32.1% and 29.8% respectively in the two reporting periods of 2018.

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

Gas & Power

Sales

IIQ 2018			IIIQ 2018	2017	% Ch.	Nine months 2018	2017	% Ch.
245	**PSV**	€/kcm	**280**	**192**	**46**	**255**	**201**	**27**
224	**TTF**		**260**	**171**	**52**	**237**	**177**	**34**
	Natural gas sales	bcm						
9.77	Italy		9.22	7.93	16	30.18	27.81	9
6.14	Rest of Europe		6.10	8.21	(26)	21.52	27.97	(23)
0.49	*of which: Importers in Italy*							