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Eni results for the second quarter and half year 2019

Key operating and financial results[1]

IQ 2019			IIQ 2019	IIQ 2018	IIQ % Ch.	IH 2019	IH 2018	IH % Ch.
63.20	Brent dated	$/bbl	68.82	74.35	(7)	66.01	70.55	(6)
1.136	Average EUR/USD exchange rate		1.124	1.190	(6)	1.130	1.210	(7)
55.65	Brent dated	€/bbl	61.25	62.46	(2)	58.42	58.31	0
222	PSV	€/kcm	178	245	(27)	200	242	(17)
1,832	**Hydrocarbon production**	kboe/d	**1,825**	**1,863**	**(2)**	**1,829**	**1,865**	**(2)**
2,354	**Adjusted operating profit (loss)** [(a)]	€ million	**2,279**	**2,564**	**(11)**	**4,633**	**4,944**	**(6)**
2,308	*of which: E&P*		*2,140*	*2,742*	*(22)*	*4,448*	*4,827*	*(8)*
372	*G&P*		*46*	*108*	*(57)*	*418*	*430*	*(3)*
(55)	*R&M and Chemicals*		*48*	*67*	*(28)*	*(7)*	*144*	..
992	**Adjusted net profit (loss)** [(a)(b)]		**562**	**767**	**(27)**	**1,554**	**1,745**	**(11)**
0.28	*per share - diluted (€)*		*0.16*	*0.21*		*0.43*	*0.48*	
1,092	**Net profit (loss)** [(b)]		**424**	**1,252**	**(66)**	**1,516**	**2,198**	**(31)**
0.30	*per share - diluted (€)*		*0.12*	*0.35*		*0.42*	*0.61*	
3,415	**Net cash before changes in working capital at replacement cost** [(c)]		**3,385**	**2,376**	**43**	**6,800**	**5,542**	**23**
2,097	**Net cash from operations**		**4,515**	**3,033**	**49**	**6,612**	**5,220**	**27**
1,874	Net capital expenditure [(d)(e)]		1,915	1,919	(0)	3,789	3,695	3
8,678	Net borrowings before lease liability ex IFRS 16		7,869	9,897	(20)	7,869	9,897	(20)
14,496	Net borrowings after lease liability ex IFRS 16		13,591	n.a.		13,591	n.a.	
52,776	Shareholders' equity including non-controlling interest		51,006	50,471	1	51,006	50,471	1
0.16	**Leverage before lease liability ex IFRS 16**		**0.15**	**0.20**		**0.15**	**0.20**	
0.27	**Leverage after lease liability ex IFRS 16**		**0.27**	**n.a.**		**0.27**	**n.a.**	

(a) Non-GAAP measure. For further information see the paragraph "Non-GAAP measures" on page 19.
(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.
(d) Include capital contribution to equity accounted entities.
(e) Net of expenditures relating to reserves acquisition, purchase of minority interests and other non-organic items.

Yesterday, Eni's Board of Directors approved Group results for the second quarter and first half of 2019 (unaudited). Commenting on the results, Claudio Descalzi, CEO of Eni, remarked:

"*In the first half 2019, Eni delivered excellent operating and financial results, making substantial progress towards the achievement of the full-year targets outlined in its industrial plan. Group cash flow before changes in working capital increased by 20% notwithstanding a less supportive trading environment than in the comparative period and largely funded capex, which remained under control in line with our financial discipline, cash return to shareholders, which in addition to the payment of the 2018 dividend, can now also count on the share buy-back programme. Therefore, net borrowings decreased by a further 5% to €7.87 billion excluding accounting lease liabilities. We expect to generate additional organic cash surplus in the near future owing to our expectation that Brent will exceed our level of cash neutrality, which at approximately 55 $/barrel is forecast to remain below actual oil prices. Our industrial performance had underpinned these results. In the Upstream, our operating model designed to minimise the time-to-market obtained another great success in Mexico with the start-up of Area 1 in less than a year following approval of the plan of development. We expanded our production capacity organically, by growing mainly in Egypt where the Zohr field is approaching full plateau. The Gas&Power segment has continued to strengthen its performance thanks to the enhancement of the long-term gas portfolio, of which a significant step was the renewal of the gas agreement with Sonatrach. The gas retail business reported robust results by enlarging its customer base by 130,000 delivery points. The R&M and Chemicals businesses managed to withstand an unfavorable trading environment recovering in the second quarter, especially in the oil marketing. Our sustainability key performance indicators are showing steady improvement, in line with targets and we highlight the start-up of the Gela Green refinery. Based on these results and prospects, it is my intention to reaffirm to our Board of Directors the proposal of an interim dividend of €0.43 per share.*"

[1] Results of operations, cash flow and statement of financial position for the second quarter and first half of 2019 included the effects of the new accounting standard IFRS 16 –Leases. Since as permitted by the standard the comparative periods have not been restated, to enable the users of this report to make a homogeneous comparison, the effect of IFRS 16 on the results of the second quarter and first half of 2019 have been disclosed with reference to the single items of the profit and loss, cash flow and statement of the financial position and as whole in the tables presented on page 14.

Highlights

Exploration & Production

- **Hydrocarbon production**: **1.83 million boe/d** both in the second quarter and in the first half, almost unchanged y-o-y net of portfolio effects;
  - q-o-q change affected by the termination of the Intisar production contract in Libya from the third quarter of 2018; **net of this impact and portfolio effects, production increased by 110 kboe/d in the quarter, up by 6.5% due to volume increases and lower maintenance activity (94 kboe/d, or 5.5% in the first half);**
  - start-ups and ramp-ups added 218 kboe/d, driven by the achievement of full capacity at the Libyan projects started in 2018 (Wafa compression and Bahr Essalam phase 2) and by organic growth in Egypt (the Zohr ramp-up), Ghana and Angola.
- **Start-ups of new fields**:
  - **Mexico**: the Miztón field offshore Area 1 started up in early production, the first step in the hub development with an estimated 2.1 billion barrels of oil equivalent in place. The start-up was obtained in less than two and half years after drilling the first well and in less than one year following approval of the development plan, demonstrating the effectiveness of Eni's distinctive fast track approach to upstream development projects;
  - **Egypt**: oil production started up at the SW Meleiha development area leveraging on the 2018 discoveries;
  - confirmed the planned start-ups in the second half in Egypt and Algeria. On July 15, 2019, started up the Trestakk field in **Norway.** Started up also the Berkine oil field in **Algeria**.
- **Exploration**:

  main successes:
  - in the first half **new discoveries** totaled 350 mmboe of exploration resources:
  - **Offshore Angola**: a new successful exploration campaign has led to several discoveries in Block 15/06 (Eni operator with a 36.8% interest) with the last positive outcomes in the Ndungu and Agidigbo prospects, the second and the third discoveries since the beginning of the year following the Agogo discovery and the fifth since the resumption of exploration activities in 2018. The cumulative resources found are pegged at 1.8 billion barrels of oil in place;
  - **Offshore Ghana**: new gas and condensates discovery made in the CTP-Block 4 (Eni operator), with estimated resources in place ranging between 550-650 bcf of gas and 18-20 mmbbl of associated condensate, representing a potential commercial discovery due to its proximity to existing production infrastructures;
  - **Norwegian North Sea**: new oil and gas discoveries in the PL 869 license participated by Vår Energi;
  - **Offshore Egypt**: made a gas discovery in the exploration permit Nour (Eni operator with a 40% interest) and near field discovery made in the western desert with the Basma and Shemy prospects, onshore Nile delta with the El Qara North East 1 prospect and the Gulf of Suez with the Sidri South prospect. Some discoveries have already been linked to the producing facilities;
  - **Vietman**: gas and condensates discovery in the exploration permit Ken Bau, Block 114 (Eni operator with a 50% interest), located offshore Vietnam.

  reloading Eni's mineral interest portfolio: in the first half of 2019, acquired new exploration acreage covering 24,200 square kilometers, mainly in the Bahrain, the UAE, Mozambique, Algeria, Norway, Ivory Coast and Egypt.

The following agreements are going to be ratified:

- **Kazakhstan/Caspian Sea**: an exploration and production license in the Abay concession located in shallow water, in joint venture with the national oil company KMG;
- **Ghana**: the exploration and production license in Block WB03 (Eni operator with a 70% interest), in the medium deep waters of the rich Tano basin, located near the Sankofa producing field (OCTP project);
- **Argentina**: the exploration license in block MLO 124 in the South offshore (Eni operator with an 80% interest).

- Signed agreements to divest to **Qatar Petroleum**:
  - a 13.75% share in the exploration blocks L11A, L11B and L12, in deep offshore **Kenya**;
  - a 30% interest in the Tarfaya exploration license, offshore **Morocco**, which includes 12 exploration blocks. At the closing date, Eni will retain a 45% interest and the operatorship;
  - a 25.5% interest in Block A5-A, offshore **Mozambique**, where Eni is retaining the operatorship with a 34% interest.
- **Dual exploration model**: divested a 20% interest of the Merakes discovery.
- **Rovuma LNG development plan** approved by the Mozambique Government for the production, liquefaction and marketing of natural gas from three reservoirs in the Mamba complex in the Area 4 offshore the Rovuma basin.
- **Net capex[2]**: €3.16 billion in the first half, in line with the guidance.
- **Adjusted operating profit Exploration & Production**: €2.14 billion, down by 22% q-o-q; €4.45 billion in the first half, down by 8%. Excluding the impact of the loss of control over Eni Norge on the 2018 results to allow a-like-for-like comparison, and net of scenario effects and IFRS 16 accounting, the adjusted operating profit decreased by 5% in the quarter (up by 5% in the first half).

Gas & Power

- Signed an agreement with the Algerian national oil company Sonatrach to extend the **long-term supply contract to import gas to Italy** until 2027 (with the option for a two-year additional term) and the transport contract to Italy through the Tunisian onshore pipeline and the offshore one.
- **Outcome first phase arbitration with GasTerra**: GasTerra's claim for a price adjustment to the gas deliveries for the period October 1, 2012 –September 30, 2015 has been dismissed. No liability to be incurred by Eni. Release of the bank guarantee has been agreed.
- **Retail business**: enlarged the customer base by approximately 130,000 delivery points in the first half of 2019 due to growth in the power business.
- **Adjusted operating profit G&P**: €0.05 billion, down by 57% q-o-q; €0.4 billion in the first half (down by 3%). The performance was driven by growth and increasing efficiency in the retail business.

Refining & Marketing and Chemicals

- **ADNOC refinery**: obtained antitrust authorizations. Closing of the acquisition of the 20% interest expected in short time.
- **Gela green refinery**: started up some production units.
- **EST plant at the Sannazzaro refinery**: full operations expected by the third quarter 2019.
- Completed the ramp-up at the **Priolo steam-cracker** in the Chemical business after the upset recorded in the first quarter.

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[2] Net of expenditures relating to reserves acquisition, purchase of minority interests and other non-organic items, for an overall amount of €500 million in the first half of 2019.

- **Adjusted operating profit of the R&M business**: reverted to operating profit at €0.08 billion in the second quarter after a first-quarter loss (up by 25% vs. the comparative period) due to robust results of the marketing activities and better plants performance. In the first half, operating profit at €0.07 billion (down by 15%) due to a weaker scenario for complex refineries and higher standstills.
- **Adjusted result of the Chemical business**: loss of €28 million in the second quarter (loss of €74 million in the first half), negatively affected by scaling up production at the Priolo steam-cracker and an unplanned downtime at the Porto Marghera steam-cracker, while the chemicals scenario has remained weak, particularly in the elastomers segment due to a slowdown in the automotive sector.

Decarbonization and circular economy

- **GHG emission intensity in the E&P segment**: 20.94 tCO_2 eq[3]/kboe, a 1.3% decrease y-o-y (down by 2.3% vs. full year 2018), in line with the reduction target by 2025 disclosed to the market.
- **Energy Solutions**, power generation from renewables: 40 MW of installed capacity as of June 30, 2019. In the first half, started up the construction of the following plants:
    - Badamsha, in **Kazakhstan**, a 50 MW wind farm;
    - Porto Torres, a 31 MW photovoltaic plant, in **Italy**;
    - Katherine, in Northern **Australia**, a 33.7 MW photovoltaic plant, equipped with a storage system;
    - Tataouine, in Southern **Tunisia**, a 10 MW photovoltaic plant, and Adam, located near the homonymous oil concession, a 5 MW photovoltaic plant.
- Signed a number of MOUs with notable stakeholders of the civil society and among the industrial sector (Coldiretti, Maire Tecnimont, RenOils, Veritas) to **develop circular economy projects**, targeting mainly the recycle of solid urban waste to convert it in bio-feedstock.
- Signed a joint declaration with the **United Nations Industrial Development Organization (UNIDO)**, setting up a new, pioneering public-private cooperation model aimed at helping reach the UN's Sustainable Development Goals (SDGs).
- Started a **collaboration with ENEA** to research magnetic confinement fusion, in order to produce clean, safe, sustainable energy.

Group results

- **Adjusted operating profit**: €2.28 billion for the second quarter, down by 11% q-o-q (€4.63 billion in the first half, down by 6%). Excluding the impact of the loss of control over Eni Norge on the 2018 results to allow a-like-for-like comparison, and net of scenario effects and IFRS 16 accounting, the Group adjusted operating profit increased by 9% in the quarter (up by 7% in the first half).
- **Adjusted net profit**: €0.56 billion for the quarter, down by 27% q-o-q (down by 24% excluding IFRS 16 accounting effects). €1.55 billion in the first half, down by 11% (down by 8% excluding IFRS 16 accounting effects).
- **Net profit**: €0.42 billion and €1.52 billion in the quarter and the first half, respectively.
- **Robust growth in cash flow before working capital at replacement cost[4]**: €3.39 billion, up by 43%, and €6.8 billion, up by 23%, in the second quarter and in the first half of 2019, respectively. These increases remain still remarkable even when excluding IFRS 16 accounting effects and discounting from the comparative periods certain extraordinary items which negatively affected the result by approximately €500 million: up by 18% to €3.3 billion in the second quarter; up by 9% to €6.5 billion in the first half of 2019.

[3] Carbon dioxide equivalent (CO_2eq) is a standard unit for measuring the impact of different greenhouse gas warming effect using, as a reference, the amount of CO_2 that would create the same warming effect. Eni reports greenhouse gas emissions using CO_2eq due to the inclusion of other greenhouse gas than carbon dioxide (CO_2), such as methane (CH_4) and nitrous oxide (N_2O), characterized by a warming potential of respectively 25 and 298 (Source: IPCC).

[4] See table on page 14.

- **Cash flow provided by operating activities**: €6.61 billion in the first half, up by 27% (€4.52 billion in the second quarter, up by 49%), which was negatively affected by an extraordinary payment to settle an arbitration outcome (€330 million).
- **Capital expenditure and investment, net**: €3.79 billion in the first half, net of the purchase of reserves in Alaska and Algeria (IFRS 16 effects were immaterial).
- **Net borrowings**: €7.87 billion before the effect of IFRS 16; down by 5% from 2018 year-end. Including IFRS 16, net borrowings was €13.59 billion, of which around €2 billion pertains to the share of lease liabilities attributable to joint operators in Eni-led upstream project.
- **Leverage**: 0.15 before the effect of IFRS 16, lower than the values at December 31, 2018 and March 31, 2019. Including IFRS 16, leverage was 0.27, or 0.23 excluding the aforementioned share of lease liabilities attributable to joint operators.
- **Buy-back**: the buy-back program of the Eni share started at the end of May; as of June 30, 2019 3.69 million of shares have been repurchased for a total consideration of €52.4 million.
- **2019 interim dividend proposal**: €0.43 per share[5], out of a full-year dividend forecast of €0.86 per share.

Outlook 2019

Exploration & Production

Hydrocarbon production: reaffirmed the target of a production growth rate in the range of 2%-2.5% y-o-y, assuming a Brent price forecast of 62 $/bbl and net of portfolio transactions. The projected range is assuming a production level of 40 Kboe/d in Venezuela and a scaling down in production volumes at our Indonesian project to factor in a slowdown in end-markets in Asia. Growth will be fuelled by continuing production ramp-up at fields started in 2018, particularly the Libyan projects Wafa compression and Bahr Essalam phase 2, by organic growth in Egypt (Zohr ramp-up), Ghana and Angola, as well as the start-up of the Area 1 oil project offshore Mexico, North Berkine in Algeria and the Trestakk project in Norway and the planned start-ups in Egypt and Algeria. New field start-ups and ramp-ups are projected to add approximately 250 kboe/d. following the bulk of our plant maintenance executed in the second quarter, production growth will resume at a faster rate in the third quarter still affected by residual maintenance activity and will further accelerate in the fourth quarter.

Exploration resources: expectations are for exceeding the previous target of 600 million boe of equity additions for the year.

Gas & Power

Operating profit: expected at approximately €500 million as guided.

Portfolio of retail customers projected to increase due to the development of the power business.

Refining & Marketing and Chemicals

Refinery breakeven margin expected at approximately 4.4 $/bbl in 2019 considering an unfavourable trading environment due to narrowing differentials between heavy/sour crudes and the light Brent crude and assuming full operability of the industrial system. At the budget scenario, the breakeven margin would be 3.5 $/bbl at the end of 2019.

Operating profit: downward revision to €500 million considering adverse trends in the scenario for complex refineries.

Refinery throughputs on own account: substantially unchanged.

[5] Dividends are not entitled to tax credit and, depending on the receiver, are subject to a withholding tax on distribution or are partially cumulated to the receivers' taxable income.

Green throughputs: an increase expected due to the start-up of the Gela plant.

Retail sales of refined products seen as stable, in line with the market share in Italy.

Petrochemical production volumes and sales: expected to decline y-o-y due to the shutdown of the Priolo steam-cracker in the first quarter and fully in operation by the end of July.

Group

Capex: revised to a slight decrease the previous guidance of €8 billion for FY 2019 at the budget exchange rate of 1€=1.15 USD.

Cash flow from operations before working capital at replacement cost is expected at approximately €12.8 billion at the budget scenario assumptions, before IFRS 16 effects.

Cash neutrality: organic capex and the dividend are expected to be fully funded by operating cash flows at the Brent scenario of 55 $/bbl before IFRS 16 effects, or 52 $ including IFRS 16 effects.

Business segments operating results

Exploration & Production

Production and prices

IQ 2019			IIQ 2019	2018	% Ch.	IH 2019	2018	% Ch.
	Production							
887	Liquids	kbbl/d	867	881	(2)	877	883	(1)
5,157	Natural gas	mmcf/d	5,230	5,359	(3)	5,194	5,359	(3)
1,832	**Hydrocarbons [(a)]**	kboe/d	**1,825**	**1,863**	**(2)**	**1,829**	**1,865**	**(2)**
	Average realizations							
58.08	Liquids	$/bbl	63.52	69.17	(8)	60.70	65.35	(7)
5.61	Natural gas	$/kcf	4.90	4.52	8	5.26	4.51	17
44.82	**Hydrocarbons**	$/boe	**45.18**	**47.62**	**(5)**	**45.00**	**45.02**	**(0)**

(a) Cumulative daily production for the second quarter and the first half 2019 includes 30 kboe/d and 15 kboe/d respectively (2.8 million boe) of volumes (mainly gas) as part of a long-term supply agreement to a state-owned national oil company, whereby the buyer has paid the price without lifting the underlying volume due to the take-or-pay clause. Management has estimated to be highly probable that the buyer will not redeem its contractual right to lift the pre-paid volumes within the contractual terms. The price collected on such volumes was recognized as revenue in the financial statements in accordance to IFRS 15 because the Company has satisfied its performance obligation under the contract.

- In the second quarter of 2019, **oil and natural gas production** averaged 1,825 kboe/d, down by 2% from the second quarter 2018 (down by 2% in the first half 2019); substantially in line in the reporting periods net of portfolio effect (down by 0.6% in the second quarter; down by 0,9% in the first half). Production was also affected by the termination of the Intisar production contract in Libya from the third quarter of 2018. Excluding that event, production performance was robust, leveraging on the ramp-up of the Zohr field and of projects started in 2018, mainly in Libya, Angola and Ghana (with an overall contribution of 218 kboe/d), as well as on growth in Nigeria, Australia and the United Arab Emirates. These positives were partly offset by planned shutdowns in Kazakhstan and Norway, lower production in Venezuela due to the current situation in the Country and in Indonesia, due to unsteady production volumes reflecting a slowdown in end-markets in Asia, as well as mature fields decline, mainly in Italy.
- **Liquids production** (867 kbbl/d) decreased by 14 kbbl/d, or 2% from the second quarter of 2018 (877 kbbl/d in the first half of 2019, down by 1%). Ramp-ups of the period in Libya, Angola and Ghana and the production growth in Nigeria and in the United Arab Emirates were offset by productive shutdowns, lower production in Venezuela and mature fields decline.
- **Natural gas production** (5,230 mmcf/d) decreased by 129 mmcf/d, or 3% compared to the second quarter of the previous year (5,194 mmcf/d in the first half, down by 3%). Excluding the termination of the Intisar production contract in Libya, production performance was positive. Ramp-ups of the period were partly offset by lower production in Indonesia and Venezuela and mature fields decline.

Results

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	% Ch.	IH 2019	IH 2018	% Ch.
2,289	**Operating profit (loss)**	**2,136**	**2,602**	**(18)**	**4,425**	**4,568**	**(3)**
19	Exclusion of special items	4	140		23	259	
2,308	**Adjusted operating profit (loss)**	**2,140**	**2,742**	**(22)**	**4,448**	**4,827**	**(8)**
(124)	Net finance (expense) income	(79)	(263)		(203)	(319)	
62	Net income (expense) from investments	86	109		148	144	
(1,175)	Income taxes	(1,415)	(1,504)		(2,590)	(2,644)	
52.3	*tax rate (%)*	*65.9*	*58.1*		*59.0*	*56.8*	
1,071	**Adjusted net profit (loss)**	**732**	**1,084**	**(32)**	**1,803**	**2,008**	**(10)**
	Results also include:						
117	**Exploration expenses:**	**189**	**86**	**120**	**306**	**161**	**90**
82	- prospecting, geological and geophysical expenses	64	64		146	128	
35	- write-off of unsuccessful wells	125	22		160	33	
1,986	**Capital expenditure**	**1,676**	**1,693**	**(1)**	**3,662**	**4,061**	**(10)**

- In the second quarter of 2019, the Exploration & Production segment reported an **adjusted operating profit** of €2,140 million, down by 22% q-o-q. However, the adjusted operating profit decreased by just 5%, when excluding the prior year contribution from the former subsidiary Eni Norge which was merged with Point Resources to establish Vår Energi, an equity-accounted joint venture, in operation since 1/1/2019, and net of IFRS 16 accounting and of the negative scenario relating to lower crude oil prices in dollars (the marker Brent down by 7%) and lower gas spot prices, which negatively affected equity production sold at European markets, partly offset by the appreciation of USD/EUR exchange rate (up by 6%). This reduction was driven by bigger write-off charges of unsuccessful wells and higher amortization of the asset retirement cost reflecting 2018 quarter positive estimate revisions, almost completely offset by production increases particularly in Egypt, Libya, Angola and Ghana.
  In the first half, adjusted operating profit was €4,448 million, down by 8% y-o-y, or up by 5% when excluding Eni Norge contribution in 2018 and net of the adverse scenario impact and IFRS 16 accounting. The increase was driven by a positive performance in volume/mix due to rising contribution of barrels with higher-than-average profitability. Operating profit included the result relating to certain hydrocarbon volumes, comprised in the production for the period, whereby the price was paid by the buyer without lifting the underlying volume due to the take-or-pay clause in a long-term supply agreement. Management has ascertained that it is highly likely that the buyer will not redeem its contractual right to lift the pre-paid volumes in future reporting periods within the contractual terms. On this basis, the price collected on such volumes was recognized as revenue in the financial statements as well as unit-of-production amortization charges and the related effect on income taxes.
- **Adjusted net profit** of €732 million decreased by 32% in the second quarter (€1,803 million, down by 10% compared to the first half of 2018), due to the decrease in operating profit, partly offset by the increase in finance income and net income from investments (up by €161 million and up by €120 million in the quarter and the first half, respectively) benefitting from the share of the result of the joint venture Vår Energi (€65 million) and the write-off of financing related to an unsuccessful exploration initiative executed by a joint venture in the Black Sea in 2018. The increase of the adjusted tax rate of 8 percentage points and 2 percentage points in the two reporting periods was due to a higher share of taxable profit reported in Countries with higher taxation.

For the disclosure on business segment special charges, see page 11.

Gas & Power

Sales

IQ 2019			IIQ 2019	2018	% Ch.	IH 2019	2018	% Ch.
222	**PSV**	€/kcm	**178**	**245**	**(27)**	**200**	**242**	**(17)**
195	**TTF**		**137**	**224**	**(39)**	**167**	**225**	**(26)**
	Natural gas sales	bcm						
10.77	Italy		9.69	9.77	(1)	20.46	20.96	(2)
8.00	Rest of Europe		5.97	6.14	(3)	13.97	15.42	(9)
1.02	*of which: Importers in Italy*		*1.10*	*0.49*	*..*	*2.12*	*1.38*	*54*
6.98	*European markets*		*4.87*	*5.65*	*(14)*	*11.85*	*14.04*	*(16)*
2.56	Rest of World		2.14	2.17	(1)	4.70	4.14	14
21.33	**Worldwide gas sales**		**17.80**	**18.08**	**(2)**	**39.13**	**40.52**	**(3)**
2.70	*of which: LNG sales*		*2.20*	*2.70*	*(19)*	*4.90*	*5.40*	*(9)*
10.14	**Power sales**	TWh	**9.25**	**8.49**	**9**	**19.39**	**17.71**	**9**

- In the second quarter of 2019, **natural gas sales** were 17.80 bcm, down by 2% from the second quarter of 2018 (39.13 bcm, down by 3% in the first half). Sales in Italy were down by 1% to 9.69 bcm in the second quarter of 2019 (down by 2% to 20.46 bcm in the first half) mainly due to lower sales to wholesalers, partly offset by higher sales to thermoelectric segment and hub. Sales in European markets (4.87 bcm and 11.85 bcm in the second quarter and in the first half of 2019, respectively) decreased by 14% and 16% in the two reporting periods, as result of portfolio optimizations and lower sales to Botas.
- **Power sales** were 9.25 TWh in the second quarter of 2019 (19.39 TWh in the first half of 2019) up by 9% in both the reporting periods due to higher volumes marketed to the free market.

Results

IQ 2019	(€ million)	IIQ 2019	2018	% Ch.	IH 2019	2018	% Ch.
358	**Operating profit (loss)**	**95**	**157**	**(39)**	**453**	**555**	**(18)**
14	Exclusion of special items	(49)	(49)		(35)	(125)	
372	**Adjusted operating profit (loss)**	**46**	**108**	**(57)**	**418**	**430**	**(3)**
226	*- Gas & LNG Marketing and Power*	*27*	*120*	*(78)*	*253*	*301*	*(16)*
146	*- Eni gas e luce*	*19*	*(12)*	*..*	*165*	*129*	*28*
(9)	Net finance (expense) income	(2)	(9)		(11)	(6)	
7	Net income (expense) from investments	(6)			1	11	
(105)	Income taxes	(17)	(42)		(122)	(163)	
28.4	*tax rate (%)*	*44.7*	*42.4*		*29.9*	*37.5*	
265	**Adjusted net profit (loss)**	**21**	**57**	**(63)**	**286**	**272**	**5**
42	**Capital expenditure**	**57**	**55**	**4**	**99**	**97**	**2**

- In the second quarter of 2019, the Gas & Power segment reported an **adjusted operating profit** of €46 million, down by 57% q-o-q mainly due to the recognition of expenses to complete the restructuring of the portfolio of long-term gas supply contracts and to lower LNG sale margins, partly offset by a better performance of the retail business (up by €31 million) driven by customers' increase, mainly power, in Italy, France and Greece, as well as more effective commercial initiatives in Italy. In the first half the adjusted operating profit of €418 million (down by 3%) was affected by the weaker result of the LNG business due to lower margins from sales in Asian markets reflecting weaker demand and lower equity supplies. This was partly offset by the strong result of the wholesale gas business due to the flexibility of its asset portfolio which enabled to capture the widening price differential between Italian vs. continental spot prices.
- **Adjusted net profit** amounted to €21 million in the second quarter of 2019, down by 63% q-o-q. The first half of 2019 reported an adjusted net profit of €286 million, up by 5% from the first half of 2018.

For the disclosure on business segment special charges, see page 11.

Refining & Marketing and Chemicals

Production and sales

IQ 2019			IIQ 2019	IIQ 2018	IIQ % Ch.	IH 2019	IH 2018	IH % Ch.
3.4	**Standard Eni Refining Margin (SERM)**	$/bbl	**3.7**	**4.1**	**(10)**	**3.6**	**3.5**	**3**
4.94	Throughputs in Italy	mmtonnes	5.25	4.84	8	10.19	10.35	(2)
0.41	Throughputs in the rest of Europe		0.38	0.76	(50)	0.79	1.44	(45)
5.35	**Total throughputs**		**5.63**	**5.60**	**1**	**10.98**	**11.79**	**(7)**
86	Average refineries utilization rate	%	88	87		87	92	
80	Green throughputs	ktonnes	20	67	(70)	100	125	(20)
	Marketing							
1.95	**Retail sales in Europe**	mmtonnes	**2.10**	**2.11**	**(0)**	**4.05**	**4.10**	**(1)**
1.38	Retail sales in Italy		1.48	1.48		2.86	2.88	(1)
0.57	Retail sales in the rest of Europe		0.62	0.63	(1)	1.19	1.22	(2)
24.1	Retail market share in Italy	%	23.9	23.8		23.9	24.0	
2.26	**Wholesale sales in Europe**	mmtonnes	**2.57**	**2.67**	**(4)**	**4.83**	**5.04**	**(4)**
1.69	Wholesale sales in Italy		1.98	1.89	5	3.67	3.57	3
0.57	Wholesale sales in the rest of Europe		0.59	0.78	(24)	1.16	1.47	(21)
	Chemicals							
1.04	**Sales of petrochemical products**	mmtonnes	**1.12**	**1.31**	**(15)**	**2.16**	**2.54**	**(15)**
65	Average plant utilization rate	%	69	79		67	79	

- In the second quarter of 2019, **Eni's Standard Refining Margin** – SERM – was 3.7 $/barrel, down by 10% compared to the second quarter of 2018 (3.6 $/barrel in the first half of 2019), due to lower relative prices of products compared to the cost of the petroleum feedstock. The trading environment for complex throughputs was markedly down in the first half 2019 due to narrowing price differentials between heavy/sour crudes and the Brent benchmark crude, resulting in heavy crudes traded at a premium vs. the Brent for most of the first half, driven by a shortfall in heavy supplies tied to the production cuts of OPEC and a huge fall in exports from Venezuela and Iran.
- **Eni refining throughputs on own account** were 5.63 mmtonnes, up by 1%, thanks to the lower maintenance standstills at Sannazzaro and Taranto sites, offset by the unavailability of the Vohburg plant (Bayernoil) following the event that occurred in September 2018, as well as the standstill at the PCK refinery in Germany driven by the reduced availability of Ural crude oil for the Druzhba pipeline contamination. In the first half of 2019 the throughputs amounted to 10.98 mmtonnes, down by 7%, due to the aforementioned unavailability and higher maintenance standstills at the Sannazzaro site.
- **Green throughputs** processed at the Venice green refinery decreased by 70% and 20% in the second quarter and the first half 2019, respectively, due to a planned maintenance shutdown.
- **Retail sales in Italy** were 1.48 mmtonnes (2.86 mmtonnes, down by 1% in the first half 2019). The slight increase reported in the company-owned fuel stations was offset by reduction in the other segments. Eni's retail market share was 23.9% in the second quarter, almost unchanged q-o-q despite a decreasing consumption environment.
- **Wholesale sales in Italy** were 1.98 mmtonnes, up by 5% q-o-q (3.67 mmtonnes in the first half 2019; up by 3%) mainly due to higher sales of gasoil and fuel oil partly offset by lower sales of jet fuel.
- **Retail and wholesale sales in the rest of Europe** of 1.21 mmtonnes decreased by 14% q-o-q (down by 13% in the first half 2019) mainly as a result of the lower volumes marketed in Germany due to the unavailability of the Bayernoil plant and in France.
- **Sales of petrochemical products** of 1.12 mmtonnes decreased by 15% q-o-q (down by 15% in the first half 2019) mainly due to lower sales of intermediate business as result of higher standstills compared to the same period of the prior year.

Results

IQ		IIQ			IH		
2019	(€ million)	2019	2018	% Ch.	2019	2018	% Ch.
278	**Operating profit (loss)**	**(52)**	**258**	**..**	**226**	**396**	**(43)**
(402)	Exclusion of inventory holding (gains) losses	(42)	(260)		(444)	(359)	
69	Exclusion of special items	142	69		211	107	
(55)	**Adjusted operating profit (loss)**	**48**	**67**	**(28)**	**(7)**	**144**	**..**
(9)	*- Refining & Marketing*	*76*	*61*	25	*67*	*79*	*(15)*
(46)	*- Chemicals*	*(28)*	*6*	..	*(74)*	*65*	..
4	Net finance (expense) income	(4)	(1)			11	
21	Net income (expense) from investments	(14)	(21)		7	2	
(11)	Income taxes	(22)	(26)		(33)	(71)	
	tax rate (%)	..	*57.8*		..	*45.2*	
(41)	**Adjusted net profit (loss)**	**8**	**19**	**(58)**	**(33)**	**86**	**..**
188	**Capital expenditure**	**229**	**199**	**15**	**417**	**324**	**29**

- In the second quarter of 2019, the **Refining & Marketing business** reported an **adjusted operating profit** of €76 million, a recovery compared to the loss of the first quarter 2019 and an increase of 25% from the second quarter 2018 (€67 million of adjusted operating profit in the first half of 2019, down by 15%). The positive performance reported in the retail and wholesale businesses due to efficiency initiatives, the volume/mix effect, increasing premium products sale and higher margins, was partly offset by the deteriorated trading environment for complex throughputs. This was caused by narrowing differentials between high-sulphur content crudes and the light Brent crude benchmark, which penalized the performance of highly conversion Eni's refineries, mitigated by the appreciation of the USD/EUR, set-up optimization despite the unavailabilty of the Vohburg plant (Bayernoil) and lower throughputs at the Schwedt refinery (PCK) due to the Druzhba pipeline contamination. The first quarter was penalized by the scenario effects as well as by lower volumes processed reflecting maintenance standstills.
- Eni's **Chemical business** performed poorly in line with the main players of the sector, recording operating losses of €28 million and €74 million in the second quarter and first half 2019, respectively, driven by a sharp fall in polyethylene margin and lower margins of other chemical commodities (styrenics and elastomers), particularly in the first quarter due to a global slowdown in demand and uncertainties tied to the commercial dispute between USA and China which prompted end-users to destock inventories, as well as lower demand for elastomers in the automotive sector. Furthermore, operating performance was negatively affected by the incident that occurred early in the year at the Priolo steam-cracker, which was fully in operation by the end of the second quarter and by an unplanned downtime of the Porto Marghera steam-cracker.
- **Adjusted net result** of €8 million in the second quarter of 2019 (down by 58% from the second quarter of 2018) due to lower operating performance of the Chemical business. In the first half of 2019, adjusted net loss amounted to €33 million, down by €119 million from the first half of 2018.

For the disclosure on business segment special charges, see page 11.

Group results

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	% Ch.	IH 2019	IH 2018	% Ch.
18,540	**Net sales from operations**	**18,440**	**18,139**	**2**	**36,980**	**36,071**	**3**
2,518	**Operating profit (loss)**	**2,231**	**2,639**	**(15)**	**4,749**	**5,038**	**(6)**
(272)	Exclusion of inventory holding (gains) losses	(74)	(259)		(346)	(354)	
108	Exclusion of special items [(a)]	122	184		230	260	
2,354	**Adjusted operating profit (loss)**	**2,279**	**2,564**	**(11)**	**4,633**	**4,944**	**(6)**
	Breakdown by segment:						
2,308	*Exploration & Production*	*2,140*	*2,742*	*(22)*	*4,448*	*4,827*	*(8)*
372	*Gas & Power*	*46*	*108*	*(57)*	*418*	*430*	*(3)*
(55)	*Refining & Marketing and Chemicals*	*48*	*67*	*(28)*	*(7)*	*144*	*..*
(137)	*Corporate and other activities*	*(127)*	*(169)*	*25*	*(264)*	*(331)*	*20*
(134)	*Impact of unrealized intragroup profit elimination and other consolidation adjustments* [(b)]	*172*	*(184)*		*38*	*(126)*	
1,092	**Net profit (loss) attributable to Eni's shareholders**	**424**	**1,252**	**(66)**	**1,516**	**2,198**	**(31)**
(192)	Exclusion of inventory holding (gains) losses	(52)	(184)		(244)	(251)	
92	Exclusion of special items [(a)]	190	(301)		282	(202)	
992	**Adjusted net profit (loss) attributable to Eni's shareholders**	**562**	**767**	**(27)**	**1,554**	**1,745**	**(11)**

(a) For further information see table "Breakdown of special items".

(b) Unrealized intragroup profit elimination mainly pertained to intra-group sales of commodities and services recorded in the assets of the purchasing business segment as of the end of the period.

Adjusted results

- In the second quarter of 2019, the Group's **adjusted operating profit** of €2,279 million decreased by 11% q-o-q due to a weakened trading environment and the loss of control over Eni Norge following the Vår Energi deal. **Excluding on a-like-for-like comparison the effect of the deal and net of scenario and IFRS 16 impacts, the adjusted operating profit increased by 9%.**
  The E&P segment reported a 5% decrease in operating profit excluding the impact of the Vår Energi deal, the IFRS 16 accounting and the weaker trading environment affected by lower crude oil and European gas prices, partly offset by positive foreign currency translation differences. This decline was negatively affected by higher write-off expenses related to unsuccessful exploration projects and other expenses, partly offset by a better performance. The G&P segment reported an adjusted operating profit of €46 million, down by 57% q-o-q mainly due to lower LNG sale margins reflecting a demand slowdown in Asian markets, partly offset by the improved performance of the gas retail business. The Refining & Marketing business exhibited a profit recovery driven by a robust performance in the marketing activity and refinery optimization, which more than offset an unfavorable trading environment affecting complex refineries. The Chemical business result reflected the gradual ramp-up of the Priolo steam-cracker and an unplanned downtime of the Porto Marghera steam-cracker affecting production and impacting volumes, as well as a prolonged downturn in the main commodity segments, particularly in the elastomers.
- In the first half of 2019 the Group's **adjusted operating profit** of €4,633 million decreased by 6% y-o-y. Excluding on a-like-for-like comparison the effect of the loss of control over Eni Norge on the 2018 results and net of scenario and IFRS 16 accounting effects, adjusted operating profit increased by 7%.
- **Adjusted net profit** (€562 million) decreased by 27% compared to the second quarter of 2018 due to a lower operating performance, partly offset by the fact that the year-ago quarter was negatively affected by the write-off of financing receivables taken in connection with an unsuccessful exploration project executed by a joint venture in the Black Sea. In the first half of 2019 adjusted net profit of €1,554 million was down by 11%. The adjusted tax rate was 63.4% and increased by approximately 3 percentage points from the first half of 2018, due to a higher share of taxable income reported by the Exploration & Production segment in Countries subject to higher-than-average tax rates.

Special items

The **break-down by segment of special items of operating profit** (a net charge of €122 million in the quarter and €230 million in the first half) is the following:

- **E&P**: net charges of €4 million (€23 million in the first half) relating to: an allowance for doubtful accounts as part of a dispute to recover credits for investments due by a State counterparty to align the recoverable amount with the expected outcome of an ongoing renegotiation (€37 million) and the impairment of certain assets to align the book value to fair value (€10 million in the quarter and €22 million in the first half) as well as certain risk provisions. Special gains related to cost reimbursement following the divestment of an interest in the Nour field (€5 million in the quarter and €13 million in the first half);

- **G&P**: net gains of €49 million (€35 million in the first half) including: (i) the effect of fair-valued commodity derivatives that lacked the formal criteria to be accounted as hedges under IFRS (gains of €94 million and €215 million respectively in the second quarter and in the first half); (ii) the positive balance of €7 million (€40 million in the first half) related to derivative financial instruments used to manage margin exposure to foreign currency exchange rate movements and exchange translation differences of commercial payables and receivables. These gains were more than offset by a charge given by the difference between the change in gas inventories accounted under the weighted-average cost method provided by IFRS and management's own measure of inventories which moves forward at the time of inventory drawdown the margins captured on volumes in inventories above their normal levels leveraging the seasonal spread in gas prices net of the effects of the associated commodity derivatives (€48 million in the quarter and €151 million in the first half).
- **R&M and Chemicals**: net charges of €142 million (€211 million in the first half) including impairment losses (€270 million in the quarter and €287 million in the first half) relating to the Sannazzaro refinery driven by a revised management outlook for trends in the relative prices of heavy/sour crude vs. the Brent benchmark leading to the projections of lower margins for complex refineries, as well as the write-down of capital expenditure made in the period at certain Cash Generating Units in the R&M business, which were impaired in previous reporting periods and continued to lack any profitability prospects, environmental provisions (€45 million and €85 million, respectively in the second quarter and the first half), partly offset by an insurance compensation (€169 million) relating to the EST plant at the Sannazzaro refinery.

Reported results

Eni's net profit attributable to Eni's shareholders for the first half 2019 was €1,516 million compared to €2,198 million in the same period in 2018, down by 31%. The reported operating profit of €4,749 million slightly decreased despite a negative trading environment in almost all business units and the de-recognition from January 1, 2019 of the former subsidiary Eni Norge which was involved in the business combination leading to the establishment of the equity-accounted entity Vår Energi. The improved operating performance was driven by better results at the E&P segment due to the higher contribution of more profitable barrels, while the appreciation of the US dollar vs. the Euro (up by 7%) helped mitigate the impact of lower crude oil prices. The G&P segment posted improved results driven by growth and reduced expenses in the retail business as well as the restructuring of the portfolio of long-term gas supply contracts. The R&M business reported positive results, driven by a solid result in marketing activity which offset the exceptionally unfavorable scenario for complex refineries and the unavailability of some plants following extraordinary events.

The Chemical business reported weak results caused by an incident at the Priolo steam-cracker occurred in the first quarter of 2019 and an unplanned downtime of the Porto Marghera steam-cracker, as well as by an unfavorable trading environment.

Net profit also benefitted from an improved finance income reflecting the fact that the first half results were negatively affected by the write-off of financing receivables taken in connection with an unsuccessful exploration project in the Black Sea.

The first half result was negatively affected by lower net income from investments (down by €328 million) as a result of a write-up of €423 million made at the Angola LNG equity accounted entity in 2018, as well as a 10 percentage points increase in tax rate.

The adoption of IFRS 16 determined a €116 million improvement in the reported operating profit due to fees for the rental of assets no longer being recognized as an expense, partly offset by the recognition of the amortization of the right-of-use assets, equal to the present value of the lease liabilities. Instead, net profit decreased by €49 million as the improved operating profit was more than offset by interest charges accrued on the lease liabilities.

Net borrowings and cash flow from operations

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	IIQ Change	IH 2019	IH 2018	IH Change
1,095	**Net profit (loss)**	**425**	**1,257**	**(832)**	**1,520**	**2,205**	**(685)**
	Adjustments to reconcile net profit (loss) to net cash provided by operating activities:						
1,954	- depreciation, depletion and amortization and other non monetary items	2,330	1,673	657	4,284	3,663	621
(5)	- net gains on disposal of assets	(21)	(417)	396	(26)	(418)	392
1,482	- dividends, interests and taxes	1,701	1,415	286	3,183	2,783	400
(1,590)	Changes in working capital related to operations	1,056	398	658	(534)	(676)	142
530	Dividends received by equity investments	625	95	530	1,155	100	1,055
(1,153)	Taxes paid	(1,363)	(1,250)	(113)	(2,516)	(2,134)	(382)
(216)	Interests (paid) received	(238)	(138)	(100)	(454)	(303)	(151)
2,097	**Net cash provided by operating activities**	**4,515**	**3,033**	**1,482**	**6,612**	**5,220**	**1,392**
(2,239)	Capital expenditure	(1,997)	(1,961)	(36)	(4,236)	(4,502)	266
(30)	Investments	(21)	(94)	73	(51)	(131)	80
6	Disposal of consolidated subsidiaries, businesses, tangible and intangible assets and investments	32	1,194	(1,162)	38	1,261	(1,223)
68	Other cash flow related to capital expenditure, investments and disposals	(27)	833	(860)	41	693	(652)
(98)	**Free cash flow**	**2,502**	**3,005**	**(503)**	**2,404**	**2,541**	**(137)**
(65)	Borrowings (repayment) of debt related to financing activities [a]	(57)	206	(263)	(122)	(59)	(63)
(210)	Changes in short and long-term financial debt	(453)	(85)	(368)	(663)	(974)	311
(230)	Repayment of lease liabilities	(167)		(167)	(397)		(397)
	Dividends paid and changes in non-controlling interests and reserves	(1,525)	(1,442)	(83)	(1,525)	(1,443)	(82)
8	Effect of changes in consolidation, exchange differences and cash and cash equivalent	(6)	31	(37)	2	12	(10)
(595)	**NET CASH FLOW**	**294**	**1,715**	**(1,421)**	**(301)**	**77**	**(378)**

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	IIQ Change	IH 2019	IH 2018	IH Change
(98)	**Free cash flow**	**2,502**	**3,005**	**(503)**	**2,404**	**2,541**	**(137)**
(230)	Repayment of lease liabilities	(167)		(167)	(397)		(397)
	Net borrowings of acquired companies					(2)	2
	Net borrowings of divested companies		(5)	5		(5)	5
(61)	Exchange differences on net borrowings and other changes	(1)	(177)	176	(62)	(72)	10
	Dividends paid and changes in non-controlling interest and reserves	(1,525)	(1,442)	(83)	(1,525)	(1,443)	(82)
(389)	**CHANGE IN NET BORROWINGS BEFORE LEASE LIABILITIES**	**809**	**1,381**	**(572)**	**420**	**1,019**	**(599)**
(5,746)	IFRS 16 first application effect	(13)		(13)	(5,759)		(5,759)
230	Repayment of lease liabilities	167		167	397		397
(302)	New leases subscription of the period and other changes	(58)		(58)	(360)		(360)
(5,818)	**Change in lease liabilities**	**96**		**96**	**(5,722)**		**(5,722)**
(6,207)	**CHANGE IN NET BORROWINGS**	**905**	**1,381**	**(476)**	**(5,302)**	**1,019**	**(6,321)**

[a] See note (a) of the Group cash flow statement.

Net cash provided by operating activities amounted to €6,612 million in the first half 2019.
The working capital absorbed funds because of a lower amount of receivables due in subsequent reporting periods divested to financing institutions compared to the amount divested in fourth quarter 2018 (down by €119 million) and a cash settlement (€330 million) related to the outcome of an arbitration provisioned in the financial statements 2018.
Net cash provided by operating activities included a dividend amounting to approximately €1,047 million paid by the JV Vår Energi.
Net cash before changes in working capital at replacement cost was €6,800 million recording a growth of 23% from the first half 2018 (€3.39 billion in the second quarter, up by 43%). Even when considering the adverse impact of extraordinary items for €500 million in the comparative periods and excluding the positive impact of IFRS 16 adoption and certain 2019 extraordinary items, the growth was still remarkable. This performance indicator would be €6.5 billion, an increase of 9% y-o-y (€3.3 billion in the quarter, up by 18%).
Following the adoption of IFRS 16, net cash provided by operating activities improved by €292 million as a result of the reimbursement of the principal of lease fees pertaining to assets hired in connection to operating activities that are no longer part of the operating cash outflows, but are now part of the cash flow from financing activities.
Cash outflows for expenditures and investments were €4,287 million, including the acquisition of reserves in Alaska and Algeria and other non-organic items for an overall amount of €500 million.

Following the adoption of IFRS 16, these cash outflows improved by €105 million as a result of the reimbursement of the principal of lease fees, which are incurred in relation to the hire of equipment used in connection with a capital project, no longer being recognized among the cash outflows of investing activities, but are now instead part of the cash flow from financing activities.
The free cash flow for the period benefitted from a favorable €397 million effect due to the adoption of IFRS 16.
In the first half of 2019 net cash provided from operating activities financed the cash outflows related to the capex and a cash return to Eni’s shareholders of €1,525 million, which comprised payment of the 2018 balance dividend and share repurchases. The surplus was utilized to pay down financial debt and to pay lease liabilities.

Impact of IFRS 16 on cash flow statement

(€ million)

First Half 2019	After IFRS 16 adoption	IFRS 16 impact	Before IFRS 16 adoption
Net cash before changes in working capital at replacement cost [(a)]	**6,800**	(354)	**6,446**
Changes in working capital at replacement cost [(a)]	**(188)**	62	**(126)**
Net cash provided by operating activities	**6,612**	(292)	**6,320**
Capital expenditure	**(4,236)**	(105)	**(4,341)**
Free cash flow	**2,404**	(397)	**2,007**
Cash flow from financing activity	**(2,585)**	397	**(2,188)**
Net cash flow	**(301)**		**(301)**

(a) Excluding from changes in working capital as reported in the cash flow statement (-€534 million) the increase in stock profit due to price effect amounting to €346 million (-€534 million + €346 million = €188 million). Consistently, net cash before changes in working capital at replacement cost excludes the stock profit.

(€ million)

Second Quarter 2019	After IFRS 16 adoption	IFRS 16 impact	Before IFRS 16 adoption
Net cash before changes in working capital at replacement cost [(a)]	**3,385**	(120)	**3,265**
Changes in working capital at replacement cost [(a)]	**1,130**	17	**1,147**
Net cash provided by operating activities	**4,515**	(103)	**4,412**
Capital expenditure	**(1,997)**	(64)	**(2,061)**
Free cash flow	**2,502**	(167)	**2,335**
Cash flow from financing activity	**(2,145)**	167	**(1,978)**
Net cash flow	**294**		**294**

(a) Excluding from changes in working capital as reported in the cash flow statement (-€1,056 million) the increase in stock profit due to price effect amounting to €74 million (€1,056 million + €74 million= €1,130 million). Consistently, net cash before changes in working capital at replacement cost excludes the stock profit.

Summarized Group Balance Sheet

(€ million)	Jun. 30, 2019	Impact of IFRS 16 adoption as of January 1, 2019	Dec. 31, 2018	Change
Fixed assets				
Property, plant and equipment	61,430		60,302	1,128
Right of use	5,488	5,643		5,488
Intangible assets	3,154		3,170	(16)
Inventories - Compulsory stock	1,427		1,217	210
Equity-accounted investments and other investments	7,108		7,963	(855)
Receivables and securities held for operating purposes	1,395		1,314	81
Net payables related to capital expenditure	(2,495)		(2,399)	(96)
	77,507	**5,643**	**71,567**	**5,940**
Net working capital				
Inventories	4,569		4,651	(82)
Trade receivables	9,416		9,520	(104)
Trade payables	(10,679)	128	(11,645)	966
Tax payables and provisions for, net deferred tax liabilities	(2,192)		(1,104)	(1,088)
Provisions	(12,344)		(11,886)	(458)
Other current assets and liabilities	(717)	(12)	(860)	143
	(11,947)	**116**	**(11,324)**	**(623)**
Provisions for employee post-retirements benefits	**(1,173)**		**(1,117)**	**(56)**
Assets held for sale including related liabilities	**210**		**236**	**(26)**
CAPITAL EMPLOYED, NET	**64,597**	**5,759**	**59,362**	**5,235**
Eni's shareholders equity	50,949		51,016	(67)
Non-controlling interest	57		57	
Shareholders' equity	**51,006**		**51,073**	**(67)**
Net borrowings before lease liabilities ex IFRS 16	**7,869**		**8,289**	**(420)**
Lease liabilities	**5,722**	**5,759**		**5,722**
- of which Eni working interest	3,724	3,730		3,724
- of which Joint operators' working interest	1,998	2,029		1,998
Net borrowings	**13,591**	**5,759**	**8,289**	**5,302**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**64,597**	**5,759**	**59,362**	**5,235**
Leverage before lease liability ex IFRS 16	**0.15**		**0.16**	**(0.01)**
Leverage after lease liability ex IFRS 16	**0.27**		**0.16**	**0.11**
Gearing	**0.21**		**0.14**	**0.07**

- As of June 30, 2019, **fixed assets** increased by €5,940 million to €77,507 million mainly due to the initial recognition of the right-of-use asset for €5,643 million following the adoption of IFRS 16. Furthermore, the increase in the line item property, plant and equipment (up by €1,128 million) reflected capex for the period (€4,236 million) and an upward revision to asset retirement obligations. These were partly offset by amortization, depletion, impairments and write-off (€4,315 million) recorded in the period. The reduction in the line item "Equity accounted investments and other investments" is due to the dividend payment made by the equity-accounted entity Vår Energi.
- **Net working capital** (-€11,947 million) decreased by €623 million due to increased tax payables as a result of the recognition of income taxes in the period and provisions for net deferred tax liabilities, partly offset by lower trade payables.
- **Shareholders' equity** (€51,006 million) was almost unchanged compared to December 31, 2018. Net profit for the period and a small increase in foreign currency translation differences were offset by the payment of the 2018 balance dividend (€1,476 million) and a negative change in the fair value of the cash flow hedge reserve (-€564 million).

- **Net borrowings**[6] as at June 30, 2019 was €13,591 million and increased by €5,302 million from 2018. This increase was driven by the initial recognition of the lease liabilities upon the adoption of IFRS 16, which amounted to €5,759 million and included the reclassification of €128 million for certain trade payables due in connection with the hiring of assets, which were outstanding as at January 1, 2019. The effect of the adoption of IFRS 16 on the Group net borrowings totalled approximately €2 billion, driven by lease liabilities pertaining to joint operators in Eni-led upstream unincorporated joint ventures, which will be recovered through a partner-billing process (see the paragraph Transition to IFRS 16 on page 17). Excluding the overall impact of the adoption of IFRS 16, net borrowings was re-determined at €7,869 million, decreasing by €420 million compared to December 31, 2018.
- **Leverage**[7] – the ratio of the borrowings to total equity - was 0.27 at June 30, 2019, due to the step up in net borrowings driven by the adoption of IFRS 16. The impact of the lease liability pertaining to joint operators in Eni-led upstream unincorporated joint ventures weighted on leverage for approximately 4 points. Excluding altogether the impact of IFRS 16, leverage would come at 0.15.

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6 Details on net borrowings are furnished on page 27.

7 Non-GAAP financial measures and other alternative performance indicators disclosed throughout this press release are accompanied by explanatory notes and tables in line with guidance provided by ESMA guidelines on alternative performance measures (ESMA/2015/1415), published on October 5, 2015. For further information, see the section "Non-GAAP measures" of this press release. See pages 19 and subsequent.

Other information, basis of presentation and disclaimer

This press release on Eni's results of the second quarter of 2019 and the first half of 2019 has been prepared on a voluntary basis according to article 82-ter, Regulations on issuers (Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments and inclusions). The disclosure of results and business trends on a quarterly basis is consistent with Eni's policy to provide the market and investors with regular information about the Company's financial and industrial performances and business prospects considering the reporting policy followed by oil&gas peers who are communicating results on quarterly basis.

Results and cash flow are presented for the first and second quarter of 2019, the first half of 2019 and for the second quarter and the first half of 2018. Information on the Company's financial position relates to end of the periods as of June 30, 2019 and December 31, 2018. Accounts set forth herein have been prepared in accordance with the evaluation and recognition criteria set by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in Article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002. Except for the adoption of IFRS 16 described below, these criteria are unchanged from the 2018 Annual Report on Form 20-F filed with the US SEC on April 5, 2019, which investors are urged to read, excepted for the adoption of IFRS 16 and amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures", with the latter being immaterial.

Transition to IFRS 16

Effective January 1 2019, Eni has adopted the new accounting standard "IFRS 16 – Leases", which has replaced IAS 17. IFRS 16 defines a lease as a contract that conveys to the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. The new IFRS eliminates the classification of leases as either operating leases or finance leases for the preparation of lessees' financial statements.

On initial application, Eni elected to adopt the modified retrospective approach, by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance at January 1, 2019, without restating the comparative information. Furthermore, management opted to not reassess each contract existing at January 1, 2019, by applying IFRS 16 to all contracts previously identified as leases (under IAS 17 and IFRIC 4), while not applying IFRS 16 to the contracts that were not previously identified as leases.

The accounting of the new standard applies to all leases that have a lease term of more than 12 months and requires:

- in the balance sheet, to recognize a right-of-use asset, that represents a lessee's right to use an underlying asset (RoU asset), and a lease liability, that represents the lessee's obligation to make the contractual lease payments;
- in the profit and loss account, to recognize, within operating costs, the depreciation charges of the right-of-use asset and, within finance expense, the interest expense on the lease liability, if not capitalized, rather than recognizing the operating lease payments within operating costs under IAS 17, effective until year 2018. The depreciation charges of the right-of-use asset and the interest expense on the lease liability directly attributable to the construction of an asset are capitalized as part of the cost of such asset and subsequently recognised in the profit and loss account through depreciation, impairments or write-off, mainly in the case of exploration assets. Moreover, the profit and loss account will include: (i) the lease expenses relating to short-term leases or leases of low-value assets, as allowed under the simplified approach provided for by IFRS 16; and (ii) the variable lease payments that are not included in the measurement of the lease liability (e.g., payments based on the use of the underlying asset);
- in the statement of cash flows, to recognize cash payments for the principal portion of the lease liability within the net cash used in financing activities and interest expenses within the net cash provided by operating activities, if they are recognized in the profit and loss account, or within the net cash used in investing activities if they are capitalized as referred to leased assets that are used for the construction of other assets. Consequently, compared with the requirements of IAS 17 related to operating leases, the adoption of IFRS 16 was determined a significant impact in the statement of cash flows, by determining: (a) an improvement of the net cash provided by operating activities, which no longer includes the operating lease payments, not capitalized, but only includes the cash payments for the interest portion of the lease liability that are not capitalised; (b) an improvement of the net cash used in investing activities, which no longer includes capitalized lease payments, but only includes cash payments for the capitalized interest portion of the lease liability; and (c) a worsening in the net cash used in financing activities, which includes cash payments for the principal portion of the lease liability.

Activities in the Exploration & Production segment are often carried out through unincorporated joint operations, managed by one of the partners (the operator), which has the responsibility to carry out the operations and the approved work programmes. When the operator enters into a lease contract as the sole signatory, the operator manages the lease contract, makes lease payments to the lessor and recovers the share of lease expenses pertaining to the joint operators through a partner billing process. On this regard, the indications of the IFRS Interpretations Committee (hereinafter also the IFRIC) issued in September 2018 apply, which were confirmed at its March 2019 meeting. In particular, the IFRIC indicated that, in the case of unincorporated joint operations, the operator recognises the entire lease liability, as, by signing the contract, it has primary responsibility for the liability towards the third-party supplier. Therefore, if, based on the contractual provisions and any other relevant facts and circumstances, Eni has primary responsibility, it recognises in the balance sheet: (i) the entire lease liability and (ii) the entire RoU asset, unless there is a sublease with the joint operators. On the other hand, if the lease contract is signed by all the partners of the venture, Eni recognises its share of the RoU asset and lease liability based on its working interest. If Eni does not have primary responsibility for the lease liability, it does not recognise any RoU asset or lease liability related to the lease contract.

Follows the impact of the IFRS 16 adoption on Eni's consolidated financial statements:

	First Half 2019		
	Profit and loss account		
(€ million)	before IFRS 16	IFRS 16 effects	GAAP results
Purchases, services and other	**(27,302)**	**511**	**(26,791)**
Depreciation, Depletion and Amortization	**(3,431)**	**(395)**	**(3,826)**
Operating profit	**4,633**	**116**	**4,749**
Finance expense and income taxes	**(4,687)**	**(165)**	**(4,852)**
Net profit	**1,569**	**(49)**	**1,520**

(€ million)	January 1, 2019 Balance Sheet before IFRS 16 opening balance	IFRS 16 effects	GAAP results
Fixed assets	**71,567**	**5,643**	**77,210**
Net working capital	**(11,324)**	**116**	**(11,208)**
Net borrowings	**8,289**	**5,759**	**14,048**
Shareholders' equity	**51,073**		**51,073**
Leverage	**0.16**		**0.28**

(€ million)	First Half 2019 Cash Flow before IFRS 16	IFRS 16 effects	GAAP results
Cash Flow From Operations (FFO)	**6,320**	**292**	**6,612**
Capital expenditure	**(4,341)**	**105**	**(4,236)**
Free Cash Flow (FCF)	**2,007**	**397**	**2,404**
Cash Flow From Financing, net (CFFF)	**(2,188)**	**(397)**	**(2,585)**
Net Cash Flow	**(301)**		**(301)**

Further details are furnished in the note N.4 "Accounting principles recently enacted" of the Notes to the Consolidated Financial Statements included in the Annual Report on Form 20 F.

* * *

Non-GAAP financial measures and other alternative performance indicators disclosed throughout this press release are accompanied by explanatory notes and tables in line with guidance provided by ESMA guidelines on alternative performance measures (ESMA/2015/1415), published on October 5, 2015. For further information, see the section "Alternative performance measures (Non-GAAP measures)" of this press release.

Eni's Chief Financial Officer, Massimo Mondazzi, in his position as manager responsible for the preparation of the Company's financial reports, certifies that data and information disclosed in this press release correspond to the Company's evidence and accounting books and records, pursuant to rule 154-bis paragraph 2 of Legislative Decree No. 58/1998.

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Disclaimer

This press release, in particular the statements under the section "Outlook", contains certain forward-looking statements particularly those regarding capital expenditure, development and management of oil and gas resources, dividends, buy-back, allocation of future cash flow from operations, future operating performance, gearing, targets of production and sales 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 issues; 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 from operations and changes in net borrowings for the quarter of the year cannot be extrapolated on an annual basis.

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This press release for the second quarter and first half of 2019 (unaudited) is also available on Eni's website eni.com.

Alternative performance measures (Non-GAAP measures)

Management evaluates underlying business performance on the basis of Non-GAAP financial measures, not determined in accordance with IFRS ("Alternative performance measures"), such as adjusted operating profit and adjusted net profit, which are arrived at by excluding from reported operating profit and net profit certain gains and losses, defined special items, which include, among others, asset impairments, gains on disposals, risk provisions, restructuring charges and, in determining the business segments' adjusted results, finance charges on finance debt and interest income (see below). In determining adjusted results, also inventory holding gains or losses are excluded from base business performance, which 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 as required by IFRS, except in those business segments where inventories are utilized as a lever to optimize margins. Management is disclosing Non-GAAP measures of performance to facilitate a comparison of base business performance across periods, and to allow financial analysts to evaluate Eni's trading performance on the basis of their forecasting models.
Non-GAAP financial measures should be read together with information determined by applying IFRS and do not stand in for them. Other companies may adopt different methodologies to determine Non-GAAP measures. Follows the description of the main alternative performance measures adopted by Eni. The measures reported below refer to the performance of the reporting periods disclosed in this press release:

Adjusted operating and net profit
Adjusted operating and net profit are determined by excluding inventory holding gains or losses, special items and, in determining the business segments' adjusted results, finance charges on finance debt and interest income. The adjusted operating profit of each business segment reports gains and losses on derivative financial instruments entered into to manage exposure to movements in foreign currency exchange rates, which impact industrial margins and translation of commercial payables and receivables. Accordingly, also currency translation effects recorded through profit and loss are reported within business segments' adjusted operating profit. 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. 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. 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 segment).

Inventory holding gain or loss
This 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 as required by IFRS.

Special items
These include certain significant income or charges pertaining to either: (i) infrequent or unusual events and transactions, being identified as non-recurring items under such circumstances; (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; or (iii) exchange rate differences and derivatives relating to industrial activities and commercial payables and receivables, particularly exchange rate derivatives to manage commodity pricing formulas which are quoted in a currency other than the functional currency. Those items are reclassified in operating profit with a corresponding adjustment to net finance charges, notwithstanding the handling of foreign currency exchange risks is made centrally by netting off naturally-occurring opposite positions and then dealing with any residual risk exposure in the exchange rate market. 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 allow to allocate to future reporting periods gains and losses on re-measurement at fair value of certain non-hedging commodity derivatives and exchange rate derivatives relating to commercial exposures, lacking the criteria to be designed as hedges, including the ineffective portion of cash flow hedges and certain derivative financial instruments embedded in the pricing formula of long-term gas supply agreements of the Exploration & Production segment.

Leverage
Leverage is a Non-GAAP measure of the Company's financial condition, calculated as the ratio between net borrowings and shareholders' equity, including non-controlling interest. Leverage is the reference ratio to assess the solidity and efficiency of the Group balance sheet in terms of incidence of funding sources including third-party funding and equity as well as to carry out benchmark analysis with industry standards.

Gearing
Gearing is calculated as the ratio between net borrowings and capital employed net and measures how much of capital employed net is financed recurring to third-party funding.

Adjusted net cash before changes in working capital
Adjusted net cash is defined as net cash provided from operating activities before changes in working capital at replacement cost and excluding certain non-recurring charges.

Free cash flow
Free cash flow represents the link existing between changes in cash and cash equivalents (deriving from the statutory cash flows statement) and in net borrowings (deriving from the summarized cash flow statement) that occurred from the beginning of the period to the end of period. Free cash flow is the cash in excess of capital expenditure needs. Starting from free cash flow it is possible to determine either: (i) changes in cash and cash equivalents for the period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of own shares, capital issuance) and the effect of changes in consolidation and of exchange rate differences; (ii) changes in net borrowings for the period by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences.

Net borrowings
Net borrowings is calculated as total finance debt less cash, cash equivalents and certain very liquid investments not related to operations, including among others non-operating financing receivables and securities not related to operations. Financial activities are qualified as "not related to operations" when these are not strictly related to the business operations.

Reconciliation tables of Non-GAAP results to the most comparable measures of financial performance determined in accordance to GAAPs

(€ million)

Second Quarter 2019	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Impact of unrealized intragroup profit elimination	GROUP
Reported operating profit (loss)	**2,136**	**95**	**(52)**	**(152)**	**204**	**2,231**
Exclusion of inventory holding (gains) losses			(42)		(32)	(74)
Exclusion of special items:						
environmental charges			45	(9)		36
impairment losses (impairment reversals), net	10		270			280
net gains on disposal of assets	(17)		(1)			(18)
risk provisions	(12)		20	(2)		6
provision for redundancy incentives	2	3	(1)	(1)		3
commodity derivatives		(94)	8			(86)
exchange rate differences and derivatives	5	7	(3)			9
other	16	35	(196)	37		(108)
Special items of operating profit (loss)	**4**	**(49)**	**142**	**25**		**122**
Adjusted operating profit (loss)	**2,140**	**46**	**48**	**(127)**	**172**	**2,279**
Net finance (expense) income [(a)]	(79)	(2)	(4)	(188)		(273)
Net income (expense) from investments [(a)]	86	(6)	(14)	8		74
Income taxes [(a)]	(1,415)	(17)	(22)	(5)	(58)	(1,517)
Tax rate (%)	*65.9*	*44.7*				*72.9*
Adjusted net profit (loss)	**732**	**21**	**8.00**	**(312)**	**114**	**563**
of which:						
- Adjusted net profit (loss) of non-controlling interest						1
- Adjusted net profit (loss) attributable to Eni's shareholders						**562**
Reported net profit (loss) attributable to Eni's shareholders						**424**
Exclusion of inventory holding (gains) losses						(52)
Exclusion of special items						190
Adjusted net profit (loss) attributable to Eni's shareholders						**562**

(a) Excluding special items.

(€ million)

Second Quarter 2018	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Impact of unrealized intragroup profit elimination	GROUP
Reported operating profit (loss)	**2,602**	**157**	**258**	**(193)**	**(185)**	**2,639**
Exclusion of inventory holding (gains) losses			(260)		1	(259)
Exclusion of special items:						
environmental charges	45		46	10		101
impairment losses (impairment reversals), net	58	(7)	20	2		73
net gains on disposal of assets	(418)		(6)			(424)
risk provisions	274			4		278
provision for redundancy incentives	1	1		(3)		(1)
commodity derivatives		(103)	(7)			(110)
exchange rate differences and derivatives	1	56	(1)			56
other	179	4	17	11		211
Special items of operating profit (loss)	**140**	**(49)**	**69**	**24**		**184**
Adjusted operating profit (loss)	**2,742**	**108**	**67**	**(169)**	**(184)**	**2,564**
Net finance (expense) income [(a)]	(263)	(9)	(1)	(171)		(444)
Net income (expense) from investments [(a)]	109		(21)	(1)		87
Income taxes [(a)]	(1,504)	(42)	(26)	78	59	(1,435)
Tax rate (%)	*58.1*	*42.4*	*57.8*			*65.0*
Adjusted net profit (loss)	**1,084**	**57**	**19**	**(263)**	**(125)**	**772**
of which:						
- Adjusted net profit (loss) of non-controlling interest						5
- Adjusted net profit (loss) attributable to Eni's shareholders						**767**
Reported net profit (loss) attributable to Eni's shareholders						**1,252**
Exclusion of inventory holding (gains) losses						(184)
Exclusion of special items						(301)
Adjusted net profit (loss) attributable to Eni's shareholders						**767**

(a) Excluding special items.

(€ million)

First Half 2019	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Impact of unrealized intragroup profit elimination	GROUP
Reported operating profit (loss)	**4,425**	**453**	**226**	**(295)**	**(60)**	**4,749**
Exclusion of inventory holding (gains) losses			(444)		98	(346)
Exclusion of special items:						
environmental charges			85	(9)		76
impairment losses (impairment reversals), net	22		287	2		311
net gains on disposal of assets	(20)		(3)			(23)
risk provisions	(12)		20	(2)		6
provision for redundancy incentives	3	3	1	2		9
commodity derivatives		(215)	4			(211)
exchange rate differences and derivatives	6	40	1			47
other	24	137	(184)	38		15
Special items of operating profit (loss)	**23**	**(35)**	**211**	**31**		**230**
Adjusted operating profit (loss)	**4,448**	**418**	**(7)**	**(264)**	**38**	**4,633**
Net finance (expense) income [a]	(203)	(11)		(331)		(545)
Net income (expense) from investments [a]	148	1	7	17		173
Income taxes [a]	(2,590)	(122)	(33)	63	(21)	(2,703)
Tax rate (%)	*59.0*	*29.9*				*63.4*
Adjusted net profit (loss)	**1,803**	**286**	**(33)**	**(515)**	**17**	**1,558**
of which:						
- Adjusted net profit (loss) of non-controlling interest						4
- Adjusted net profit (loss) attributable to Eni's shareholders						**1,554**
Reported net profit (loss) attributable to Eni's shareholders						**1,516**
Exclusion of inventory holding (gains) losses						(244)
Exclusion of special items						282
Adjusted net profit (loss) attributable to Eni's shareholders						**1,554**

(a) Excluding special items.

(€ million)

First Half 2018	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Impact of unrealized intragroup profit elimination	GROUP
Reported operating profit (loss)	**4,568**	**555**	**396**	**(350)**	**(131)**	**5,038**
Exclusion of inventory holding (gains) losses			(359)		5	(354)
Exclusion of special items:						
environmental charges	63		79	10		152
impairment losses (impairment reversals), net	58	6	35	3		102
net gains on disposal of assets	(418)		(7)			(425)
risk provisions	339			6		345
provision for redundancy incentives	3	4	1	(3)		5
commodity derivatives		(170)	(7)			(177)
exchange rate differences and derivatives	2	37	1			40
other	212	(2)	5	3		218
Special items of operating profit (loss)	**259**	**(125)**	**107**	**19**		**260**
Adjusted operating profit (loss)	**4,827**	**430**	**144**	**(331)**	**(126)**	**4,944**
Net finance (expense) income [(a)]	(319)	(6)	11	(334)		(648)
Net income (expense) from investments [(a)]	144	11	2	2		159
Income taxes [(a)]	(2,644)	(163)	(71)	134	41	(2,703)
Tax rate (%)	*56.8*	*37.5*	*45.2*			*60.7*
Adjusted net profit (loss)	**2,008**	**272**	**86**	**(529)**	**(85)**	**1,752**
of which:						
- Adjusted net profit (loss) of non-controlling interest						7
- Adjusted net profit (loss) attributable to Eni's shareholders						**1,745**
Reported net profit (loss) attributable to Eni's shareholders						**2,198**
Exclusion of inventory holding (gains) losses						(251)
Exclusion of special items						(202)
Adjusted net profit (loss) attributable to Eni's shareholders						**1,745**

(a) Excluding special items.

(€ million)

First Quarter 2019	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Impact of unrealized intragroup profit elimination	GROUP
Reported operating profit (loss)	**2,289**	**358**	**278**	**(143)**	**(264)**	**2,518**
Exclusion of inventory holding (gains) losses			(402)		130	(272)
Exclusion of special items:						
environmental charges			40			40
impairment losses (impairment reversals), net	12		17	2		31
net gains on disposal of assets	(3)		(2)			(5)
risk provisions						
provision for redundancy incentives	1		2	3		6
commodity derivatives		(121)	(4)			(125)
exchange rate differences and derivatives	1	33	4			38
other	8	102	12	1		123
Special items of operating profit (loss)	**19**	**14**	**69**	**6**		**108**
Adjusted operating profit (loss)	**2,308**	**372**	**(55)**	**(137)**	**(134)**	**2,354**
Net finance (expense) income [(a)]	(124)	(9)	4	(143)		(272)
Net income (expense) from investments [(a)]	62	7	21	9		99
Income taxes [(a)]	(1,175)	(105)	(11)	68	37	(1,186)
Tax rate (%)	*52.3*	*28.4*				*54.4*
Adjusted net profit (loss)	**1,071**	**265**	**(41)**	**(203)**	**(97)**	**995**
of which:						
- Adjusted net profit (loss) of non-controlling interest						3
- Adjusted net profit (loss) attributable to Eni's shareholders						**992**
Reported net profit (loss) attributable to Eni's shareholders						**1,092**
Exclusion of inventory holding (gains) losses						(192)
Exclusion of special items						92
Adjusted net profit (loss) attributable to Eni's shareholders						**992**

(a) Excluding special items.

Breakdown of special items

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	IH 2019	IH 2018
40	Environmental charges	36	101	76	152
31	Impairment losses (impairment reversals), net	280	73	311	102
(5)	Net gains on disposal of assets	(18)	(424)	(23)	(425)
	Risk provisions	6	278	6	345
6	Provisions for redundancy incentives	3	(1)	9	5
(125)	Commodity derivatives	(86)	(110)	(211)	(177)
38	Exchange rate differences and derivatives	9	56	47	40
123	Other	(108)	211	15	218
108	**Special items of operating profit (loss)**	**122**	**184**	**230**	**260**
(36)	**Net finance (income) expense**	**43**	**(47)**	**7**	**(27)**
	of which:				
(38)	*- exchange rate differences and derivatives reclassified to operating profit (loss)*	*(9)*	*(56)*	*(47)*	*(40)*
2	**Net income (expense) from investments**	**25**	**(319)**	**27**	**(315)**
	of which:				
	- impairment/revaluation of equity investments		*(321)*		*(321)*
18	**Income taxes**		**(119)**	**18**	**(120)**
	of which:				
	- net impairment of deferred tax assets of Italian subsidiaries	*9*	*(73)*	*9*	*(73)*
18	*- taxes on special items of operating profit and other special items*	*(9)*	*(46)*	*9*	*(47)*
92	**Total special items of net profit (loss)**	**190**	**(301)**	**282**	**(202)**

Analysis of Profit and Loss account items

Net sales from operations

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	% Ch.	IH 2019	IH 2018	% Ch.
5,674	Exploration & Production	5,850	6,351		11,524	11,824	(3)
14,008	Gas & Power	13,153	13,035	1	27,161	26,777	1
5,391	Refining & Marketing and Chemicals	6,140	6,425		11,531	11,991	(4)
4,441	*- Refining & Marketing*	*5,163*	*5,228*		*9,604*	*9,661*	*(1)*
1,037	*- Chemicals*	*1,104*	*1,343*	*(18)*	*2,141*	*2,615*	*(18)*
(87)	*- Consolidation adjustments*	*(127)*	*(146)*		*(214)*	*(285)*	
367	Corporate and other activities	399	383	4	766	744	3
(6,900)	Consolidation adjustments	(7,102)	(8,055)		(14,002)	(15,265)	
18,540		**18,440**	**18,139**	**2**	**36,980**	**36,071**	**3**

Operating expenses

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	% Ch.	IH 2019	IH 2018	% Ch.
13,416	Purchases, services and other	13,375	13,616	(2)	26,791	26,448	1
89	Impairment losses (impairment reversals) of trade and other receivables, net	157	118	33	246	232	6
774	Payroll and related costs	779	707	10	1,553	1,551	0
6	*of which: provision for redundancy incentives and other*	*3*	*(1)*		*9*	*5*	
14,279		**14,311**	**14,441**	**(1)**	**28,590**	**28,231**	**1**

DD&A, impairments, reversals and write-off

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	% Ch.	IH 2019	IH 2018	% Ch.
1,603	Exploration & Production	1,711	1,558		3,314	3,198	4
117	Gas & Power	101	106	(5)	218	197	11
118	Refining & Marketing and Chemicals	118	100	18	236	197	20
96	*- Refining & Marketing*	*96*	*76*	*26*	*192*	*152*	*26*
22	*- Chemicals*	*22*	*24*	*(8)*	*44*	*45*	*(2)*
37	Corporate and other activities	37	15	..	74	29	..
(8)	Impact of unrealized intragroup profit elimination	(8)	(8)		(16)	(15)	
1,867	**Total depreciation, depletion and amortization**	**1,959**	**1,771**	**11**	**3,826**	**3,606**	**6**
31	**Impairment losses (impairment reversals), net**	**280**	**73**	**..**	**311**	**102**	**..**
1,898	**Depreciation, depletion, amortization, impairments and reversals**	**2,239**	**1,844**	**21**	**4,137**	**3,708**	**12**
40	**Write-off of tangible and intangible assets**	**138**	**15**	**..**	**178**	**21**	**..**
1,938		**2,377**	**1,859**	**28**	**4,315**	**3,729**	**16**

Income (expense) from investments

(€ million)

First Half 2019	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Group
Share of profit (loss) from equity-accounted investments	61	1	(13)	3	**52**
Dividends	69		20		**89**
Net gains (losses) on disposals	2		2		**4**
Other income (expense), net		1			**1**
	132	**2**	**9**	**3**	**146**

Leverage and net borrowings

Leverage is a measure used by management to assess the Company's level of indebtedness. It is calculated as a ratio of net borrowings to shareholders' equity, including non-controlling 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.

Mar. 31, 2019	(€ million)	Jun. 30, 2019	Dec. 31, 2018	Change
25,789	Total debt	25,300	25,865	(565)
6,664	- *Short-term debt*	*6,344*	*5,783*	*561*
19,125	- *Long-term debt*	*18,956*	*20,082*	*(1,126)*
(10,254)	Cash and cash equivalents	(10,554)	(10,836)	282
(6,759)	Securities held for trading	(6,670)	(6,552)	(118)
(98)	Financing receivables held for non-operating purposes	(207)	(188)	(19)
8,678	**Net borrowings before lease liabilities**	**7,869**	**8,289**	**(420)**
5,818	Lease Liabilities	5,722		5,722
3,811	- of which Eni working interest	3,724		3,724
2,007	- of which Joint operators' working interest	1,998		1,998
14,496	**Net borrowings**	**13,591**	**8,289**	**5,302**
52,776	**Shareholders' equity including non-controlling interest**	**51,006**	**51,073**	**(67)**
0.16	**Leverage before lease liability ex IFRS 16**	**0.15**	**0.16**	**(0.01)**
0.27	**Leverage after lease liability ex IFRS 16**	**0.27**	**0.16**	**0.11**

Pro-forma leverage

(€ million)	Reported measure	Lease liabilities of Joint operators' working interest	Pro-forma measure
Net borrowings	**13,591**	**1,998**	**11,593**
Shareholders' equity including non-controlling interest	**51,006**		**51,006**
Pro-forma leverage	**0.27**		**0.23**

Pro-forma leverage is net of followers' lease liabilities which are recovered through a cash call mechanism.

Net borrowings are calculated under Consob provisions on Net Financial Position (Com. no. DEM/6064293 of 2006).

Consolidated financial statements

BALANCE SHEET

(€ million)

	Jun. 30, 2019	Dec. 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	10,554	10,836
Other financial activities held for trading	6,670	6,552
Other current financial assets	328	300
Trade and other receivables	14,057	14,101
Inventories	4,569	4,651
Current tax assets	162	191
Other current tax assets	515	561
Other current assets	3,029	2,258
	39,884	**39,450**
Non-current assets		
Property, plant and equipment	61,430	60,302
Right of use	5,488	
Intangible assets	3,154	3,170
Inventory - compulsory stock	1,427	1,217
Equity-accounted investments	6,180	7,044
Other investments	928	919
Other financial assets	1,317	1,253
Deferred tax assets	3,935	3,931
Other non-current assets	868	792
	84,727	**78,628**
Assets held for sale	**272**	**295**
TOTAL ASSETS	**124,883**	**118,373**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt	2,274	2,182
Current portion of long-term debt	4,070	3,601
Current portion of long-term lease liabilities	870	
Trade and other payables	15,306	16,747
Income taxes payable	473	440
Other taxes payable	2,311	1,432
Other current liabilities	5,269	3,980
	30,573	**28,382**
Non-current liabilities		
Long-term debt	18,956	20,082
Long-term lease liabilities	4,852	
Provisions for contingencies	12,344	11,886
Provisions for employee benefits	1,173	1,117
Deferred tax liabilities	4,379	4,272
Other non-current liabilities	1,538	1,502
	43,242	**38,859**
Liabilities directly associated with assets held for sale	**62**	**59**
TOTAL LIABILITIES	**73,877**	**67,300**
SHAREHOLDERS' EQUITY		
Non-controlling interest	**57**	**57**
Eni shareholders' equity:		
Share capital	4,005	4,005
Retained earnings	37,787	36,702
Cumulative currency translation differences	6,925	6,605
Other reserves	1,349	1,672
Treasury shares	(633)	(581)
Interim dividend		(1,513)
Net profit (loss)	1,516	4,126
Total Eni shareholders' equity	**50,949**	**51,016**
TOTAL SHAREHOLDERS' EQUITY	**51,006**	**51,073**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**124,883**	**118,373**

GROUP PROFIT AND LOSS ACCOUNT

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	IH 2019	IH 2018
	REVENUES				
18,540	Net sales from operations	18,440	18,139	36,980	36,071
261	Other income and revenues	383	703	644	838
18,801	**Total revenues**	**18,823**	**18,842**	**37,624**	**36,909**
	OPERATING EXPENSES				
(13,416)	Purchases, services and other	(13,375)	(13,616)	(26,791)	(26,448)
(89)	Impairment reversals (impairment losses) of trade and other receivables, net	(157)	(118)	(246)	(232)
(774)	Payroll and related costs	(779)	(707)	(1,553)	(1,551)
(66)	**Other operating (expense) income**	**96**	**97**	**30**	**89**
(1,867)	**Depreciation, Depletion and Amortization**	**(1,959)**	**(1,771)**	**(3,826)**	**(3,606)**
(31)	**Impairment reversals (impairment losses), net**	**(280)**	**(73)**	**(311)**	**(102)**
(40)	**Write-off of tangible and intangible assets**	**(138)**	**(15)**	**(178)**	**(21)**
2,518	**OPERATING PROFIT (LOSS)**	**2,231**	**2,639**	**4,749**	**5,038**
	FINANCE INCOME (EXPENSE)				
1,266	Finance income	154	1,545	1,420	2,349
(1,545)	Finance expense	(484)	(1,626)	(2,029)	(2,714)
62	Net finance income (expense) from financial assets held for trading	16	23	78	17
(19)	Derivative financial instruments	(2)	(339)	(21)	(273)
(236)		**(316)**	**(397)**	**(552)**	**(621)**
	INCOME (EXPENSE) FROM INVESTMENTS				
76	Share of profit (loss) of equity-accounted investments	(24)	356	52	401
21	Other gain (loss) from investments	73	50	94	73
97		**49**	**406**	**146**	**474**
2,379	**PROFIT (LOSS) BEFORE INCOME TAXES**	**1,964**	**2,648**	**4,343**	**4,891**
(1,284)	Income taxes	(1,539)	(1,391)	(2,823)	(2,686)
1,095	**Net profit (loss)**	**425**	**1,257**	**1,520**	**2,205**
	attributable to:				
1,092	- Eni's shareholders	424	1,252	1,516	2,198
3	- Non-controlling interest	1	5	4	7
	Net profit (loss) per share attributable to Eni's shareholders (€ per share)				
0.30	- basic	0.12	0.35	0.42	0.61
0.30	- diluted	0.12	0.35	0.42	0.61

COMPREHENSIVE INCOME (LOSS)

(€ million)	IIQ 2019	IIQ 2018	IH 2019	IH 2018
Net profit (loss)	**425**	**1,257**	**1,520**	**2,205**
Items that may be reclassified to profit in later periods	**(685)**	**2,425**	**(76)**	**1,385**
Currency translation differences	*(583)*	*2,201*	*320*	*1,194*
Change in the fair value of cash flow hedging derivatives	*(153)*	*338*	*(564)*	*278*
Share of other comprehensive income on equity-accounted entities	*7*	*(31)*	*5*	*(20)*
Taxation	*44*	*(83)*	*163*	*(67)*
Total other items of comprehensive income (loss)	**(685)**	**2,425**	**(76)**	**1,385**
Total comprehensive income (loss)	**(260)**	**3,682**	**1,444**	**3,590**
attributable to:				
- Eni's shareholders	**(261)**	**3,677**	**1,440**	**3,583**
- Non-controlling interest	1	5	4	7

CHANGES IN SHAREHOLDERS' EQUITY

(€ million)		
Shareholders' equity at January 1, 2018		**48,324**
Total comprehensive income (loss)	3,590	
Dividends paid to Eni's shareholders	(1,440)	
Dividends distributed by consolidated subsidiaries	(3)	
Total changes		**2,147**
Shareholders' equity at June 30, 2018		**50,471**
attributable to:		
- Eni's shareholders		**50,418**
- Non-controlling interest		53
Shareholders' equity at December 31, 2018		**51,073**
Impact of adoption IAS 28		(4)
Shareholders' equity at January 1, 2019		**51,069**
Total comprehensive income (loss)	1,444	
Dividends paid to Eni's shareholders	(1,476)	
Dividends distributed by consolidated subsidiaries	(3)	
Buy-back program	(52)	
Reimbursement to third party shareholders	(1)	
Other changes	25	
Total changes		**(63)**
Shareholders' equity at June 30, 2019		**51,006**
attributable to:		
- Eni's shareholders		**50,949**
- Non-controlling interest		57

GROUP CASH FLOW STATEMENT

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	IH 2019	IH 2018
1,095	**Net profit (loss)**	**425**	**1,257**	**1,520**	**2,205**
	Adjustments to reconcile net profit (loss) to net cash provided by operating activities:				
1,867	Depreciation, depletion and amortization	1,959	1,771	3,826	3,606
31	Impairment losses (impairment reversals), net	280	73	311	102
40	Write-off of tangible and intangible assets	138	15	178	21
(76)	Share of (profit) loss of equity-accounted investments	24	(356)	(52)	(401)
(5)	Gains on disposal of assets, net	(21)	(417)	(26)	(418)
(21)	Dividend income	(68)	(56)	(89)	(79)
(34)	Interest income	(38)	(57)	(72)	(100)
253	Interest expense	268	137	521	276
1,284	Income taxes	1,539	1,391	2,823	2,686
45	Other changes	(59)	169	(14)	299
	Changes in working capital:				
(189)	- inventories	87	(369)	(102)	(181)
(2,158)	- trade receivables	2,289	1,009	131	(907)
424	- trade payables	(1,297)	(350)	(873)	(255)
(55)	- provisions for contingencies	25	(442)	(30)	(338)
388	- other assets and liabilities	(48)	550	340	1,005
(1,590)	*Cash flow from changes in working capital*	*1,056*	*398*	*(534)*	*(676)*
47	Net change in the provisions for employee benefits	*(12)*	*1*	*35*	*36*
530	Dividends received	625	95	1,155	100
14	Interest received	18	4	32	25
(230)	Interest paid	(256)	(142)	(486)	(328)
(1,153)	Income taxes paid, net of tax receivables received	(1,363)	(1,250)	(2,516)	(2,134)
2,097	**Net cash provided by operating activities**	**4,515**	**3,033**	**6,612**	**5,220**
	Investing activities:				
(2,179)	- tangible assets	(1,930)	(1,879)	(4,109)	(4,386)
(60)	- intangible assets	(67)	(82)	(127)	(116)
	- consolidated subsidiaries and businesses net of cash and cash equivalent acquired				(15)
(30)	- investments	(21)	(94)	(51)	(116)
(3)	- securities	(5)		(8)	
(48)	- financing receivables	(39)	(33)	(87)	(200)
87	- change in payables in relation to investing activities	(107)	328	(20)	320
(2,233)	*Cash flow from investing activities*	*(2,169)*	*(1,760)*	*(4,402)*	*(4,513)*
	Disposals:				
6	- tangible assets	20	1,011	26	1,017
	- intangible assets		5		5
	- consolidated subsidiaries and businesses net of cash and cash equivalent disposed of		146		178
	- investments	12	32	12	61
	- securities	5	2	5	7
32	- financing receivables	24	54	56	132
	- change in receivables in relation to disposals	95	482	95	434
38	*Cash flow from disposals*	*156*	*1,732*	*194*	*1,834*
(65)	*Net change in receivables and securities held for operating purposes* [a]	*(57)*	*206*	*(122)*	*(59)*
(2,260)	**Net cash used in investing activities**	**(2,070)**	**178**	**(4,330)**	**(2,738)**

[a] From 2019, Eni's cash flow statement is reporting in a dedicated line-item the net cash outflow (investments minus divestments) in held-for-trading financial assets and current non-operating receivables financing, with the latter being investment of temporary cash surpluses. Those two assets are netted against financial liabilities to determine the Group net borrowings in accordance to applicable listing standards. In previous reporting periods, cash inflows and outflows relating those assets were reported among investing activities or divesting activities relating to securities and financing receivables, respectively. The establishment of a dedicated line-item for these movements enables the users of financial statements to immediately reconcile the statutory cash flow statement to the Non-Gaap financial disclosure relating to changes in the Company's net borrowings, because the difference between the two cash flow statements is the net investment in held-for-trading securities and current non-operating receivables financing which are part of net cash from financing activities in the Non-Gaap cash flow statements. The cash flow statements of comparative periods have been reclassified accordingly.

GROUP CASH FLOW STATEMENT (continued)

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	IH 2019	IH 2018
26	Increase in long-term debt	995	407	1,021	918
(381)	Repayments of long-term debt	(1,355)	(81)	(1,736)	(1,649)
(230)	Repayment of lease liabilities	(167)		(397)	
145	Increase (decrease) in short-term financial debt	(93)	(411)	52	(243)
(440)		**(620)**	**(85)**	**(1,060)**	**(974)**
	Net capital contributions (Reimbursement) by non-controlling interest	(1)		(1)	
	Dividends paid to Eni's shareholders	(1,475)	(1,439)	(1,475)	(1,440)
	Dividends paid to non-controlling interests	(3)	(3)	(3)	(3)
	Net purchase of treasury shares	(46)		(46)	
(440)	**Net cash used in financing activities**	**(2,145)**	**(1,527)**	**(2,585)**	**(2,417)**
(1)	Effect of change in consolidation (inclusion/exclusion of significant/insignificant subsidiaries)			(1)	
9	Effect of exchange rate changes on cash and cash equivalents and other changes	(6)	31	3	12
(595)	**Net cash flow for the period**	**294**	**1,715**	**(301)**	**77**
10,855	**Cash and cash equivalents - beginning of the period [b]**	**10,260**	**5,725**	**10,855**	**7,363**
10,260	**Cash and cash equivalents - end of the period**	**10,554**	**7,440**	**10,554**	**7,440**

[b] In the first half of 2019, cash and cash equivalents at the begininning of the period include €19 million of cash and cash equivalents of consolidated subsidiaries held for sale that were reported in the item "Assets held for sale" in the balance sheet.

SUPPLEMENTAL INFORMATION

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	IH 2019	IH 2018
	Investment of consolidated subsidiaries and businesses				
	Current assets				2
	Non-current assets		1		24
	Cash and cash equivalents (net borrowings)				(1)
	Current and non-current liabilities		7		(1)
	Net effect of investments		**8**		**24**
	Bargain purchase		(8)		(8)
	Purchase price				**16**
	less:				
	Cash and cash equivalents				(1)
	Investment of consolidated subsidiaries and businesses net of cash and cash equivalent acquired				**15**
	Disposal of consolidated subsidiaries and businesses				
	Current assets		13		52
	Non-current assets		189		198
	Cash and cash equivalents (net borrowings)		18		18
	Current and non-current liabilities		(55)		(71)
	Net effect of disposals		**165**		**197**
	Gain (loss) on disposal		(6)		(6)
	Selling price		**159**		**191**
	less:				
	Cash and cash equivalents disposed of		(13)		(13)
	Disposal of consolidated subsidiaries and businesses net of cash and cash equivalent divested		**146**		**178**

Capital expenditure

IQ 2019	(€ million)	IIQ 2019	IIQ 2018	% Ch.	IH 2019	IH 2018	% Ch.
2,068	Exploration & Production	1,740	1,757	(1)	3,808	4,189	(9)
366	*- acquisition of proved and unproved properties*	*6*	*11*	*(45)*	*372*	*723*	*(49)*
82	*- g&g costs*	*64*	*64*		*146*	*128*	*14*
143	*- exploration*	*170*	*96*	*77*	*313*	*161*	*94*
1,467	*- development*	*1,490*	*1,572*	*(5)*	*2,957*	*3,158*	*(6)*
10	*- other expenditure*	*10*	*14*	*(29)*	*20*	*19*	*5*
42	Gas & Power	57	55	4	99	97	2
188	Refining & Marketing and Chemicals	229	199	15	417	324	29
171	*- Refining & Marketing*	*208*	*157*	*32*	*379*	*257*	*47*
17	*- Chemicals*	*21*	*42*	*(50)*	*38*	*67*	*(43)*
27	Corporate and other activities	37	17	..	64	28	..
(4)	Impact of unrealized intragroup profit elimination	(2)	(3)		(6)	(8)	
2,321	**Capital expenditure**	**2,061**	**2,025**	**2**	**4,382**	**4,630**	**(5)**
82	**Cash out in net cash flow from operating activities**	**64**	**64**		**146**	**128**	**14**
2,239	**Cash out in net cash flow from investment activities**	**1,997**	**1,961**	**2**	**4,236**	**4,502**	**(6)**

In the first half of 2019, capital expenditure amounted to €4,236 million (€4,502 million in the first half of 2018) and mainly related to:

- development activities (€2,957 million) deployed mainly in Egypt, Nigeria, Ghana, Libya, Mexico, Indonesia and the USA. The acquisition of proved and unproved reserves of €372 million relates to the acquisition of reserves in Alaska and Algeria;
- refining activity in Italy and outside Italy (€341 million) mainly aimed at reconstruction works of the EST conversion plant at the Sannazzaro refinery, reconversion of Gela refinery into a biorefinery, maintain plants' integrity as well as initiatives in the field of health, security and environment; marketing activity, mainly regulation compliance and stay in business initiatives in the refined product retail network in Italy and in the Rest of Europe (€38 million);
- initiatives relating to gas marketing (€81 million).

Cash-outs comprised in net cash from operating activities (€146 million) relate to geological and geophysical studies as part of the exploration activities, which are charged to expenses.

Sustainability performance

		IH 2019	2018	% Ch.
TRIR (Total recordable injury rate)	(total recordable injury rate/worked hours) x 1,000,000	**0.28**	**0.30**	**(6.7)**
GHG emissions/100% operated hydrocarbon gross production [(a)]	(tonnes CO_2 eq./kboe)	**20.94**	**21.22**	**(1.3)**
Direct GHG emissions [(a)]	(mmtonnes CO_2 eq.)	**20.86**	**21.24**	**(1.8)**
- of which CO_2 eq from combustion and process		*16.38*	*16.51*	*(0.8)*
CO_2 eq from flaring		*3.09*	*3.24*	*(4.6)*
CO_2 eq from venting		*1.03*	*0.97*	*6.2*
CO_2 eq from methane fugitive		*0.36*	*0.52*	*(30.8)*
Oil spills due to operations (>1 barrel)	(kbbl)	**0.68**	**0.71**	**(4.5)**
% produced water reinjection	(%)	**61**	**60**	**1.7**

(a) The GHG emissions from methane venting have been revised following the refinement of the estimation methodology, in line with international methodologies developed thanks to the CCMP OGMP Partnership. Therefore, prior period data of this emission category has been revised in order to ensure the consistency of the performance indices with respect to the reduction targets of the GHGs communicated by Eni.

- **TRIR (Total recordable injury rate)** of the workforce amounted to 0.28 confirming Eni's commitment to awareness and dissemination of the safety culture; down by 6.7% compared to the same period of 2018.
- **Direct emissions of GHG**: 20.86 million of tCO_2 eq. down by 1.8% from the first half of 2018, mainly in the upstream segment and in the chemical business.
- **Emissions from combustion and process** were down by 0.8% to 16.38 million of tCO_2 eq., mainly as result of downtimes of Versalis plants in Priolo e Porto Marghera.
- **Emissions from flaring** in the E&P segment were down by 4.6% due to the achievement of the zero flaring configuration in Turkmenistan, started-up in the second quarter of 2018 and the optimization of gas injection in East Hub of Angola.
- **Emissions from methane fugitive** were down by 30.8% benefitting from the enhancement of leak detection and repair programs in the upstream segment in the second quarter of 2018 and from the current program in the Zohr field.
- **Oil spill due to operations**: down by 4.5% due to the technical measures adopted by Eni.
- **Water reinjection** in the E&P segment: confirmed the positive trend with a percentage of 61% due to the preserving of strong performance in Ecuador and to the increasing of re-injection efficiency in the Congo fields.

Exploration & Production

PRODUCTION OF OIL AND NATURAL GAS BY REGION

IQ 2019			IIQ 2019	IIQ 2018	IH 2019	IH 2018
1,832	**Production of oil and natural gas [a][b][c]**	(kboe/d)	**1,825**	**1,863**	**1,829**	**1,865**
131	Italy		122	142	127	143
169	Rest of Europe		145	186	157	201
372	North Africa		386	417	379	430
334	Egypt		344	290	339	275
362	Sub-Saharan Africa [c]		398	354	380	351
148	Kazakhstan		120	135	134	137
180	Rest of Asia		178	176	179	164
107	Americas		106	144	106	143
29	Australia and Oceania		26	19	28	21
152	**Production sold [a]**	(mmboe)	**149**	**159**	**301**	**316**

PRODUCTION OF LIQUIDS BY REGION

IQ 2019			IIQ 2019	IIQ 2018	IH 2019	IH 2018
887	**Production of liquids**	(kbbl/d)	**867**	**881**	**877**	**883**
56	Italy		52	63	54	64
102	Rest of Europe		86	108	94	120
164	North Africa		175	150	170	150
71	Egypt		73	81	72	79
252	Sub-Saharan Africa		266	247	259	249
96	Kazakhstan		76	89	86	88
84	Rest of Asia		79	80	82	66
60	Americas		57	62	58	65
2	Australia and Oceania		3	1	2	2

PRODUCTION OF NATURAL GAS BY REGION

IQ 2019			IIQ 2019	IIQ 2018	IH 2019	IH 2018
5,157	**Production of natural gas**	(mmcf/d)	**5,230**	**5,359**	**5,194**	**5,359**
410	Italy		380	431	395	434
366	Rest of Europe		325	423	346	446
1,137	North Africa		1,151	1,456	1,144	1,525
1,434	Egypt		1,477	1,142	1,456	1,066
599	Sub-Saharan Africa		720	586	660	557
286	Kazakhstan		237	254	261	266
522	Rest of Asia		543	525	532	534
256	Americas		266	445	261	423
147	Australia and Oceania		131	97	139	108

(a) Includes Eni's share of production of equity-accounted entities.
(b) Includes volumes of hydrocarbons consumed in operation (120 and 110 kboe/d in the second quarter of 2019 and 2018, respectively, 119 and 105 kboe/d in the first half of 2019 and 2018, respectively, and 118 kboe/d in the first quarter of 2019).
(c) Cumulative daily production for the second quarter and the first half 2019 includes 30 kboe/d and 15 kboe/d respectively (2.8 million boe) of volumes (mainly gas) as part of a long-term supply agreement to a state-owned national oil company, whereby the buyer has paid the price without lifting the underlying volume due to the take-or-pay clause. Management has estimated to be highly probable that the buyer will not redeem its contractual right to lift the pre-paid volumes within the contractual terms. The price collected on such volumes was recognized as revenue in the financial statements in accordance to IFRS 15 because the Company has satisfied its performance obligation under the contract.

Gas & Power

Natural gas sales

IQ 2019	(bcm)	IIQ 2019	IIQ 2018	% Ch.	IH 2019	IH 2018	% Ch.
10.77	**ITALY**	**9.69**	**9.77**	**(1)**	**20.46**	**20.96**	**(2)**
2.55	- Wholesalers	1.93	2.57	(25)	4.48	5.25	(15)
2.52	- Italian exchange for gas and spot markets	3.63	3.52	3	6.15	6.49	(5)
1.32	- Industries	1.30	1.21	7	2.62	2.42	8
0.35	- Small and medium-sized enterprises and services	0.14	0.16	(13)	0.49	0.47	4
0.40	- Power generation	0.65	0.42	55	1.05	0.74	42
2.01	- Residential	0.61	0.55	11	2.62	2.66	(2)
1.62	- Own consumption	1.43	1.34	7	3.05	2.93	4
10.56	**INTERNATIONAL SALES**	**8.11**	**8.31**	**(2)**	**18.67**	**19.56**	**(5)**
8.00	**Rest of Europe**	**5.97**	**6.14**	**(3)**	**13.97**	**15.42**	**(9)**
1.02	- Importers in Italy	1.10	0.49	..	2.12	1.38	54
6.98	- European markets	4.87	5.65	(14)	11.85	14.04	(16)
1.21	*Iberian Peninsula*	*1.00*	*1.06*	*(6)*	*2.21*	*2.33*	*(5)*
0.45	*Germany/Austria*	*0.39*	*0.26*	*50*	*0.84*	*1.13*	*(26)*
0.91	*Benelux*	*0.88*	*1.63*	*(46)*	*1.79*	*2.91*	*(38)*
0.49	*UK*	*0.41*	*0.45*	*(9)*	*0.90*	*1.23*	*(27)*
1.77	*Turkey*	*1.27*	*1.44*	*(12)*	*3.04*	*3.44*	*(12)*
1.71	*France*	*0.84*	*0.76*	*11*	*2.55*	*2.72*	*(6)*
0.44	*Other*	*0.08*	*0.05*	*60*	*0.52*	*0.28*	*86*
2.56	**Rest of World**	**2.14**	**2.17**	**(1)**	**4.70**	**4.14**	**14**
21.33	**WORLDWIDE GAS SALES**	**17.80**	**18.08**	**(2)**	**39.13**	**40.52**	**(3)**
2.70	*of which: LNG sales*	*2.20*	*2.70*	*(19)*	*4.90*	*5.40*	*(9)*