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Italy's Eni doubles net profit for second quarter

By Giulia Segreti in Rome

Eni, the Italian oil and gas group, announced a 51 per cent rise in its net profit for the second quarter of the year, with long-term gas contract renegotiations offsetting weak demand and lower availability of Libyan supplies.

Adjusted net profits were €870m for the second three months of the year and €1.96bn for the first half. Operating cash flow was at the highest level since mid-2012, at €3.59bn in the second quarter.

However, Claudio Descalzi, chief executive, said: "In 2014 the overall market environment has deteriorated compared to last year, in particular in the European refining sector where margins have collapsed . . . causing us to accelerate the restructuring of our plants."

He added that due to the improvement in cash flow "gas and power break-even [will be brought] forward to 2014" and that an interim dividend per share of €0.56 would be proposed at the next board meeting.

The company's gas and power division posted a €40m net profit, up from the €227m loss in the second quarter of 2013, benefiting from the successful renegotiation of long term gas contract tariffs, mainly with Russia's Gazprom.

Oil and gas production in the second quarter was "substantially unchanged" year-on-year, at 1.58m barrels of oil equivalent per day. Overall, sales were down by 6.9 per cent in the first half of 2014 compared with the same period last year. Sales of natural gas on the domestic market have gone down by almost 50 per cent due to lower availability of Libyan supplies.

Due to excess capacity and a drop in refining margins, the refining sector closed the second quarter with an adjusted net loss of €165m.

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> - Claudio Descalzi, Eni chief executive

Mr Descalzi, the former head of the company's exploration and production division, is expected to announce reconversion plans for up to half of the lossmaking refinery activities, in his first company strategy update since his appointment in mid-April later on Thursday.

"The exploration and production sector is Mr Descalzi's clear focus, he will want to bring the numbers to excellent levels," said Nicoló Sartori, senior fellow at the Institute for International Affairs in Rome.

"The diversification of the company is a clear indication of Mr Descalzi's intentions . . . he is trying to widen the portfolio in order to avoid geopolitical risks, as being too exposed in a country is counter-productive."

Eni's shares were down 0.46 per cent in early trading on Thursday.

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