



## 2013 Results and 2014-2017 Strategy

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Presentation and Q&A

### Presentation

#### Speakers:

Paolo Scaroni - Chief Executive Officer

Claudio Descalzi - Chief Operating Officer E&P

Marco Alverà - Senior Executive Vice President Optimization & Trading

Massimo Mondazzi - Chief Financial Officer

#### Paolo Scaroni

Good afternoon ladies and gentlemen, and welcome to our full year results and strategy presentation.

Most of you will have already seen our 2013 results this morning, but I would like to take this chance to give my view on last year's performance.

Considering that 2013 was a year of real challenges, our results were reasonably good.

In E&P, the driver of Eni's profitability, production was disrupted by exceptional events. The resurgence of internal conflict in Libya impacted oil production throughout the year, as well as causing the shut down of our onshore gas operations in the last quarter. Rising oil bunkering also affected production in Nigeria. In addition start ups, including Kashagan, did not contribute as expected.

In the mid and downstream businesses, exposed to Italy and Europe, we faced very weak demand, as result of the underlying economic environment. Consumption of oil and gas in Italy, for example, was respectively 24% and 18% lower than pre-crisis levels.

On top of this, our gas margins were further squeezed by the increasing availability of cheap spot gas and even cheaper coal and by the strong competition of renewables.

Refining margins were badly affected by the weakness of oil products prices and by the narrowing of the light-heavy oil differential, which impacted the economics of our complex refineries.

Finally, as you well know, Saipem had a very challenging year.

In the context of these strong headwinds, eni generated resilient profit and healthy cashflows.

Focusing on cash flow, our performance was the result of four main factors:

- First, the underlying strength of our E&P portfolio. Thanks to our low cost position we continued to deliver an average cash flow per barrel of around 30 dollars;
- Second, the ongoing turnaround in our mid-downstream businesses, which delivered a 2 billion euro improvement in operating cashflows;
- Third, our disposal plan, and in particular the Mozambique farm down which is an example of accelerated monetization from exploration success.
- And, lastly, our continuing capital discipline, with overall investments in line with historical levels.

In total we generated a free cash flow of more than 4 billion euro, supporting our progressive distribution policy without impacting our financial position.

Turning now to our 2014-17 plan we do not factor in any material improvement in market conditions.

In E&P, we expect oil prices to decline to 90\$/bbl by 2017. We are pencilling in Libyan and Nigerian production at 2013 levels up to 2015, with gradual progress in following years.

In G&P, we see flat demand in Europe and in Italy. In addition, Italian gas prices will come under further pressure in 2014 as older B2B contracts are renegotiated.

In R&M, we see consumption of oil products at depressed 2013 levels, with small improvements in margins driven by the progressive reduction of refining capacity.

Lastly, in chemicals two different trends: in base products we see increasing competition from low cost, gas-based production while in specialties we see growing demand and resilient pricing.

In line with this cautious market view, our strategy focuses on a selective growth in upstream and a material restructuring of our mid/downstream businesses.

All of this will increase Eni's cash flow from operations by 40% in the first two years and up to 55% in the final years of the plan.

Let's look at how in more detail.

The biggest driver of our operating cashflow growth in the plan will be E&P.

Upstream strategy is focused on organic growth of low cost, conventional assets.

Our exploration will continue to feed superior reserves replacement, enhancing portfolio flexibility and strength and maintaining costs at a very competitive level.

To give you some color, the resources discovered since 2008 are equivalent to 2.5 times our production in the period. And this success continues, as highlighted by the giant discovery in Congo announced today.

Thanks to the breadth of our portfolio we will monetize some discoveries - or even producing assets - without affecting our longer term growth prospects. We have already started on this path: in the past 12 months we have cashed more than 6bn euro from upstream assets, a minority stake in Mozambique-Area 4 and Arctic gas in Russia.

In spite of these asset sales– and of prudent expectations for Libya and Nigeria - we target production growth of 3% a year to 2017.

Our upstream production growth is also very profitable:

First, new production will be high margin, delivering an annual growth in operating cash flow of 5% at our plan scenario, and a growth of 9% at 108 dollars flat.

Second, we will achieve this growth without any increase in capex. Indeed, investments will actually go down, by 5% compared to our previous plan, thanks to the prioritizing and rephasing of growth opportunities.

Turning now to our mid/downstream operations, we target a return to profitability excluding any improvements in the scenario.

Our turnaround is based upon:

Adapting our contracts and assets to the current tough market environment, through renegotiations, capacity cuts and operating optimizations;

and secondly focusing our presence on resilient markets.

We target overall ebit and cash breakeven in 2015. And over the plan period, these businesses will generate a cumulated 3 billion euro in operating cash.

Let's look at each business in more detail.

In G&P, our turnaround is based on three pillars.

First, the renegotiation of our entire supply portfolio. We target further, significant, benefits on top of the 1.4 billion euro contribution to ebit which our renegotiations delivered in 2013. As announced last year, our supply costs will be fully aligned to market levels by the 1<sup>st</sup> of January 2016.

Second, the continued development of our premium businesses: LNG, trading and retail sales, which will deliver 1 billion euro of ebitda by 2017.

Finally, the re-engineering of the whole business, aligning it to new market conditions by streamlining logistics and cutting fixed costs. We target 300 million euro of savings by 2017.

As a result of all of this, we target ebit and cashflow breakeven in 2015.

Turning now to R&M, we will:

- Cut further refining capacity in order to tackle the persisting overcapacity in the Italian market. This will bring our refineries' utilization rate up to 80%.
- Secondly, we will run an efficiency program across the board on logistics, labour and fixed costs.
- Lastly we will fully exploit the synergies with our trading arm to enlarge our feedstock base and take advantage of oil price differentials.

The result of these actions will be an increase of about €700 mln in EBIT, which will become positive in 2015.

In Versalis, we made excellent progress on each of the three pillars of the turnaround plan we started in 2011.

Firstly, reducing commodity chemicals capacity: we have already cut it by 25% through the conversion of Porto Torres into a biochemical plant and the downsizing of the Priolo cracker.

In addition, we reacted to the economic slowdown that impacted the automobile sector, specifically tires, by reducing our exposure to elastomers, announcing the closure of Hythe in the first quarter of 2014.

We will further trim our capacity by 5% mainly through the downsizing of the Porto Marghera cracker.

Secondly, refocusing on more profitable products: by 2017 we will have increased our production of premium products such as elastomers and styrenics by 50% compared to 2013.

Lastly, increasing our exposure in fast growing markets and in particular in the Far East, through our Malaysian and Korean joint ventures.

As a result of all of this, we target ebit breakeven in 2016. We will achieve cashflow breakeven in 2015.

Our strategy will deliver significant improvements in operating cashflow, driven by high-value E&P growth and by the return to profitability of our mid and downstream businesses.

Starting from eleven billion euro in 2013, our annual average cashflow from operations will grow to 15 billion euro in 2014-2015, a 40% increase, and to 17 billion euro in 2016-17.

In addition we have earmarked 9 billion euro of disposals over the plan, which include the cash-in from Arctic Gas already completed. We expect these divestments to be mostly front-end loaded.

The growth in our cash from operations, coupled with assets disposals and a reduced capex profile, will result in a 13% increase in annual average free cash flow versus 2013. In case of a flat Brent scenario the increase would be 45%.

Let me now hand you over to Claudio for a closer look at our upstream strategy.

### **Claudio Descalzi**

Thank you Paolo.

Good afternoon ladies and gentlemen.

The main objective of today's presentation is to give you more insight on our distinctive E&P model and our short and long term targets.

This model is the basis for our strategy to overcome industry challenges in containing costs and generating free cash flow.

Before speaking about our targets, let's have a look at 2013.

This year we recorded our best performance in HSE, with a total recordable injury rate 60% lower than the previous 6 years, and ZERO blow-outs for the tenth consecutive year.

Our Exploration performance continued to exceed expectations with about 1.8 Bboe of discovered resources at 1,2 dollars per barrel.

We achieved all the 8 planned major start-ups and we took 7 main FIDs, adding 2P reserves for more than 1 Bboe.

The new start-ups and ramp-ups contributed 140 kboed to our production.

Last year our production was lower than in 2012, mainly due to geopolitical reasons.

Disruptions in Libya, Nigeria and Algeria caused production losses of about 110 k boepd.

Notwithstanding these issues, our net profit and cash flow is still very robust, at a level of 6 B€ and 13.4 B € respectively.

To frame our action plan, a few words on the industry context.

Over the last few years, the upstream industry has faced two key issues: a strong increase in total expenditures and poor production growth.

Since 2008, the majors' expenditures have increased by about 40%.

This was mainly due to big M&A transactions on unconventional plays and increasingly costly projects.

This caused a worsening in the self financing ratio of our peer group of more than 20%.

In the same period, eni has recorded a 20% saving in costs incurred, which translates into a corresponding improvement of our self-financing ratio.

So, what has made these different trends and results possible for eni?

This has been possible for four main reasons.

First, we have focused mainly on organic growth from a conventional asset base, with no major M&A transactions.

Second, our outstanding exploration has given us an efficient cost structure, ensuring solid cash generation.

Third, the timely transformation into production of our huge discoveries through a phased approach to investment, which allows us to reduce up-front financial exposure *also* for giant projects.

And finally, our producing assets, the main area of cash generation, where we achieved best in class operating costs and superior recovery factors.

Now I'm going to elaborate on our plan targets based on our model.

In exploration, our objective is to continue obtaining the excellent results of the last 6 years, following the same approach, targeting conventional assets.

To do this, we have renewed our portfolio, with two main priorities.

The first is increasing our acreage on emerging basins:

- in East and West Africa, where we target mainly gas in Mozambique and Kenya and oil in Congo, Angola and Gabon pre-salt
- in the Pacific basin where we are concentrating on oil and gas in Vietnam, Myanmar, Indonesia and Australia
- and in the Arctic where we target oil in the Norwegian and Russian Barents Sea.

And the second priority comes through a major review of our legacy assets where we apply new geological play concepts and leading proprietary technologies.

We have already achieved exciting results in Angola, Indonesia, Egypt and Congo.

A remarkable example of this approach is Marine XII in Congo, where we recently discovered more than 2.5 Bboe of resources in place.

Through this discovery, we cracked the code of the pre-salt in Congo.

This achievement was the result of deploying eni leading proprietary technologies, to an asset which had already been explored since the seventies, without revealing any discoveries.

The block, operated by eni with a 65% stake, is in shallow water only 17 kilometers from the shoreline and close to our existing offshore facilities.

The Nenè 3 well has found very good quality oil (36° API), and during the production test the well delivered more than 5000 boed.

In addition to the 2.5 Bboe discovered we expect further oil and gas potential, that we will assess through a dedicated campaign starting this year.

The proximity to existing facilities, high volumes, good productivity and low cost will bring this new discovery into production in 2015.

The renewed portfolio, made-up of new emerging assets and the revisited legacy ones, gives us prospective resources of about 10 Bboe, of which, we are targeting 3.2 in the next 4 years at a very low cost of about 2.2 dollars per barrel.

In our model, cash generation starts from exploration, where we apply a dual approach.

On one side, a major portion of these resources will be developed to ensure high-margin organic growth.

On the other side, some of the resources can also be used to ensure early cash-in through dilution opportunities.

This strategy is achievable also because of our very high participating interests in all exploration assets, currently in the range of 50 to 80%.

The Mozambique transaction is a result of this model. 80% of these huge exploration successes of the last 6 years will be developed in less than 7 years. This strong focus on time to market has a first key step: the timely sanctioning of our projects.

In the next four years, we will take 18 major project FIDs, mainly in Sub Saharan and East Africa and South East and Central Asia. This effort will deliver 3.5 Bboe of 2P reserves.

In the four year plan we will put 26 major projects into production, more than half in the next 2 years, contributing about 500 kboed in 2017. These projects are geographically well-balanced, mainly throughout Europe, Sub Saharan Africa, East Asia and the Americas.

Here you can see an update on how we are progressing on the main sanctioned projects: all are on schedule, with only a few minor delays, and very low cost overrun.

We ensure a strong grip on our projects by conducting most of the engineering in-house through a reinforced organisational structure.

We directly coordinate all the construction phases and deploy our own people to manage hook-up and commissioning. The result of this is a project portfolio where we have better control, reduced risks and contained costs.

And now an update on some of our major projects.

The Kashagan experimental program was completed and commissioned with first oil achieved in September. The wells were on stream and the overall process and critical components were performing well.

During the initial production, cracks were discovered in the gas pipeline. A thorough investigation identified the root cause and we have been carrying out intensive repairs to reinstate the pipeline by the middle of the year.

At the same time, we have brought-forward the commissioning of Train 2 and the gas re-injection compressors, saving more than 3-months of shut-down and allowing, once the gas pipeline is restored, a faster ramp-up of production without further interruptions.

Also, in the event the gas line re-start is delayed, the gas reinjection will make oil production possible.

Goliath is one of our major projects.

The Barents Sea is a very challenging environment that has required us to build the biggest circular FPSO ever, the first of its kind to be deployed in this area.

The project has reached 71% progress, in line with plan. Drilling and completion activities are progressing in line with schedule. The FPSO construction at HHI in Korea is at 89% and the sailaway is expected in 2Q this year.

Production start up is expected by the end of this year and equity peak production will be 56 kboed in 2015.

Looking beyond the 4 year plan, Mozambique will be a pillar of our medium-term growth.

We have completed the exploration phase on Mamba Complex with 11 successful wells. Potential straddling resources account for about 50 Tcf of gas in place, while about 35 are fully included in Area 4 thanks also to our new discovery in Agulha.

This year, we plan to drill one appraisal well and one exploration well.

Considering the significant amount of newly discovered resources, an enhanced development scheme has been defined with a total capacity up to 17 MTPA.

For Mamba straddling resources in Area 4, where unitisation has been agreed, eni is planning 1 initial onshore LNG train plus 2 Floating LNG units, with a total capacity of 10 Million TPA and an option for a further on-shore LNG train.

Eni is also ready to launch the development for the resources of Coral through a floating LNG.

We confirm FID for the first phase by year-end, with start up in 2019.

Our project portfolio is largely made-up of onshore and shallow water assets with an average break-even price of 40 dollars per barrel.

Even deep and ultra-deep projects have very robust economics, with an average break-even price of 55 dollars per barrel.

Our projects are very robust also in terms of cash generation.

Considering 2013 ramp-ups and the four year plan start-ups, net cash flow will be positive starting from 2015, reaching a contribution of more than 4 billion Euro in 2017 and in excess of 6 billion Euro in the mid run.

Our existing producing assets remain the main source of cash flow and will account for over 70% of total production in 2017.

In order to extract the maximum value from these crucial assets, our objectives are to:

- fight depletion and prolong the life of our fields, with an average target of 70 kboed from production optimization projects
- reduce facilities downtime to less than 6%
- increase recovery factors with a target of 43% for oil and about 70% for gas

Now, the plan's main objectives.

In the next 4 years, we confirm a production average growth rate of 3%.

Our 2014 production is flat versus last year, excluding the disposed Russian production.

This takes into account no improvement in Libya and Nigeria and a marginal contribution from Kashagan.

Our performance could improve materially if geopolitical disruptions are less impactful.

By the end of the plan, we will record a major contribution from West Africa, the Caspian Area and East Asia, with an overall production target of above 1.8 Mboed.

In the longer term, major projects in East and West Africa, the Americas and East Asia will sustain an annual growth rate of 4%.

In the next four years, our spending will be 5% lower than in the previous plan, thanks to the re-phasing of our project investments.

Our rich exploration portfolio allows us to do this, while maintaining production growth and targeting an increase in cash generation.

We expect to meet this cost target for the following reasons:

- 60% of our project-investments have already been sanctioned, and most of the procurement contracts have been signed and the costs locked in. An additional 25% will be sanctioned this year
- and second, we have a low exposure to complex projects: only 20% are in costly areas such as LNG and ultra deep water.

On exploration, we will continue to invest in line with our previous guidance.

In conclusion, our main objective of sustained cash generation is based on our distinctive model which defines our competitive advantage.

First: we have a robust economic structure with a cost per barrel of less than 30 dollars, made-up of outstanding exploration, an efficient project development and resilient producing assets.

Second: over the years, thanks to capex discipline and operational efficiency, we have maintained an outstanding self financing ratio above 100%, and we intend to increase this to more than 140%.

Leveraging on these factors, over the plan period, we are in the right position to increase our cash flow from operations and our free cash flow by 9%.

Thank you and I'll now hand over to Marco.

### **Marco Alverà**

Thank you Claudio, good afternoon.

I would like to begin by highlighting the main events in gas & power in 2013. Starting with our take or pay contracts, last year we managed to reduce our supply costs by 1.4 bn €, which is better than we had expected.

We reached agreements with our main suppliers, representing 85% of our long term portfolio.

With Statoil, we had to enter into arbitration in August, because we could not find an acceptable solution.

On volumes, we achieved a significant reduction in our Algerian contract, which has allowed us to avoid further take-or-pay and even recover 3,5 bcm of make-up gas.

Moving to optimization and trading, our relatively new activities have delivered robust growth last year.

2013 was also a good year for LNG, both for the delivery of 3bcm to premium Far-East markets and for our Mozambique marketing effort.

As a result of all of this, adding back what we expect to recover from arbitration for 2013, our overall performance last year was in line with guidance, notwithstanding a significantly worse scenario.

Let's look at the market context in more detail.



First of all gas consumption in Europe is back to the level of the late 90s. We now expect that total demand will be under 500 bcm in 2017.

This is still 10% below 2008 and 20% below what we had previously foreseen. This year, we expect demand to remain flat.

Moving to prices, long term contracts in Europe still have to be aligned with the hubs, in the meantime, the role of gas hubs is becoming more and more significant. This process is irreversible.

In the power sector, the clean spark spread has become negative in Europe and in Italy, because of lower demand, and more competition from cheaper coal and subsidized renewables.

Many of these adverse market changes are more structural than cyclical.

In 2014 we will suffer a decline in the profitability of our B2B sales and of our power business.

In total this year, adjusting for the arbitration with Statoil, we expect to offset the more negative scenario and close broadly in line with 2013.

In this market context, we built a robust turnaround plan based on three pillars:

- The first is the opening of a new round of negotiations with our suppliers.
- The second pillar is to grow our high-value added commercial segments.
- The third is a profound restructuring of our operations and logistics costs.

Let's go through these one by one.

Starting with our supply contracts, our target is to buy gas at a price that allows us to make a reasonable margin in each market.

Considering the recent fall in gas prices in Italy and that the periodic contract price reviews are backward looking for a period of 2 to 3 years, the successful negotiations of 2013 are not enough to close the gap between our contracts and the markets.

To put this into perspective, had we not achieved the 1.4 bn € discounts in 2013, today we would be paying 15% more than the hubs. Even after the cuts, we are still paying an average price higher than the hubs.

Therefore we are already seeking further significant discounts in all our supply contracts. These new rounds will close in 2014 and 15.

Given the progress we are making in these discussions and the strength of our contractual position, we can confirm last year's target which was to fully align our portfolio to the market by January 2016.

In essence, we are only asking our suppliers for a fair application of the contracts, and in one way or another all contracts are structured to allow eni to market the gas economically in the relevant markets.

The stakes are significant. The negotiation process is complex, requires time and sometimes third party intervention, as is the case with Statoil.

Finally, we are also working to revise our volume and off take obligations in light of the lower demand.

The second pillar of our turnaround is to grow our high-value added businesses.

In LNG our growth in the plan period will be driven by selling more portfolio volumes into Asia.

In the longer term, thanks to Mozambique, eni will become one of the top LNG players more than doubling current volumes.

In Optimization and Trading we conduct very low-risk asset based activities, exploiting the size and uniqueness of eni's portfolio of contracts and transport capacities.

Leveraging a well developed trading platform we are also enhancing our commercial capabilities.

The traditional B2B market does not exist anymore, customers now want new price indices and flexible risk management solutions rather than just the simple commodity delivery.

Finally, another growth area with good commercial value remains the retail market.

Overall, we aim to preserve our leadership role in gas in Europe.

Lets turn to the final pillar, which is our cost cutting.

At the end of our plan we target annual savings of over 300 m € per year.

We will achieve this by:

- integrating our foreign subsidiaries into eni, therefore cutting unnecessary corporate costs;
- merging 5 separate operating centres into one single platform, to centrally manage our billing, back-office and other IT based operations, cutting significant operating expenditure;
- and finally, getting rid of some of our capacity commitments that are no longer necessary as we sell less gas into the Italian market, therefore reducing our annual logistics costs.

Adding all this up, we are confident that we will generate sustainable long term profits in this business starting from 2015.

Once we complete the rightsizing of our cost base and have brought supply contracts in line with the market, we expect to generate around 1,2 bn € of EBITDA by 2017.

We also have a potential upside if the market tightens in Europe, which would bring us back to last year's target in last year's scenario.

Moving to refining, also here we are applying an aggressive restructuring program to deal with a conservative outlook in Europe and Italy.

We are working along three lines:

The most important is cutting refining capacity. We have seen an overall 12% reduction in Italy in the last 3 years with the shutdown of 4 plants. In this context eni has contributed by downsizing Venice and Gela, cutting our own capacity by 13%. In the next 3 years we plan a further reduction of 22%, bringing our total reduction to over 1/3 since 2012.

Second, we are continuing with our efficiency program to reduce fixed costs and energy costs by a further 140 m €.

And finally, we are now running our refineries in very close coordination with our traders here in London in order to constantly optimize our slates and capture market opportunities.

Overall, the capacity reductions, cost cutting and asset optimizations will contribute € 600m to the overall R&M EBIT target.

Thank you very much for your attention, I will now hand over to Massimo.

**Massimo Mondazzi**

Thank you Marco.

As mentioned in our presentation so far, last quarter as well as the entire 2013 have been a tough time for eni.

Fourth quarter adjusted operating profit was down 29% versus 2012, suffering from the Exploration & Production drop of 1.5 billion due to the extraordinary disruptions in Libya and forex effects, which accounted for two thirds of the overall amount.

Gas & Power benefitted from the renegotiation with Gasterra, which more than compensated the effects of a worsened scenario.

Refining & Marketing reported a loss of around 100 million euro, severely affected by the “near zero” refining margin that prevailed over the benefits of our turnaround actions.

Fourth quarter adjusted net profit was 1.3 billion euro, down 14% versus 2012, while the full year dropped by 35%.

However, our 2013 reported net profit recorded an increase of 24% thanks to the realized disposals that also contributed in keeping the net debt flat, comfortably within our leverage ceiling of 0,3.

This remarkable financial result was achieved thanks to the robust cash contribution from E&P, the material improvement in our mid-downstream activities and capex discipline.

E&P: notwithstanding the well known issues in production, causing a negative impact of 1 billion Euro, upstream confirmed its high quality cash flow, recording a net contribution per barrel of 30 dollars, in line with 2012 in spite of the scenario and inflation effects.

In our mid-downstream businesses, we were able to enhance our cash balance by 2 billion Euro thanks to the improvement in working capital, the gas contract renegotiations and the operating efficiencies achieved.

At the same time, capital expenditures were kept essentially flat in compliance with our policy since 2008.

Turning now to our plan, cash generation growth remains the cornerstone of our strategy.

In the 2014-2015 period, our cash from operations will recover quickly to reach a yearly average of around 15 billion euro. The expected 40% increase versus 2013 will be underpinned by an improvement of all our businesses and in particular by the gas contract renegotiations and by the recovery in production.

In the same two year period we forecast to cash-in an average of more than 3 billion euro per year from disposals. It's worth mentioning that this amount includes the Russian licenses already cashed in last month.

In 2016-2017, cash from operations will grow further up to 55% thanks to the additional step up in production and the turnaround completion in other businesses, the contribution of which will more than absorb the effect of our underlying declining scenario.

As a consequence, the capex coverage from cash from operations will grow up to 114% in 2014-2015 and to 126% in 2016-2017.

Assuming a flat Brent scenario, capex coverage in 2016-17 will increase to almost 140%, while average free cash flow along the plan period is expected to grow by 45% versus 2013.

And now let me explain why we are confident in keeping a constant capex profile ...

Firstly, our past track record. As mentioned before we have held capex under strict control since 2008, that was our year of peak expenditure.

Secondly, the robustness of our plan. Around two thirds of our capex is already committed, which means we have high certainty on costs, as negotiated contracts are already in place. This element, together with the conventional nature of our projects, gives us even greater confidence about our projections.

Over the next four years we will invest, overall, €54bn to deliver the growth highlighted today. This means a yearly average in line with past years and a reduction versus the previous plan of over 5%, achieved in E&P.

More still... we will continue to boost our cash through a material disposal program aimed at rebalancing our presence in core areas, complex projects and managing risk.

Since 2012, we have completed a very substantial disposal plan, selling 13 billion euro of assets and cashing back 12 billion euro of debt.

For the future, including the sale of the Russian assets, we are targeting an additional 9 billion of divestments, among which some exploration farm down and the remaining stakes in Snam and Galp.

Overall, what we have done so far and envisaged in the plan will result in a total cash in of 34 billion euro.

Our balance sheet will be stronger and more focused on high return sectors.

Our average capital employed is expected to remain flat at around 77 billion euro, assuming a constant exchange rate, with some changes in its composition.

E&P, that has already increased its weight by 13% in the past 5 years, is expected to grow further by 2017, while the other businesses decrease or remain essentially unchanged.

Among upstream geographical areas, we will expand our presence in the Far East and Sub-Saharan Africa, supporting our diversification as well as reducing our exposure to North Africa.

Unproductive capital, being still in the investment phase, will decrease from 25% in 2013 to 15% in 2017 thanks to the pipeline of start ups.

Over the plan we will continue to enhance our leverage position which will be kept well within our maximum target of 30%.

Finally, we are committed to keeping strong levels of cash equivalents sized to potentially maintain two years of independence from the financial markets.

## **Paolo Scaroni**

Thank you Massimo.

Summing up, we will face continuing headwinds in all our markets. We have therefore set out our 2014-17 plan based on prudent, cautious and conservative assumptions.

In this challenging market environment, we will deliver a strong performance in all our businesses over the next four years.

In E&P, we have built a powerful engine: in 2017, 70% of our production will come from assets which are already producing today, and a further 15% from new fields which are on track to start up in the next 24 months.

Our industry-leading exploration success provides attractive, low-cost growth options, which will be partially monetized through disposals.

With regards to our mid and downstream businesses, we are executing a focused turnaround strategy.

We have already cut the cash burn from these businesses from 2.5 billion euro in 2012 to 500 million euro last year, and thanks to our actions, we target 1.5 billion euro of operational cashflow in 2017.

With capex past its peak, the net result of all of this will be an attractive free cashflow profile, which will underpin a strong financial position and a progressive shareholder distribution policy.

Our shareholder distribution policy comprises dividends and share buybacks.

1. The dividend per share is expected to grow over time at a rate which broadly reflects the group's underlying earnings and cashflow growth, while taking into account investment requirements and the overall financial structure.

2. The share buyback programme is pursued at management's judgment when a number of conditions are met.

With regards to our 2014 dividend, I will propose to my Board a payment of €1.12 a share, an increase of 1.8% on 2013.

As for the buyback, when reviewing the numbers of our plan, I feel comfortable with the current program.

Ladies and gentlemen, Thank you for your attention, we will now be delighted to answer your questions.

## **Questions and answers**

### **Corporate participants**

Paolo Scaroni - Eni S.p.A., CEO

Claudio Descalzi - Eni S.p.A, COO, Exploration & Production

Marco Alvera - Eni S.p.A, Senior EVP, Midstream

Massimo Mondazzi - Eni S.p.A, CFO

### **Conference call participants**

Michele Della Vigna - Goldman Sachs, Analyst

Roberto Ranieri - Banca IMI, Analyst

Theepan Jothilingam - Nomura, Analyst

Jon Rigby - UBS, Analyst

Alejandro DeMichelis - Exane BNP Paribas, Analyst

Peter Hutton - RBC, Analyst

Giuseppe Rebuzzini - Fidentiis Equities, Analyst

Andrea Scauri - Mediobanca, Analyst

Lydia Rainforth - Barclays, Analyst

Oswald Clint - Sanford Bernstein, Analyst

Jason Kenney - Santander, Analyst

Irene Himona - Societe Generale, Analyst

Mark Bloomfield - Deutsche Bank, Analyst

Christine Tiscareno - Standard & Poor's, Analyst

Neill Morton - Investec, Analyst

### Questions and answers

UNIDENTIFIED COMPANY REPRESENTATIVE: Good afternoon, ladies and gentlemen. We are ready now to start with the Q&A session. We will first collect questions from the floor and then we will reply to a few questions by phone. Please before asking, stand up and state your name. Thank you. Let's start.

MICHELE DELLA VIGNA, ANALYST, GOLDMAN SACHS: It's Michele Della Vigna from Goldman Sachs. I had one question for Marco and one for Claudio. For Marco, in 2013 you show the adjusted EBIT for the gas and power division. But could you just walk us through how you get to the underlying number there? And that I thought this with the renegotiation with GasTerra, actually you had a benefit that goes back quite a few years in 2013. But here it looks like you still have more to reclaim.

And for Claudio, I was just wondering if you could give us an update on Libya and where you currently stand in terms of production? Thank you.

MARCO ALVERA, SENIOR EVP, MIDSTREAM, ENI S.P.A: That chart is intentionally qualitative to say that we have taken out the 2012 proceeds from a solution of one of the contracts. We have tried to give you what we consider apples to apples because remember last year we said we were to have in 2013, assuming we close everything, the same underlying result at the previous year. Now the previous year had a EUR500 million one-off and so the underlying of 2012 was minus kind of EUR200 million. And so what we've done is we've taken an estimate -- a prudent estimate of what we think we will recover in the future and added that back to 2013.

CLAUDIO DESCALZI, COO, EXPLORATION & PRODUCTION, ENI S.P.A: So for Libya, as you know we had a very prudent approach and we consider it the same production in 2013 for 2014. We are still in a transition phase, so we are up and down. A few ago we reached 250,000 barrels per day. That is very nice, very nice production there. But yesterday Wafa has been shut down, so we lost 100,000 barrels per day. So we are always in a transition phase. We think that is not just a geopolitical issue now, but after two years of close and open our wells, we need also a special maintenance. So for that reason we hope to be able to have a 220,000 barrel per day as an average for 2014.

ROBERTO RANIERI, ANALYST, BANCA IMI: Roberto Ranier, Banca IMI in Sao Paolo. Two questions on the E&P and one question on the gas and power. I understand that your strategy is to go where -- towards cash flow production probably more than the production increase. 3% is a (inaudible) lower than last year plan and but you're enhancing your cash flow.

My question is about your portfolio specifically. In detail, in your chart you indicated a (inaudible) price for ultra deepwater, which is \$50, \$55 US per barrel. So basically my question is do you think that -- and in another chart you indicated also that this ultra-deep offshore production is a stronger increase towards 2017 and 2023. So my question is if you see some risk of cash flow generation from

this kind of a project? So do you see any risk of not for the breakeven, but your risk on margins and squeeze your returns on the ultra deepwater?

Another question on the gas and power. The Russian (inaudible) of the renegotiation of contracts means that you are renegotiating the contracts you have currently or you are just also changing your portfolio from this contract.

And one more question is you see in the next few years some risks of squeezing of the margins -- failing margins for the LNG gas supply from the US.

One very last question is on chemical restructuring. Could you please give us some indication on extra costs on chemical restructuring plan? Thank you very much.

PAOLO SCARONI, CEO, ENI S.P.A.: Okay, I'll start with E&P. So I think our presentation showed that our strategy has been in the last six, seven years to have a conventional asset. And our average (inaudible) price for the future for the project -- for the future projects is \$45 per barrel. So we have most of our projects that are between \$30 and \$40 per barrel and we have 20% of all our -- we can say more costly projects, LNG and deep offshore, that are about \$56 per barrel. So the average is \$45. And we don't have any risky projects, so we are just conventional projects. So I don't see any risk because the margin is quite high because we are about \$45. We don't have any unconventional assets, we are just conventional assets and just margin exposure on costly projects. So I think that the future is like now with a very interesting cash flow generation.

As I said, it's the same price condition our targets to increase in four-year plan, our free cash flow of 9%. So that is our main target.

MARCO ALVERA: Regarding our plan, we do not assume any change in the portfolio. So all our targets are based on the existing length of gas and duration of the contracts. However, in parallel with the price discussions, we are entertaining some considerations aimed at maybe reducing some of the volumes as we entered this new business phase where the contracts will be more or less aligned with the markets and let's say the old rent that one was able to extract from these contracts is no longer there. So I wouldn't be surprised if going forward we see some volume reduction, but the targets you have seen today are based on the existing volumes.

In terms of LNG, certainly the US will come to market with the volumes. We're not seeing that pressure right in the market nor in the medium term nor in the longer term are people who are out there selling the gas from Mozambique are not finding that pressure point yet reflected in the pricing.

PAOLO SCARONI: All the numbers of the restructure are included in our numbers.

THEEPAN JOTHILINGAM, ANALYST, NOMURA: Theepan Jothilingam from Nomura. A number of questions. Firstly, just first on Nigeria. Could you just clarify where production levels were last year? And then going forward with reduced levels of production in Libya, just any guidance on tax. And then just a -- tax rate in the group level, please.

And then just a question on the Congo. Could you talk about sort of early production? I think there's a couple of projects you've put in the appendix on gas, but also I was surprised that your peak production sort of in the outer years, I think you're suggesting sort of 25,000 barrels per day from the Congo. So I just wanted to get a clarification on how big you think production from Nene could be? That would be great.

PAOLO SCARONI: Nigeria is quite stable in terms of production now. We are producing about 120,000 barrels per day. This is our average production. We are experiencing like last year issue on (inaudible) and sabotage.

That is continuing. Because our potential production in Nigeria is 180,000 barrels per day. So we are losing against our potential 60,000 barrels per day. And we consider as for Libya that the same assumption, that we don't have any improvement this year. So it's quite flat.

For Congo, when I talk about 5,000 barrels per day was the test of the well, so that is the potential for each well. And we are going to -- as I said before, that is a giant project and we are going to phase, so we start with heavy production for the two fields we have, Nene and Litchendjili in 2015 and the second phase 2016. And then we continue until 2019 with a, at the moment, with what we have found now with the development that will be through a platform because we are in shallow water. An equity production that could range between 70,000 and 80,000 barrels per day.

MASSIMO MONDAZZI, CFO, ENI S.P.A: In terms of tax rate, we accounted for a 66% tax rate adjusted in 2013 and we consider it a sort of ceiling because our expectation looking forward is to keep the same level as far as 2014 and start -- we expect the tax rate starting to decline as first of all E&P will enjoy lower tax rate because we'll start up production in countries in which tax rate is lower than the current average. And second because of the recovery of our Italian businesses that will benefit the lower tax rate.

JON RIGBY, ANALYST, UBS: Jon Rigby from UBS. Two questions. The first is on E&P. I think when you've spoken before, Claudio, as I've been impressed by your focus on trying to bring projects from discovery to first production quickly to make sure you're monetizing your investment fast. But if I look through the portfolio and judge it against when you first discussed those projects, I'm thinking about Block 1506, Goliat, perhaps Perla, the MLE in CAFC, there does seem to have been some delays around where your first aspirations were on those and it does seem to keep cropping up. So I just wonder whether there's an issue there that you're finding and whether you want to address them.

The second is for Marco. I was just reading on your slide where you're using italics, supply contracts shall enable the buyer to market economically the gas delivered. I wondered whose quote that is? Is that yours or is that from a contract? Because I guess that wording is incredibly important in terms of negotiations. Thanks.

CLAUDIO DESCALZI: First on E&P. So you talk about MLE in CAFC, it's true. MLE in CAFC, we are ready to start last year and 2012 and because of (inaudible) issue we delayed of practically five, six months because we couldn't send our people on the ground. So that was the reason -- the main reason of the delay in MLE in CAFC. After that we reach our target production, it is about 250 million (inaudible) cubic feet per day.

And so for Angola, as we presented last year, we had a [niche] in our content, for (inaudible) content, so we had a discussion one year for the project and that was the reason why we shift over eight months Angola. So it's not so big delay. And on Perla there is no delay because it has been always considered the end 2013, beginning 2015 and now we are confirming first quarter 2015. So there is no delay in Perla.

Goliat, there is a delay of four months because we are supposed to start in August -- July, August and now we talk about the end of the month -- or the end of the year. So we are talking about marginal delays of some months for some projects because of geopolitical issues, for others because of



technical. But it's not two or three years, so I think that we don't see any problem in the future, honestly.

PAOLO SCARONI: Now if I may add a comment. Every time we are not operator we see much longer delays than ours.

MARCO ALVERA: Jon, thank you for your question. We couldn't put any specific contract wording in there, so what we tried to do was put a general concept that is though common to all contracts. And I think this is a hugely important point for us as we think about the sustainability of this business.

None of these contracts has anything in it that could force the buyer, in this case us, to be making a loss. So there's never any FID associated with any of these contracts, there's never the concept of a loss. There was always a concept of sharing in a profit. And I think this is very much reflected in the outcomes of the arbitrations that we have seen in other situations where it's very hard for the arbitrator given these contracts to force one of the players into a loss. So I think the concept is a general one.

ALEJANDRO DEMICHELIS, ANALYST, EXANE BNP PARIPAS: Alejandro DeMichelis from Exane BNP Paribas. Two questions. The first one is on the lower CapEx that you're indicating now over the next period. Is just that a re-phasing of the project or do you see any kind of lower cost, including some of the projects?

And the second question is in terms of the restructurings you were talking about all of the numbers, just to confirm, all of the numbers for the new restructuring are included in the EUR2.4 billion impairment that you took in the fourth quarter? Or is that something more to come?

PAOLO SCARONI: Quick answer. Re-phasing is the first answer to your question. And second, are included.

PETER HUTTON, ANALYST, RBC: Peter Hutton from RBC. Just a couple of the targets that you've got in E&P. You've got a cash flow generation target of 9% CAGR, which is at a flat 108. And you've got a volume target of 3% CAGR when the price goes down from where we are today to 90. Which is the base case? And what is the CAGR in cash flow if you take the same macro assumption as you're using for your production volume target?

PAOLO SCARONI: 5%.

PETER HUTTON: Second question is that you've got 7% -- sorry, you've got 70% of your production for all effectively to conventional relatively mature fields coming through, which is where we've also seen some increases and cost inflation in OpEx, as you try to reduce the depletion. Can you make a comment on the cost trends on that 70%, which constitutes quite a high level of base as well, please?

MASSIMO MONDAZZI: 70% is the existing production, so what is already in production now, 70%. Rest is the complement is our new project. So the OpEx are increasing use over this year, that is a

\$1.00 increase because we are looking at the unit cost. And we had this lack of production in Libya and Nigeria, so that's choice about 110,000 barrels per day. So for that reason, the unit cost OpEx has been increased this year because it's just a matter of less production at the same level of cost.

In the future, we are about -- we will remain steady about \$8.50 dollar per barrel operating cost due to the new more expensive production from example from Kashagan or from Goliat. Or from some Angola production because of the least FESO, that is operating cost, not a CapEx. So that is the main reason. But I think that if you look at the absolute value of OpEx, there is no big increase in our costs.

GIUSEPPE REBUZZINI, ANALYST, FIDENTIIS EQUITIES: Giuseppe Rebuzzini, Fidentiis Equities. I've got three questions. The first again on the targets, all E&P. What is the target CAGR of production in case of brand flat at the current price instead of [decreasing] to \$90?

Second question is on your E&P cash flow. If you can give us the sensitivity of what a cash flow becomes if let's say the brand goes down to \$70?

And the third question on your disposal plan, you caught EUR3 billion disposal in corporate and others. Could you please give us some more colors about the areas where you think to be able to dispose of EUR3 billion worth assets? Thank you.

PAOLO SCARONI: The answer to the first question. If we are \$90 per barrel, so in 2017 instead of the \$110 per barrel, we have a reduction of our CAGR from 3% to 2.5%. So it's not very sensitive to -- at this level, with this kind of a contract, it's not very sensitive to the oil price.

MASSIMO MONDAZZI: Let me give you now. \$70 is very far away, it's a different world in the sense that this is not a linear equation. Let's say we consider EUR130 million for every dollar in terms of net profit. But of course this is if you move from 104 to 103. If you move from 104 to 70, that's another world. And no frankly I don't have a quick answer to that.

What I can tell you is that since we have a cost, we have a breakeven of \$45 for the new projects or \$70 we will still be profitable, even at \$70. As for disposals.

CLAUDIO DESCALZI: As for disposals, the number relates mainly to the shares of Snam and Galp that are linked to the convertible bonds that has been issued in 2012 and 2013 and for which we have the right to repay the bondholders through the shares.

ANDREA SCAURI, ANALYST, MEDIOBANCA: Andrea Scauri from Mediobanca. I have a couple of questions on -- first of all on cash flow. Could you please give us the underlying assumption for the forex that you have in your cash flow assumption that you have detailed? If it is 130, 135 or whatever?

Second question on Kashagan. You said that 2014 production should benefit from a small contribution from Kashagan. Could you quantify what is this contribution?

And a third question for Mr. Scaroni. The buyback program in slide 45 you said that there is a multi-year buyback program. Is it possible to give us a range of this multi-year buyback program if possible? If it is three years, four years, five years? Or historical average that we saw in the past? Thank you.

PAOLO SCARONI: In terms of forex, the assumption is 1.3 all along the four-year plan. But let me say that because of the cash-in and cash-out, we expect along the four years. So cash-in from operation and cash-out for (inaudible), even if we assumed to change it, just because of the assumption, the overall result should remain are more or less the same.

MASSIMO MONDAZZI: As for the share buyback program. I think I made quite clear that when I read the numbers of our plan, no, all the plans of our plan, on the exemption of our plans, or course. So oil price exchange rate with the dollar, et cetera. I feel comfortable to continue to propose to my vote because by the way, this is a vote decision to continue a share buyback program.

Now we are quite reluctant to give numbers. Of course we give a post (inaudible) numbers. We give the numbers when we have done it because we want to keep a real flexibility on this program of buyback.

MARCO ALVERA: We consider it a few thousand barrels per day, so some thousand barrel per day.

LYDIA RAINFORTH, ANALYST, BARCLAYS: Lydia Rainforth from Barclays here. Could you just talk about in 2017 where you see your return on capital being and whether that is something that you would look to target to that point? And then just secondly, could you do a bit on the Algerian operations for us and what's going on there?

CLAUDIO DESCALZI: So the overall return on capital in 2017, if I well understood the question, will be in the range of 7.58% assuming the declining Brent scenario we announced as the base in our plan.

PAOLO SCARONI: For our junior operations you know that we are continuing the buildup of MLE. And we are to drill some five wells this year to reach a potential production of a 280 million (inaudible) cubic feet per day and we are developing also the CAFCs that start with two wells last year and they have to be developed and jointly with MLE. And then we have the MLE CAFC oil that will be put in production in 2017. So that are the activities on Algeria.

OSWALD CLINT, ANALYST, SANFORD BERNSTEIN: Oswald Clint from Sanford Bernstein. Another question on gas and power, Marco. You've been increasing your spot sales in the Italian market quite a bit. Could you give us a sense of how big that market is? Can you keep increasing sales into the spot market?

And just to clarify, the Algerian gas volumes, you're not taking them at the moment into Italy and how much longer can you defer Algerian volumes coming into Italy? Is that something that can be extended further? And for Claudio, question on Congo. I've heard you before talk about the Mozambique reservoir being fantastic and beautiful. How does this new significant discovery look in Congo? I know you flow tested a part of it, but as you look across this reservoir do you think it's going to be high quality or potentially quite variable? Thank you.

MARCO ALVERA: So the Algerian agreement lasts until the end of this year, till October 2014. And it doesn't involve zero volumes, it involves a significant reduction in volumes in Italy and some volumes that have been moved from Italy to another market. So that will last for the coming months.

The PSV, you're right. We have been active in the PSV. We consider the PSV already to be a significant hub in Europe to the level of other European hubs. Not as liquid as the MVP or the TTF, but certainly as liquid as the French hubs are. So I would consider our sales activity on the PSV as part of our normal operations.

CLAUDIO DESCALZI: Congo is really a fantastic discoveries because it came after 70 years that in this area in this block any company found anything. So the pre-salt in Congo we discovered just small, small, small reservoir, so completely different to the Angola side. So it's a huge discovery. We think that we are just at the beginning.

The productivity so is the reservoir is not so good like in Mozambique, but the oil is very good. It's Brent between 36 and 38 degree API, so it's very good quality and low viscosity. So I think that we can really find additional satisfaction in the area because there are other structures, other three structures that we have to explore and other products as well. So I think that we are just at the very beginning, but a wonderful beginning.

UNIDENTIFIED AUDIENCE MEMBER: (Inaudible) from Bank of Montreal. Claudio, a couple of questions about Mozambique, if I could. You drilled a well in the south of the block and you came out with a gas condensate discovery. And I think you were looking for black oil there. Have you written off the potential for conventional oil down there or is there still a play which is worth chasing?

And secondly, maybe you can just update us on the status with the -- of the project in terms of unitization in gas sales, et cetera. Thanks.

CLAUDIO DESCALZI: Before during the presentation I talked about Mozambique as a gas basin because we found so much gas that it would be difficult to find oil to compensate all this gas. So in the south it's true, the first well in the lower part found some white gas, so completely different from the gas that we have found very dry until now. So we are going to drill a second well, an exploratory well this year and our expectation is to find white gas or condensate. That is very good because we can sell condensate. We don't think that is always a hope to find oil. It's more a gas product.

Internal project, as I said before, we increased the potentiality because since last year we discovered more additional 25 Tcf. So for the Block 4 we increased the number of train -- LNG train and to create more flexibility we're also offshore. And that is just a part of the project. We didn't mention anything about GTL. That is not a part of the project but is still premature.

But for the rest we are very close to issue tender for the feed for the floating LNG and for the floating LNG in floating reservoir that is entire in Area 4 within that we will be ready to take an FID before the end of the -- for the floating LNG. So that for the market, maybe you can say something, Marco.

MARCO ALVERA: So we signed a number of confidentiality agreements. As I said, we are in the market for the early trains. We aim to have binding contracts in place before the end of the year to support Claudio's FID process. And as I commented before, we're finding very strong interest and very strong demand for these early volumes. In the market of course, Asia is the main reference market at this point.

JASON KENNEY, ANALYST, SANTANDER: Jason Kenney from Santander. And thank you for your presentation today. So you've had great success with resource additions over the last few years and I think that statistic at 2.5 times discoveries to production is truly remarkable. How sustainable is this on a, say a forward-looking five-year process? I mean have you got the access to basins, the early access to basins to deliver that again?

Or is there an internal target that's maybe a bit more tempered, a bit more modest that you have to add a certain amount of resources per annum going forward.

And I'm conscious here that because you have found so much resource you're now going to go into a development mode and maybe while exploration is the root of your value, the foot might come off the gas a bit and we shouldn't be expecting that kind of resource addition to come at us again. But maybe you can tell me.

CLAUDIO DESCALZI: As we said during the presentation, we are really -- we started two years ago to renew completely. So our portfolio, our new basins. And we're new to the Pacific basin. So we have two different - as I said two different priorities. And we started two years ago.

So we have new fresh basin and new fresh target, exploration target in the Pacific area, in Norway, in Russia Barents Sea. And we have also a start revisiting our existing assets. And when they talk about existing assets, I mean a known basis, like Congo, Congo is an example. We start three years ago to make a new study on the pre-salt and we had the discovery as we did in the Block 1506. Remember that Block 1506 was a relinquishment that we got, we restarted and we found more than 750 million barrels of oil. And then the same in Indonesia.

So we are moving, as we did in the last six years, in these two directions. New basin and we already reloaded that. And existing asset. And we have another new package, we have 10 billion barrels of risk equity prospective resources that we are going to -- on which we are going to work in the next years.

The target are less than 1 billion per year, that is a lot. It's 800 million, so it's not 2 billion or 1.8 billion like in the last years because I don't think that is sustainable. But it's still a very interesting important target. And as you said, we are going to have a lot of resources and part of these resources will be developed, but part of these resources will be farmed out to anticipate the cash-in. So because this oil is -- we have found good resources in easy projects so low risk. And that is very interesting option that we already started using and we're going to use again.

IRENE HIMONA, ANALYST, SOCIETE GENERALE: Irene Himona, Societe Generale. I had two questions, please. One on Saipan and one on Kashagan. Saipan, they had a bit of a worst year than we all though I guess. And Eni has always managed that relationship at arm's length. And I guess my question is has anything changed as a result of the past few months in terms of that relationship and are you doing anything different?

Secondly, on Kashagan. Accidents happen. My question is, is there any provision in the contract as to what happens next? So obviously you are missing substantial cash flows and so is the government. Do we know once it's fixed and up and running what follows, if anything? Or is it force majeure? Thank you.

PAOLO SCARONI: Let me comment on Saipan. The relationship at arm's length with Saipan dates back at the time when Saipan was 100% of Eni. Was working essentially for Eni. And at that time it was, I believe, 1997 or 1996, it was decided that Saipan should be listed and to be managed at arm's length in order to gain new customers. And as a matter of fact, Eni is not anymore the number one

customer, not even the number three or number four customer since many, many years. So let's say the relationship at arm's length is the key to the success of the Company.

Now, this does not mean that we have to -- when we decide about our board representative, the management, et cetera, in which we have a say as a shareholder we have to choose the best people and to make sure that the Company is well managed. But we cannot interfere into their activity, day to day activity, otherwise Saipan will lose the customers.

MARCO ALVERA: So for Kashagan, as you know there is no provision in the contract for a problem or for cash flow that we are missing because of technical issues. At least that there is any gross negligence. The only provision that we have in this contract coming from the agreement 2008 that if you are not able to reach the KCP by 1st October, all the costs incurred after this date to reach the KCP are not recoverable. That doesn't mean that are not recoverable from any insurance point of view. So that are two different things. But there's no other kind of option in the contract.

CLAUDIO DESCALZI: If I may add something to this question about exploration. What I wanted to give you precise number, no? If you have seen before in that slide that we have discovered 2.5 times our production while all our peer group had discovered between 0.5 and 0.2 of their production in the same period. If we exclude Mozambique, suppose we have not discovered Mozambique, which I rate as something somewhat exceptional. We cannot discover Mozambique very often, no? It's a -- the biggest discovery of our history.

We still would have discovered in the last five years 1.2 times our production.

Which means that, how can I say? Systematically we perform pretty well in this exploration and we can feed our resource base organically, which we believe to be the key of our profession. Really the key of our profession.

For example, no, I don't know if you made this calculation. But if we consider oil in place in what we call Marine XII, so Litchendjili and Nene. And the fact that we have set 65% and a recovery rate normal, only Marine XII is almost one year of our production for us. Now if you make the calculation, it's almost one year of our production. This is with one discovery, the one we announced today. We have fed our production. Of course it will take years, but with one year of production.

MARK BLOOMFIELD, ANALYST, DEUTSCHE BANK: It's Mark Bloomfield from Deutsche Bank. Two questions on targets, please. First of all on your upstream volume target. I think you previously talked about a degree of headroom built into that number. Perhaps you can give us a sense of what kind of contingencies built into that target now.

Secondly, in terms of your cash generation, perhaps you can give a sense of whether there's any working capital release built into your operating cash flow target. So either over the 2014-2015 or the 2016-2017 period. And particularly pertaining to the prepayments which are built up in the gas and power division.

Thanks.

PAOLO SCARONI: So contingency in our plan. We put some huge contingency in the first two years because of geopolitical issues. So for that reason we said that if there is any geopolitical disruption, so in (inaudible) like last year we can increase. So have been prudent and we are in a range of 100,000 or more barrels per days of contingency. That is the range. So we move from the end last year, one -- last year we had our contingency at the end of the period, now we move at the beginning of the period because of geopolitical.

And mainly because of Libya and Nigeria.

CLAUDIO DESCALZI: In terms of contribution to our cash flow from working capital in the next, I would say, two years we expect a slightly positive increase and a slightly positive contribution.

CHRISTINE TISCARENO, ANALYST, STANDARD & POOR'S: Christine Tiscareno from Standard & Poor's. I just had two small questions. One is, has the problems in Venezuela impacted your project?

And the second one, I know it has been asked before, but I just want to find out if you haven't changed your opinion. Would you consider spinning off your retail sector and becoming just more focused on the upstream? Do you still believe in the synergies there? Thank you.

PAOLO SCARONI: Well, it's really the short answer would be no. No for the time being. We are watching closely what happens in Venezuela because I have read somewhere that in Caracas last night there has been some turmoil. But so far, so good in Venezuela. We have started production in Junin 5, it's a small production still, but we are moving ahead. Perla project is on time. Right, Claudio? It's on time. Corocoro, which is our existing field, is producing according to plans. So let's say for the time being Venezuela is moving in the right direction.

As for the retail business, our position is somewhat the following. Yes, we realize that retail is a business certainly very different from most of our other businesses. Still is a business in which on one side we sell gas and electricity and we have gas and electricity to sell. We sell it normally at the premium as compared to the market non-retail, B2B or wholesale.

And second, we are so big in retail because we have more than 10 million customers, that we certainly have the scale to develop the right people, the right IT system, the right commercial strategy. So it's not a small business lost somewhere. I don't know how many retailers of energy, gas and power in Europe sell -- have 10 million customers, but I don't believe very many. So it is a real big business, which is producing good returns so far. So for the time being, we are still looking at the situation, but taking no decisions.

UNIDENTIFIED COMPANY REPRESENTATIVE: I think that we can now take a few questions by phone if there is any question on the phone, please. So no questions? If you have any further questions?

NEILL MORTON, ANALYST, INVESTEC: It's Neill Morton for Investec. A couple of questions, please. Firstly to Marco. Several years ago when I was faced with market share limits in Italy, you tried to expand across the rest of Europe. I was just intrigued as to how supply margins ex-Italy compare with those in Italy right now.

And then just secondly, a very simple question I suppose for Claudio. Post the sale of your Russian upstream gas assets, how does the oil versus natural gas production split vary over the four-year plan? Thank you.

MARCO ALVERA: I think the Italian market has now, as we discussed previously, more or less aligned itself to the PSV. And the PSV itself has aligned itself to the other northern markets. So what used to be a premium market has now become exactly in line with the others.

In terms of supply margin, we've built our business now in a way that we separate our supply activities from our marketing activities. So we have an internal transfer pricing, so we no longer thing

of supply margins in countries, but we have commercial margins. And more or less they're going to be the same across Europe.

CLAUDIO DESCALZI: So for as a percentage of oil versus gas, so by the end of the period we will have 57% oil and the rest 43% gas. And if we look at the long-term period, 2023, our share oil will go down to 48% because Mozambique will have a huge production about 400,000 barrels per day. So that is more or less the percentage.

UNIDENTIFIED COMPANY REPRESENTATIVE: I think that we are close to end. I thank you for your attendance.