



2014 Q3 results

October 30th 2014

Presentation and Q&A

Presentation

Speaker:

Massimo Mondazzi - CFO

Good afternoon ladies and gentlemen, and welcome to our third quarter results.

In this quarter, we began to deploy the revised strategic plan announced in July.

In particular:

- In upstream we continue to record outstanding results in exploration, while production is in line with expectations.
- In G&P we confirm EBIT breakeven also thanks to the retroactive effects of contract renegotiation in the first half of the year.
- R&M is back to profit in the driving season quarter. We also temporarily benefitted from the improved refining margins while we are continuing to restructure the business in order to rebalance our refining system.

The sum of all these efforts has resulted in record operating cash flow of 4 billion for the third quarter. The stand-out data point of the quarter is our extraordinary cash generation.

Notwithstanding a weaker scenario, this has been the strongest third quarter since 2008 in terms of cash flow from operations thanks to the steady contribution of our profitable E&P production, the effective actions on net working capital and the results of the accelerated turnaround program.

In the nine month period, cash flow from operations of 9,7 billion euro was greater than capital

expenditures by around 1 billion euro. When coupled with 3.2 billion euro of divestments already carried out, the resulting free cash flow entirely funded dividend payments for the full year.

At current market conditions, we expect to further improve our cash generation in the last quarter so as to target the 40% cash flow growth this year, in advance versus the previous 2014-15 average expectation. And now, on to our P/L results...

The reduction in operating profit was mainly due to scenario effects, namely the fall in Brent and European gas prices, which impacted E&P performance to the tune of over 600 million euro.

On the other hand, I'd like to highlight the results of Gas & Power and Refining & Marketing; the former having reduced its losses by more than two thirds and the latter having returned to profit thanks to a temporarily supportive market environment and our optimisation programme.

All of this confirms the value of our restructuring efforts and gives us even more confidence in our announced breakeven targets.

The reduced contribution from E&P is the driving force behind the lower tax rate registered in the third quarter, which contributed to the increase in net profit versus last year. As mentioned, E&P was impacted by the fall in prices over the quarter, and slightly lower production, mainly due to unplanned maintenance.

However, this was a good quarter for the Upstream due to the increase of our exploration resources by over 700 million boe in the 9 months period, with Unit exploration costs of 1,9 dollars.

This is without accounting for the recent discoveries in Indonesia and Congo. As we announced this morning, we have made yet another discovery in the Marine XII block in the Congo offshore, through the Minsala Marine 1 well.

Our preliminary estimates of resources in place are of about 1 billion barrels of oil equivalent, of which 80% oil. This brings the Marine XII total resources discovered in the past three years to 3.5 billion boe.

Our continuing drill bit success proves the sustainability of our exploration model, which hinges on the application of new geological concepts to proven areas and a focus on conventional plays.

Turning now to Gas & Power, the business reduced its operating loss by 70% versus 2013, notwithstanding a continuing weakness in market fundamentals which kept reference prices at especially depressed levels. This strong result, in the face of a testing scenario (the TTF was 30%

lower than last year), is a clear example of the benefits we have achieved by renegotiating our supply contracts and accelerating the turnaround.

The on-going efforts to fully align supply costs to the hub reference will continue to drive our results in the coming quarters.

In this quarter, R&M benefitted from a robust appreciation in margins, which were up over 80% with respect to the same period of 2013. The margin effect, along with the strong marketing performance during the driving season, brought the business back to profit in this quarter, also thanks to the incisive efficiency and restructuring programs we are pushing through.

However, the well flagged structural headwinds the industry is facing will continue to affect our results in the foreseeable future.

As for our other business lines, Versalis, though still impacted by a weak scenario, benefitted from a decrease in oil-based feedstock costs, as well as the structural reduction in commodity capacity resulting from our optimization efforts.

Furthermore, I'd like to highlight the reduction of around 30 million euro of corporate costs, that includes the effects of our streamlining actions, the bulk of which is allocated to the P/L of the various businesses.

And finally, the improved cash position helped maintain leverage stable at 25%, even after the payment of more than 4 billion euro in dividends.

Though net borrowings were up by 0.8 billion as compared to year-end 2013, they were counterbalanced by an increase in net equity, also thanks to the appreciation of the dollar versus the euro.

Assuming the current level of Brent prices and euro/dollar exchange rates in the fourth quarter, leverage is projected to come in slightly better than the level achieved at the end of 2013.

Thank you for your attention. I will now be happy to answer any questions you may have.

Questions and Answers

Corporate participants

Massimo Mondazzi - Eni S.p.A, CFO

Luca Bertelli - Eni S.p.A., Chief Exploration Officer

Marco Alverà - Eni S.p.A., SVP Midstream

Antonio Vella - Eni S.p.A., Chief Upstream Officer

Roberto Casula - Eni S.p.A., Chief Development, Operations & Technology Officer

Conference call participants

Theepan Jothilingam - Nomura International, Analyst

Oswald Clint - Sanford Bernstein, Analyst

Iain Reid - Bank of Montreal, Analyst

Dario Michi - Banca Akros, Analyst

Mark Bloomfield - Deutsche Bank, Analyst

Hamish Clegg - BofA Merrill Lynch, Analyst

Lydia Rainforth - Barclays, Analyst

Marc Kofler - Jefferies, Analyst

Thomas Adolff - Credit Suisse, Analyst

Jason Kenney - Santander, Analyst

Jon Rigby - UBS, Analyst

Andrea Scauri - Mediobanca Securities, Analyst

Irene Himona - Societe Generale, Analyst

OPERATOR: Ladies and gentlemen, the Q&A session is now open. (Operator instructions.)
Theepan Jothilingam, Nomura.

THEEPAN JOTHILINGAM, ANALYST, NOMURA INTERNATIONAL: Yes, hi. Good afternoon, gentlemen. A few questions, please, firstly just on the cash flow and the working capital release. Could you just talk about how that's broken down? How much of that was oil price related versus, let's say, releases elsewhere in the business?

Secondly, congratulations on your exploration success in the Congo. I wanted to know, could you provide a little bit more detail around the early production systems, volumes there and what you might hope to achieve over the next 12 months?

And then, in terms of the exploration success, both the Congo and Mozambique, could you talk about plans to sort of accelerate the value creation there through disposals? Thank you.

MASSIMO MONDAZZI, CFO, ENI S.P.A: Okay. So, I will answer the cash flow question, and then maybe I'll leave the floor to Luca Bertelli to give you an answer about the new discovery. As far as the contribution on cash flow, as far as the third quarter the EUR4 billion I mentioned is made around by -- two-thirds or better, EUR3 billion out of EUR4 billion, relate to the operating cash flow before the working capital, and EUR1 billion is made by the contribution of working capital.

The first element is very resilient, has the decrease versus 2013 when we appreciated a much higher oil price. It's just a little bit lower than that level.

And as far as the working capital, I would say the major contribution will come from the makeup gas, some disposal in stocking sales, plus some, I would say, optimization in our over/under lifting position in joint ventures all over the world.

And now I leave the floor to Luca to answer the question about Congo.

LUCA BERTELLI, CHIEF EXPLORATION OFFICER, ENI S.P.A.: So, the discovery we announced this morning is quite a relevant discovery. We have a thick hydrocarbon column, light oil, and we are in conventional water, 70 meter water depth, and nearby existing infrastructures.

So, we can imagine an integrated project together with the other discoveries that we already announced last year in Congo of relevant dimension. Again, the asset is in shallow water close to existing infrastructure, so the time to market can be quick.

MASSIMO MONDAZZI: Okay. And as far as with the disposal program, mainly related to exploration, you know very well that now we can consider this kind of contribution not a

contribution from, I would say, portfolio activities, but we consider it really a contribution from operations, due to the fact that this exploration system already is proved the continuance in time. And it's giving us the opportunity to dispose of the interest in excess versus a normal interest to develop such a huge discovery.

I would like to remember that in Marine XII we will retain 65%. So, there is ground to dispose of and anticipate cash flow, obviously at the right price, as we did in Mozambique, as probably there is ground to do, for example, in Indonesia.

So, the discovery we announced last Monday is in East Sepinggan, in which we retain a very high interest. So, even in that area, there could be ground to go on with anticipated disposals.

THEEPAN JOTHILINGAM: Could I just follow up in terms of from your answers? Just on working cap, all else being equal for next year, if the oil price is flat from here through next year, what level of working cap release would you think we should be modeling?

And then secondly, just back to Mozambique, do you still see the same level of interest in terms of buying a position in Mozambique today than, say, 12 month ago? Thank you.

MASSIMO MONDAZZI: I would say that around Mozambique, the interest is still alive. So, some players are still looking at the possibility to enter, acquire a position, being interested in participating in such a huge project, an integrated project, as well as buying some equity gas.

So, definitely the project now is leading a specific period in time in which we are close to the first FID, and maybe the industrial activity prevails. But again, I can confirm that the interest in acquiring interest in this project is still alive.

And secondly, your question about working capital is a bit difficult in terms to give you some indication how to model. What I can say, that we expect this kind of contribution will keep on in the fourth quarter of 2014 and even in 2015 as an asset to sustain our overall cash contribution.

THEEPAN JOTHILINGAM: Okay. Thank you, Massimo.

OPERATOR: Clint Oswald, Sanford Bernstein.

OSWALD CLINT, ANALYST, SANFORD BERNSTEIN: Thank you. Massimo, hi. Good afternoon. Maybe a question on gas and power, which seems to be performing well. I note in the release some comments that even in the third quarter there were also some price revisions being triggered by long term buyers. Could you just talk about that, and say what type of impact that may or may not have to your targets?

And secondly, yes, and maybe obvious question, but just could you give us an update on Kashagan, and obviously the pipe costs and some of the numbers we've been reading about in the press? Thank you.

MASSIMO MONDAZZI: Okay. So, I'll leave the ground to Marco to answer your first question.

MARCO ALVERA, SVP MIDSTREAM, ENI S.P.A.: Thank you. So, on gas and power, the overall target, you may remember, is to bring 100% of the contracts in line with the hub level by 2016. And I think that target is well on track.

In terms of hub indexation, we started with around 20% of our take-or-pay volumes being indexed to the hub. As a consequence of the last negotiation round, we now have around 70% of our contracts indexed to the hub.

We had our agreement with Statoil in April. We had our agreement with Gazprom in July. We found a temporary solution with Sonatrach that we're continuing to work on for a more permanent solution by yearend.

So, I think our entire portfolio has now been revised on volume and on price. So, that's the update on the negotiation.

MASSIMO MONDAZZI: Okay. And just to complete the answer about gas and power, I'd like to confirm our guidance in terms of break-even for us 2014 and a strong cash improvement thanks to the contribution on makeup gas again in 2014. Definitely this result will be achieved thanks to the retroactive effect of the renegotiation clause in the first half of the year. Therefore, the benefit is clear. But, I would like to highlight that also in 2015 we expect such a contribution related to the negotiation that will take place that year. And now maybe I'll hand you over to Antonio as far as the question about Kashagan.

ANTONIO VELLA, CHIEF UPSTREAM OFFICER, ENI S.P.A.: Thank you, Massimo. The material of the new pipeline is fixed carbon steel clubbed with corrosion resistant alloy. 100% of the pipeline material already has been ordered. And the operator replacement plan is under finalization. It's expected to be available by the end of 2014.

OSWALD CLINT: Okay. Thank you.

ANTONIO VELLA: Thank you.

OPERATOR: Iain Reid, BMO.

IAIN REID, ANALYST, BANK OF MONTREAL: Yes. Hi, gentlemen. Thanks very much. Two questions, please. On your discoveries you've made in West Africa, I wondered if you could update us on what the future drilling plan is now in these countries, specifically Angola, Gabon, and Congo. And can you tell us, are you drilling any further wildcats over the next six months or so in these countries?

And second question is on Saipem, just an update, if you could, on the progress of your discussions with investment banks or whatever on the potential disposal of our interest in Saipem. I see that there's been various things in the media about some other companies being interested in your stake.

MASSIMO MONDAZZI: Okay. So, I'll leave the ground to Luca to answer your first question, and then I'll give you the answer to the second one.

LUCA BERTELLI: Good afternoon. Congo Marine XII, we plan drilling an additional couple of wells next year, and both of them will be exploration wells. In Gabon, we plan to appraise the discovery we did the first half of the year in the first half of 2015. So, next and starting drilling in February next year.

And in Angola, we are still planning a couple of exploration wells in block 1506 for the next year.

MASSIMO MONDAZZI: Okay. So, as far as Saipem, Iain, since we made the announcement about Saipem last July, we started an in-depth analysis that is still underway. So, no decision has been taken yet, and you can understand I cannot disclose any further details on this.

But, let me take this opportunity to remind, generally speaking, some principles underlying to the declaration we made in July. And in particular, I would like to remember that the relationship with Saipem we are talking about comprises our relationship as the controlling shareholders and financing entity.

And any solution, whichever it will be, will cover both aspects as part of the whole design, what we said at the end of July. On the other hand, definitely our target is also to leave Saipem at the end of this process with another great balance sheet to stay and compete comfortably on the market.

So, I think it was worth to remind of the general principle underlying to this transaction.

IAIN REID: Okay, thanks.

OPERATOR: Dario Michi, Banca Akros.

DARIO MICHI, ANALYST, BANCA AKROS: Hi. Good afternoon, gentlemen.

Thank you for taking my questions. You posted a very good cash flow from operations in both Q3 and the first nine months of 2014. This is in line with your full year guidance. How do you expect the cash flow from operations in the last quarter? And could you also detail the main components it will be made of?

And the second question is still on Saipem. Sorry for that, but during the conference call Saipem stated that they were not excluding a capital increase. So, when you stated that you want to leave Saipem with a sound balance sheet, does this include also the chance to have a capital increase, in your view?

MASSIMO MONDAZZI: Okay. So, in terms of cash flow contribution, yes, we expect a strong contribution in terms of cash flow even in the fourth quarter 2014. That's because -- that's why we are saying that we are confident that the target that we gave to the market, so a 40% increase of cash flow from operations versus 2013, as an average of 2014/2015 now could be anticipated to 2014.

Definitely the great majority of this contribution is coming from the cash flow from operations before the working capital contribution. But again, also from the latter item, we expect some contribution especially related to the makeup gas. That definitely will be higher than the one we recorded in the third quarter because of the greater volumes.

And in the debt, back to Saipem. So, I just remembered the overall principle. I said that the financing and the shareholders are one project to us, and will be treated at a whole. So, in this respect, maybe some, I would say, requests will come from the Board of Directors of Saipem, maybe asking for a capital increase.

What I meant is that, in that case, this kind of proposal will be seen by us in the context of the overall project, having clearly in mind which is the final result we expect through this process.

DARIO MICHI: Thank you.

MASSIMO MONDAZZI: Okay.

OPERATOR: Mark Bloomfield, Deutsche Bank.

MARK BLOOMFIELD, ANALYST, DEUTSCHE BANK: Good afternoon. Thanks for taking my question. A couple of questions on gas and power first of all. I just wondered if you can give us a sense at this stage of the potential for -- potentially for gas and power for next year. I wonder if

you can perhaps -- and if you can't give us specific guidance, maybe you can give us some color on the moving parts versus 2014.

Also on the -- sticking with the gas and power, if you can clarify whether your guidance of EBIT break-even for 2014 assumes any financial benefit from any settlement which may happen with Sonatrach. And then secondly, moving on to the Congo, 3.5 billion in place volumes. I appreciate it's very early days, but perhaps you can give us a sense of what kind of production rates you think that could ultimately support, looking out towards the end of this decade. Thanks.

MASSIMO MONDAZZI: Okay. Marco for the first answer.

MARCO ALVERA: So, I don't think we are here to provide guidance on 2015, although as Massimo said, a lot of the benefits of the renegotiations achieved are enduring. Having said that, we've already started a new round of negotiations because our stated target is to bring all contracts in line with the hub level and, in case where we have logistic costs, indeed try to also go below the hub.

In terms of Sonatrach, there's not a lot of -- there's not much in the fourth quarter in terms of additional upside compared to what you see here.

MASSIMO MONDAZZI: Okay. And as far as the production rate in Congo, Roberto?

ROBERTO CASULA, CHIEF DEVELOPMENT, OPERATIONS & TECHNOLOGY OFFICER, ENI S.P.A.: Yes. Well, clearly we are talking about a significant discovery, as Luca said earlier. In terms of volume and in terms of production, this will be the result of a phased development plan.

For your information, we'll be starting in a few weeks from now the production from Nene, basically 15 months after discovery, which is quite important time to market. And we will be starting with production in the range of 8,000 barrels of oil per day from XII.

Clearly, the future development will involve many wells, several platforms. So, this will be certainly a very important contribution to the production of Congo.

MARK BLOOMFIELD: Thanks.

OPERATOR: [Hamish Clegg], Bank of America Merrill Lynch.

HAMISH CLEGG, ANALYST, BOFA MERRILL LYNCH: Hi there. Thanks for taking my questions. It's sort of a balance sheet question, really. I know your gearing you've guided down year-on-year

at current oil prices, to quote you in your outlook, which is fantastic. I just note that your previous guidance was for flat gearing year-on-year using \$108.00 reference price. Do you think you could maybe just talk us through what the delta is to that? How much is volumes versus optimization? Because obviously oil price is -- you're going against that, which is obviously quite impressive.

And then on Libya, you've ramped up volumes in Libya. Could you just maybe give us some color on how sustainable you feel that is and what your ongoing approach to investment in the country is?

MASSIMO MONDAZZI: Okay. As far as the gearing, the leverage, yes, I confirm that now the expectation is to have a gearing slightly lower than the one we experienced at the end of 2013. And I would say that, broadly speaking, that's the result of the work that has been done in the last months in terms of, I would say, performing on the restructuring plan that had been announced in detail at the end of July by Claudio.

So, this gives us confidence that the result we announced today is an achievable one, and give us confidence also about what we can do in the future, as the turnaround plan now appears to be on track or even a bit in advance versus what we thought at the end of July.

And as far as Libya, yes, the current production is higher than the budget average we gave at the beginning of the year, but definitely the situation there remains very volatile. So, the uncertainty now is still present in that country.

Nevertheless, I could confirm that since now our fields remain totally out of any kind of turbulence or any kind of crisis in country. So, I would say so far, so good.

EMMETT CRAIG: Thanks very much.

OPERATOR: Lydia Rainforth, Barclays.

LYDIA RAINFORTH, ANALYST, BARCLAYS: Thank you. And I have a few questions, if I could. The first one, I'm sorry if you'd mentioned this earlier, but could I just check on how you're seeing the tax rate develop going forward?

And then secondly, given where the oil price has come down to, clearly you're talking about a strong balance sheet now, but are you worried that you might not get some of the asset sales that you were planning to do in a lower oil price environment?

And then finally, just on the outlook statement, and you talked about CapEx being down year-on-year, that is consistent with what you said at the second quarter stage. But, I don't know if

incrementally you're expecting lower CapEx than you might have been three months ago. Thank you.

MASSIMO MONDAZZI: Okay. So, the tax rate, yes, we recorded a tax rate -- I would say a low tax rate in the third quarter. I'm just looking for the reference. So, we experienced a tax rate of 59.4% in the third quarter 2014, much lower than the 64.6% we experienced in 2013.

The reason why we experienced a lower tax rate this quarter is related to the, I would say, lower contribution in E&P. This goes to the lower scenario. And the higher contribution from the Italian activities, as you know, benefit the lower tax rate versus the average.

Thanks to the result to far achieved, I guess that in terms of guidance for the full year, the last time I mentioned a number in the range of 66%. That would be equal to the one we experienced in 2013. Now I would say that the expectation today would be a bit less than that tax rate.

As far as the disposal program, you remember that we are announced EUR11 billion disposal program. I would say that, first of all, a little bit less than that amount has been already achieved or well on track, because you remember that around EUR2.2 billion relate to the disposal of the Russian assets already done, and another EUR2 billion will come from, I would say, the expiration of the convertible bond in Snam and Galp, in which we retain the rights to repay the bondholders through shares. So, this number are, I would say, done.

And as far as the remaining part with the remaining around EUR6 billion in the next four years, I guess that the quality of the asset we are talking about, we have just commented about the discovery in Congo or on Mozambique, that will allow us even to put in production this new discovery in a very few months, as Roberto said about Congo. And the high quality of product, mainly oil and mainly a light oil, gives us the full confidence that this number can be achieved.

CapEx, yes, we confirm a guidance as far as 2014 lower than the budget that we announced during the strategy presentation last February. The number would be broadly in the range of EUR400 million less than the number we announced in February.

LYDIA RAINFORTH: Wonderful. Thank you very much.

OPERATOR: Marc Kofler, Jefferies.

MARC KOFLER, ANALYST, JEFFERIES: Oh, great. Yes, thanks. Good afternoon, everyone. I just had a quick question around the buyback program there. I was hoping you could remind me of the parameters and particularly how you're thinking about repurchasing shares at the moment, given the volatility in the oil market and the overall capital allocation process. Thanks.

MASSIMO MONDAZZI: Okay. So, first of all, in principle you remember that our priority order in cash allocation is, first, CapEx, second dividends, and third buyback. And definitely as far as CapEx and dividends, we will release a guidance. We don't want to release any guidance as far as the buyback. That we would like to retain as a very flexible tool to remunerate the shareholders.

The grounds to, I would say, attribute money to the buyback is based on the degree of realization in our overall turnaround plan, together with the oil price. So, these are the internal guidelines we use to refer to in order to assess the overall amount.

From now to the end of this year, beginning of next year, I could say that the pace we are seeing today will remain in place. And maybe another deep talk internally in this respect will be taken looking at the number of the new full year plan that, as you know, will be announced in February 2015.

MARC KOFLER: Great. Thanks very much.

OPERATOR: Thomas Adolff, Credit Suisse.

THOMAS ADOLFF, ANALYST, CREDIT SUISSE: Hi. Good afternoon. Thanks for taking my questions, and congrats on the drilling results. Two questions, please, one on the dividend. In a \$100.00 environment, you've basically said already that your payout ratio was too high. I'm just going to state the obvious. Let's say an \$80.00 environment. Obviously, that looks even worse. And let's take disposals out of the equations, because that may not be directly organic. How comfortable at you just with the dividend being funded purely from the balance sheet, or which you actually use a bit of CapEx to fund that?

Second question on my favorite topic, which is Mozambique. I believe your neighbor in Mozambique may not mind bringing in a super major to let the whole project be developed jointly. Would you welcome this situation?

And the other question I had on Mozambique is where are we on the FLNG? I believe your guidance in June was to take FID by the end of the year. My understanding from your minority partner on the block are that not even HOAs have been signed. Thank you.

MASSIMO MONDAZZI: Okay. So, I'll leave the ground to Roberto to answer your question about Mozambique, and I'll answer the question about dividends. So please, Roberto?

ROBERTO CASULA: Okay. Thanks for this question. Let's start from starting resources, the one

where, as you mentioned, we are also discussing with Area 1 partners, and in particular Anadarko as operator. Well, first of all, we have some positive news. As you know, the enabling law has been passed by the Parliament. And this is allowing us to discuss with the government the special legal and fiscal regime that would be applied to the development of LNG projects.

Secondly, we launched the tender for the EPC contract. Activities are ongoing and, I mean, we are positive toward the reaching of an FID in the second half of 2015.

About the plans in Area 1, I can tell you that the first phase -- because clearly it's a major development that will be done through different phases. And the first phase will envision a panel project of two trains, five million tons each in both Area 4 and Area 1. So, we are, for the first phase, independent from Area 1.

About Coral, you mentioned the FID. Well, we can confirm that we started the process to reach FID. That means that this process is made of several steps. The first one is the submission and the approval by the government of the final development scheme, and this is expected in the next few weeks.

The second one is the declaration of commerciality. We'll be submitting in the new few days to the authorities this declaration. And again, we are expecting the approval in the next few weeks, certainly by the end of this year.

At that point, we'll be in a position to submit also the plan of development, which has been extensively discussed and basically agreed with the authorities while we are progressing the discussions also with buyer. We have intense discussions. Maybe Marco can elaborate more, but we have a short list of buyers.

And at that point, we will have all the conditions to make FID. By the way, I have to mention also the engineering activity. As you know, we are running a competitive feed exercise. It is very well advanced with three major consortia. So, also from the project point of view, everything is going smoothly and well.

Maybe Marco can add something more about the LNG buyers.

MARCO ALVERA: As Roberto said, we're working with a number of -- short list of buyers. There's significant strategic interest in being part of this project for all its reasons for being one of a kind and an early startup. So, I can confirm we're in, indeed, discussions.

THOMAS ADOLFF: If I can follow up on the discussions, now obviously maybe when you started the discussions the oil price was a little bit higher and the buyers wanted to have a slightly lower

slope. Now obviously the oil price is a little lower and it's a little uncertain where the oil price will end up. And for you to make the economics to work maybe as well as when the oil price was \$100.00, from your perspective, are you pushing for a better slope?

MARCO ALVERA: The forward markets haven't moved that much, and we're talking about 2019, 2020 deliveries. We're talking about relatively small volumes in the scheme of global LNG demand at that time. So, I don't think we're concerned at looking at the prompt part of the curve.

THOMAS ADOLFF: Okay. Thank you.

MASSIMO MONDAZZI: Okay. And so, as far as the dividend, Thomas, you may appreciate that the third quarter conference call is not typically the place to discuss the overall dividend policy. So, I will say I would like to postpone the discussion by mid February next year when we'll, say, deal with in-depth this issue. I would like to remember in general terms that you know our dividend takes into consideration two parameters such as the oil price, so the oil price that we'll see for the future on that date, and the progress against our strategy.

So, looking at each piece of this, I would say thought -- looking at the result that has been achieved so far in 2014, I would say that we are very well in time with the plan we announced, mainly in the turnaround in the losing money businesses. So, on this part of the equation, as far as the result up to now we feel quite happy.

THOMAS ADOLFF: Okay. Thank you.

OPERATOR: Jason Kenney, Santander.

JASON KENNEY, ANALYST, SANTANDER: Yes, good afternoon. If I may just go back to the Congo, is it too early to be thinking about recovery factors across the Congo asset base? I mean, even a range would be useful.

And the secondly, on Mexico I note the MOU that you've agreed today. I'm just wondering what or how you might participate in 2015 with some of the first stage processes there. What is of particular interest to you in Mexico, be it onshore, midstream, offshore? If you could just talk further around the subject, that would be great.

ANTONIO VELLA: Well, about Congo, as I said earlier, we have a very important discovery in terms of thickness, in terms of extension. So, clearly we have to properly evaluate it, firstly through the next appraisal wells and then, with the appropriate status, the best development scheme to maximize the recovery from this very important discovery. I think that also, thanks to the acceleration we are giving to Nene, so we are collecting the data about the productivity of the

well. So, very soon we will be able to define first phase of development also for this new discovery.

MASSIMO MONDAZZI: Okay. So, as far as Mexico, Antonio, do you want to, or Luca, do you want to comment?

LUCA BERTELLI: I think Mexico -- of course, as everybody in the oil industry, we are looking at the opening of Mexico to foreign investors. We will evaluate a lot of other information. And after our assessment, we will decide which is the most attractive area for potential investment in the country. So, this is what I can say today.

JASON KENNEY: Okay, thanks.

OPERATOR: Jon Rigby, UBS.

JON RIGBY, ANALYST, UBS: Oh, yes. Hi. Thank you for taking the questions. I think the first one's for Marco. And I think I've asked this question before, but I just want to come back to it again. As we approach the winter season, and obviously we've gone through the summer negotiation season with your customers on the gas side, are there any changes either in mix or in your sales contract terms that would suggest that the margin we saw on our gas sales in the third quarter changes through the winter period, or is the third quarter performance a relatively good indicator of what you'd expect over the next, let's say, six months or so?

And then, the second question I guess is for Massimo. But, is there a point during the process of considering what you do with Saipem during which you decide to stop consolidating it as a subsidiary? It's clearly somewhat sort of touch and go anyway. I know you have Board control, but you don't have 50% ownership.

And I think from memory you got to a point in the process through the Snam disposal when you took the view that you wouldn't consolidate it any further. It seems to me that going forward actually it's a better snapshot of the underlying performance and financial status of the Eni Group to actually not include it within your financial statements anymore, certainly if the ultimate decision is that you exit. Thanks.

MARCO ALVERA: Jon, Marco here. Thanks for your question. I think you should not extrapolate too much on Q3. Q3 has some element of retroactivity. If you look at the first nine months of the year, the EBIT is better by EUR1.2 billion compared to the previous year, whereas the overall yearly guidance we're giving is a breakeven.

So, you can expect some deterioration as that one-off retroactive element in 2013 disappears. It

doesn't have that much to do with the movements as we have, as I said, now 70% of the contracts which are directly indexed to the hub. They tend to move in sync with the movement on the sales side.

JON RIGBY: Right. And that sort of implied 4Q is a good number for 1Q as well, ex anything else happening? Is that reasonable?

MARCO ALVERA: We'll discuss it when we disclose Q4.

JON RIGBY: Okay.

MASSIMO MONDAZZI: Okay. So, Jon, as far as the deconsolidation of Saipem, leaving aside for a while, I would say, the formal aspect, the accounting principle, and focusing the discussion about the real control, I would say that looking at the process ahead of us, what we would like to do in principle is to take the control of Saipem just to drive the process. And I said before, it would imply the financing for the company, and then, I would say, start to, I would say, release the shares.

So, having this in mind, I would say that the process should follow this priority. And as we retain the majority of the Board members in Saipem, I think that we'll be even formally obliged to consolidate the company.

JON RIGBY: Right. And if you actually make an announcement that you are going to exit, could you then treat that as an asset held for sale and therefore deconsolidate it in that fashion?

MASSIMO MONDAZZI: I don't know if could be useful just to put the numbers on a different prospect. But, I guess that, since we retain the majority of the Board members, we'd be obliged to -- first of all, from a point of view of responsibility, Jon, we'd be obliged to exercise the degree of guidance and control that pertained to the majority shareholders. And then we'd be anyway responsible about the, I would say, result of Saipem as far as the main shareholder could be responsible for debt.

JON RIGBY: Right. And just one follow up on that. Is there enough representation on the Board at Saipem right now for the Board, ex the Eni members, to be able to technically make decisions? Because clearly they're going to have to do that. Where they have to be independent presumably on matters of restructuring the financial relationship, your representatives will have to step out of the room. So, I mean, is there the technical capacity to do that on the Saipem Board, or will that need to be reconstituted or changed in some way, shape, or form, do you think?

MASSIMO MONDAZZI: That is a quite complex matter. But, I would say that in principle this

process will be pursued and will be rolled out in taking -- in, I would say, into consideration the different interests of both parties. So, the process will be a very transparent one, will be a very clear one.

Notwithstanding this, definitely I would say the current situation, as I said, will oblige us to keep the number of Saipem consolidated into the Eni consolidation.

JON RIGBY: Okay. All right, that's clear. Thanks, Massimo.

OPERATOR: Andrea Scauri, Mediobanca.

ANDREA SCAURI, ANALYST, MEDIOBANCA SECURITIES: Yes, hi. Good afternoon, all. I have a question on South Stream and your commitment in the project. If I am not wrong, you are supposed to finance the project with an investment of some EUR2 billion. Correct me if I'm wrong. Could you please provide us any details about what is the intention of the company in this investment, and if there is a possibility that Eni doesn't participate in the financing of this project in the context of the relationship with Gazprom and the Russian partner? Thank you.

MASSIMO MONDAZZI: Marco to answer.

MARCO ALVERA: Thanks for the question. So, just to recap where the numbers stand, we have a 20% stake in the project. And the project is assumed to be project financed by third party institutions by 70%. So, we have informed already Gazprom and the other shareholders that, should that financing not happen, we would not be prepared to increase our commitment above what had previously been assumed.

So, just to be very clear, our plan assumes a 70% financing. There has been some speculation that the financing may be delayed. We have informed shareholders that we're not ready to step up and substitute the financing institutions. That's as much as we can say at this stage.

ANDREA SCAURI: Okay, thank you.

OPERATOR: Irene Himona, Societe Generale.

IRENE HIMONA, ANALYST, SOCIETE GENERALE: Yes, good afternoon, Massimo. It's Irene Himona at Soc Gen. And congratulations on a very good quarter. I had three quick questions, firstly refining and marketing. The last time you had a profitable quarter was about 2012 and I think, on a full year basis, not since 2008. So, when we look at the profit you made this quarter, how much was driven by your restructuring? How much was the macro, the refining margin? And what do you anticipate for the next couple of quarters?

My second question is on Kashagan, again very quickly. I hear what you say, that the repair plan will be submitted by year-end. Can you tell us, please, under this repair plan when is it realistic for us to expect these fields to go back to production? How long does it take? Is it 2016? Is it 2018?

And my final question, just going back to the oil price environment, it's obviously good news that your gearing will be a little bit lower than before. Can you tell me, in a world of \$80.00 oil or \$85.00, do the credit agencies become nervous at all with gearing at that level, given that their gearing definition is a little bit different to yours? Thank you.

MASSIMO MONDAZZI: Okay. So, I'll try to give some detail about refining and marketing and then about the gearing. And I'll leave the floor to Antonio to answer the additional question about Kashagan. So, as far as the result of the third quarter of our refining and marketing business, yes, definitely as I anticipate and as you know very well, the result this quarter has been positively affected by, I would say, a very high margin, very high in respect of what we have seen in the previous part of this year. So, definitely it contributed to the final result.

Giving you some, I would say, additional information, I would say that the overall EUR39 million we record in the third quarter as refining and marketing, this has been composed by around EUR150 million produced by the marketing part of the business. And the loss of EUR110 million is the loss in refining and marketing.

What we expect, looking at the final part of this year, supposing that the margin will remain for the quarter in the range of \$3.50 per barrel, we expect overall a lower loss from our refining and marketing because of a slight contribution in terms of margin, but mainly, I would say, the result of the restructuring plan that has been launched since the beginning of this year.

This minus EUR150 million in terms of minus loss could be translated as an overall result in refining and marketing. So, just to make the story short, we expect that by the end of this year a reduced loss in this business by EUR150 million.

And now I give the floor to Antonio to answer your question about Kashagan.

ANTONIO VELLA: Okay. So, for 2016, the plan needs to be confirmed by the operator. But, the contribution or production will be a fraction of the normal production rate of 370,000 barrels per day.

IRENE HIMONA: So, what you're saying is the startup is to be confirmed? That's 2016?

ANTONIO VELLA: Yes, it's 2016. Yes.

IRENE HIMONA: Okay. Thank you.

MASSIMO MONDAZZI: Okay. As far as the balance sheet at \$80.00, Irene, I would say it will require a more detailed exercise that we, I would say, are going to perform in the overall full year plan. So, I am not in a position to give you now, I would say, a complete answer to your question. But, let me say that you know that as far as E&P, the expectation in terms of cash contribution would remain still high even at \$80.00, because of the relatively low break-even price embedded in our portfolio. You know that our exposure to the unconventional is extremely limited, that the break-even of our conventional portfolio is much lower than \$80.00. At the same time, what we are seeing is the, I would say, accelerated recovery in our non E&P businesses, as I just described.

So, I guess that the overall effect of these two components will take us in the better position to sustain even lower price. But, for a full and complete exercise, I remind you it may be mid-February when we can deal with this issue in a more complete way.

IRENE HIMONA: Okay. Thank you very much, Massimo. Thank you.

OPERATOR: No more questions.

MASSIMO MONDAZZI: Okay. Thank you very much. Bye-bye.

OPERATOR: Ladies and gentlemen, the conference is over. Thank you for calling Eni.

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