

2016 Q3 results

October 28th 2016

Presentation

Speakers:

Massimo Mondazzi - Chief Financial Officer

Good morning, and welcome to our third quarter 2016 results presentation.

In the first nine months of this year in a difficult price environment, we continued to deliver on our strategy, in particular on:

- the start ups of high cash-margin large fields
- the reduction of costs and the efficiency of our operations
- the enhancement of the mid-downstream performance

In E&P, we are now at full production in some of our main cash contributors, namely Val d'Agri and Goliat fields.

Moreover few weeks ago we reached the start up of the Kashagan field that is now producing around 100 thousand barrel per day of oil and ramping up.

Start ups and ramp ups of recent discoveries will sustain our performance from the fourth quarter on, giving us confidence on our production and cash targets.

Exploration, the engine of our portfolio flexibility, continues to beat new records: thanks to the appraisal wells in Zohr that confirm our expectations and the Great Noroous Area we have now discovered 1 billion boe of resources, lowering our unit exploration costs to 0,5\$/b [vs 1,7 \$/b budget].

Capex was reduced by 17% at the end of September while opex, at 6.6\$/boe are 7% lower. Both are in line with our 2016 guidance of a 20% capex reduction and a level of 6.4 \$/boe for opex.

Let me add that we are continuing to invest in the development of the giant Zohr field that is expected to start at the end of the next year. Excluding the impact of this project we would have cut our capex by almost 30%.

And finally our mid-downstream businesses are consolidating their turnaround.

- Refining break even is already at 4.2 \$/bbl, below the original 2016 guidance of 4.5\$/bbl.
- Versalis keeps delivering good results, with an ebit of €300 M in the 9 months.
- In G&P, the 9 month performance turned negative at -€320 million, mainly due to lower retroactive benefit from contract renegotiation and challenging scenario in the LNG market. The turnaround plan is proceeding with a reduction in logistic costs of around 100 M€ this year.

G&P contributes a positive free cash flow of around €400 million.

Our mid-downstream contributed overall with €1.5 billion to the 9 months operating cash, and each sector is also free cash flow positive.

Overall, the company generated more than €4.4 billion of operating cash flow in the first 9 months.

For the full year, thanks to a Q4 expected at full operating speed, we are in line with the planned operating coverage of capex at \$50 per barrel.

Before entering in details in our business performance I would like to give you some colour on the market environment. Prices were weak in all our markets.

The average Brent price in the 9 months was 42\$/b, 25% lower than last year.

European Gas prices were even weaker. Gas demand in Europe staged a mild recovery (+4%) thanks to growth in the power sector, due to lower hydro production in Italy, low nuclear availability in Germany and France, and substitution of coal mainly in UK. However, this trend was not enough to offset the growth of imports via pipelines. As a result, the Italian hub price (PSV) was lower by 34% in the quarter and by 36% in the first 9 months. Similarly all the other European hubs recorded a declining trend.

European gas weakness impacted the value of our equity production in Italy, UK, Norway and Libya exported gas.

The tiny differentials between the various LNG markets also reduced the scope for worldwide cargo arbitrage.

Also our refining margin was significantly lower. Year to date, taking into account of the hedging that was put in place in 2015, the margin of our refineries was 40% lower, with diesel prices still suffering from market oversupply and gasoline losing steam due to a high level of stocks and falling European exports towards the US.

The Reference Cracker Margin of the first nine months was substantially in line with last year as the reduction in the cost of raw material (Virgin Naphtha) was offset by the reduction of prices of Ethylene and Propylene. However the third quarter 2016 was 23% weaker than last year.

In Q3 we achieved fundamental operating milestones.

The two major fields that were temporarily offline, Val d'Agri and Goliat, restarted production respectively in August and September and they ramped up to full plateau with a high quality equity contribution now back in excess of 135 kboed .

Kashagan started up few weeks ago and is now producing around 100 thousand barrel per day of oil.

Production is expected to gradually increase toward the target level of 370,000 barrels per day to be achieved by the end of next year.

Other ongoing projects are ramping up smoothly, such as Nooros (now at a gross production of 130 kboed and targeting a further growth in the next year), the West Hub reaching more than 90 kboed of gross production and Marine XII in Congo that now is producing more than 20 kboed.

These are just some examples of our continuous improvement on time-to-market.

Overall, in 2016 we will produce 280 kboed from start-ups and ramp-ups of fields started last year.

Year to date, production was 1726 kboe/d, 0.5% ahead of last year.

The unplanned shut-down of Val D'Agri, that impacted for 32 kboed, was mainly offset through the rapid ramp up of Noorouss.

In the fourth quarter, we will benefit of the full contribution of Goliat and Val D'Agri and start to record Kashagan production, allowing us to confirm the full year guidance of almost 1.76 million boe a day.

In terms of Ebit, in the first 9 months we have generated €1.1 bln.

Compared with last year, the lower oil and gas scenario and Val d'Agri shutdown impacted for € 3.6 bln, partially compensated by an operational improvement of € 1 bln.

E&P operating cash was about € 3.6 billion during the 9 months, € 1.7 billion lower than last year. On cash, the overall negative impacts of the scenario and Val d'Agri accounted for almost €2 billion.

In the 3rd quarter, Ebit was almost € 650 million while operating cash, notwithstanding the stop of cash generative assets in Italy and Norway, was €1.9 billion, more than 20% higher than last year although in a Brent price environment that was 10% lower.

In G&P, the European scenario remains weak. Furthermore the LNG trading is now hit by the narrow differentials among the different regions, limiting the scope of international trading,

In this scenario, G&P is anyhow progressing in the turnaround with an extra saving of around €100 mln in the operating and logistics cost base this year. The overall saving cumulated in 2015 and 2016 amounts to around €200 mln, in line with the target of 350 mln €/year from 2019, compared to 2014 levels.

During the 9 months we recorded an operating loss of around 320 million euro, that is €200 mln lower than last year. This result is substantially driven by the different impact of retroactive effects among the two periods.

The lower results in LNG (€200 mln) was fully offset by the higher performance in trading (€ 100 mln) and the above-mentioned saving in logistic costs.

Despite this weak result, the business is cash generative with an operating cashflow contribution of more than €450 mln in the first 9 months.

In R&M, we continue to increase the efficiency of our refineries, we ramped up the EST plant and we benefitted - thanks to the flexibility of our refineries - from favorable crude differentials.

For 2016 we have already reached a breakeven margin of 4.2 \$/b, 0.3 lower than the original guidance.

This relentless effort has allowed us to contrast the scenario slump recorded to date.

Over the 9 months, EBIT adjusted fell by 28% because of the negative scenario in Refining, while Marketing posted a good performance, in line with last year.

Operating cash flow remains robust with 800 mln € and free cash flow positive.

As regards Versalis, Q3 is the 7th quarter in a row with a positive performance. Our Chemicals recorded an EBIT growth by more than 10% year-on-year in the first nine months.

In spite of a slightly weaker margin scenario, our results improved mostly thanks to stronger sales of intermediates and the high unit margins of polyethylene.

The business has an operating cash flow of more than €250 mln, largely enough to sustain its investments.

On a full year basis Versalis will generate a positive free cash flow, the first time in many years.

Summing up our performance at group level.

In the first nine months EBIT was € 1 billion.

Year-on-year results were heavily impacted by the lower commodity prices and margins which affected our operating results by €3.3 billion. In addition, the Val d'Agri shutdown and other non-recurring items in G&P accounted for another € 0.5 billion of lesser results.

These negative effects were offset, in an year of stable production, by the actions we described in terms of efficiency and cost saving, that together accounted for €1 billion of better performance.

In the three quarters adjusted net income was negative for about 800 million euro, penalized by the higher tax rate paid on positive results in PSAs.

However, cash tax rate was much lower at 37%. On a full year basis, our cash tax rate is expected just above 30%.

In terms of cash, we confirm the cash neutrality at 50\$/bbl.

Thanks to the improvements in all businesses, in the third quarter we recorded an operating cash before working capital of € 1.4 billion, almost in line with last year when we were operating with a better scenario and with full Val d'Agri contribution.

In the 9 months, we generated €4.4 bn of operating cash flow. In Q4 the cash growth will accelerate, with an expected contribution, at current market conditions, of around half the amount of the cash flow generated in the first 9 months .

Without the scenario impact and the effect of the Val d'Agri shut down, we would have generated €2 billion more of cash reaching approximately the €9 billion level required to cover capex. [back up of €2 bln: E&P € 1.2 bln for oil, € 0.2 bln for gas, € 0.3 bln for VdA, € 0.4 bln for SERM).

Leverage at the end of September was 32%, after the interim dividend that we paid in the quarter. Thanks to the cash contribution from some disposals at an advanced stage of execution, we plan to reduce this level in the coming quarters.

And now let's open the floor for the Q&A session.

Q&A Session

CORPORATE PARTICIPANTS

Massimo Mondazzi - Chief Financial Officer

Antonio Vella - Chief Upstream Officer

Massimo Mantovani - Chief Midstream Gas & Power Officer

Luca Bertelli - Chief Exploration Officer

Francesco Gattei – EVP, Scenarios, Strategic Options and Investor Relations

CONFERENCE CALL PARTICIPANTS

Oswald Clint - Sanford Bernstein, Analyst

Thomas Adolff - Credit Suisse, Analyst

Jon Rigby - UBS, Analyst

Massimo Bonisoli - Equita, Analyst

Alessandro Pozzi - Mediobanca, Analyst

Biraj Borkhataria - RBC, Analyst

Hamish Clegg - BofA Merrill Lynch, Analyst

Alastair Syme - Citi, Analyst

Martijn Rats - Morgan Stanley, Analyst

Irene Himona - Societe Generale, Analyst

Theepan Jothilingam – BNP Exane Paribas , Analyst

Lydia Rainforth - Barclays, Analyst

QUESTIONS AND ANSWERS

OPERATOR: (Operator Instructions). Clint Oswald (sic), Bernstein.

OSWALD CLINT, ANALYST, SANFORD BERNSTEIN: Massimo, I wanted to ask about the Kashagan barrels, just given the field has started up. Maybe if you can try and help us think about the unit profitability or the cash flow per barrel that we should come to expect from those barrels.

Obviously, there's a lot of depreciation, there's a lot of transportation costs, realization differentials. But maybe if you could talk about the unit margins from those barrels as we look into 2017, please?

And then secondly, I think you mentioned here in your comments about confidence on growth in cash, at least in the upstream. Could you talk about your confidence on executing all the main divestments that you've spoken about over the last year or so? Certainly, as we

think about Mozambique, Egypt, maybe even the chemical business and gas retail, please. Thank you.

MASSIMO MONDAZZI, CFO, ENI S.P.A: Okay so, Oswald, in terms of, I would say, economics of Kashagan, I cannot elaborate in detail on these.

Definitely, Kashagan is a high-quality oil that will be evacuated without any significant discount. The underlying PSA contract is an old one, with a very high cost-oil percentage that will allow us to recover very quickly the investment we made.

So, do you remember the projection we shared with you previously about the time required to recover the CapEx, when we said that more or less 40% of CapEx would be required based on our scenario in the next three-four years

On top of this, the tax rate applied to this contract, it is one of the lowest in the industry. It is around 35%. All these elements should give you the confidence that the cash flow expected from Kashagan is a very high-quality cash flow.

In terms of ramp up, I don't know if Antonio, that is together with me, could give you some additional element in terms of ramp up and production ongoing.

ANTONIO VELLA, CHIEF UPSTREAM OFFICER, ENI S.P.A: Okay, Massimo, so the ramp up of the actual phase is coming up very slow. But as we have discussed, we will reach 200,000 barrels by -- let's say, by the end of December if the process system will allow as of today.

MASSIMO MONDAZZI: Okay, so in terms of future cash flow, so the fourth quarter cash flow and cash flow expected from divestments. Again, in terms of divestment, you understand I cannot tell you exactly what's going on.

What is important that we are confirming the target of the overall divestment we gave to the market in March. We feel that we are pretty ahead of this plan in more than one negotiation regarding different assets. So, I would say maybe some news -- or I'll be in a position to update you more precisely in the next months.

But let me say, if I well understood, you asked also something about our confidence in the future cash flow before disposals. By definition, having Val d'Agri, Goliat and Kashagan in production, the oil -- very high-quality oil in good -- even in good fiscal regimes, will give us the push towards a higher cash contribution.

If you take a look to the last slide I showed this morning, you will see that we expect, in the fourth quarter, just to give you an example, half of the cash flow we got in the first nine months, so in the range of EUR2.2 billion.

Why? First of all, because the expected production in this last quarter will be in the range of 1.84 thousand [correction million] boe per day high-quality production, as I mentioned. We are keeping on targeting a reduction in our outstanding in some countries. We already got some results in the third quarter. That's the reason why we have been able to show EUR1.8 billion cash flow in E&P in the third quarter, higher than last year.

We kept on recovering some outstanding in Egypt, in Iraq. We succeeded to keep at least steady our outstanding in Venezuela. All this contributed to the cash contribution and will contribute to the cash contribution in the coming weeks.

Gas and power will be, as a seasonal phenomenon, a good contributor of cash in the fourth quarter. If you maybe leverage on the current scenario, that will be in the range of \$50 Brent and a margin -- a refining margin of around \$5, that is the current margin, the amount we are now seeing would be definitely achievable.

On top of this, I would like to remember that also on a tax basis, in the future we'll benefit from the same phenomenon that now is affecting our actual tax rate that is very high, because we are suffering some losses without the possibility to record deferred tax assets. It means that additional cash that will be produced in the future will be produced without any cash burden.

OSWALD CLINT: That's very detailed. Thank you, Massimo.

OPERATOR: Adolff Thomas, Credit Suisse.

THOMAS ADOLFF, ANALYST, CREDIT SUISSE: I've got a few questions, slightly more specific. I guess just on the disposal and Mozambique, and I guess we're getting all tired reading about Mozambique and the deals done, etc. Is the idea to monetize the stake in the entire block, or only really part of it through the creation of a separate ring-fenced area?

So, should I be thinking about Coral FLNG also being partly monetized as part of the deal?

The second question on your confidence on cash flow. Egypt, obviously, is an important part to your cash flow story. Financially, Egypt often is reliant on Saudi generosity and, unless I've misread, Saudi appears to be cutting back on some freebies.

So, how should I think about the evolution of receivables, what you reflect in your budget? And how do you think about the cash flow certainty that comes from Egypt?

And maybe finally just on Iraq, can you perhaps give some colour on Zubair and the outlook there, based on the investment level today and what progress you're making on changing fiscal terms, etc?

MASSIMO MONDAZZI: First of all, Coral and the overall disposal program in Mozambique, definitely, I would say, without disclosing any specific info to you, I would say that the only solution in terms of disposal in Area 4 is a unique disposal without any carve out; no sense to carve out Coral or any other piece out of the full development picture.

MASSIMO MONDAZZI: Cash flow in Egypt and our confidence, but, first of all, we are testifying a very good answer from Egypt in terms of financial response. You'll remember we had, more or less, EUR800 million of outstanding at the beginning of this year. The number is more or less half today. We expect that to reach even additional payments from now to the end of this year. So, the response is quite good.

As far as the Zohr project, do you remember when we presented the project, we said that we put in place some of protection layers in terms of cash payment in dollars, while the project will be in production; and, we expect to receive significant payment in US dollars.

As far as the political, I would say, environment, I cannot comment. Definitely, we are taking great care of this. We are looking at what's going on. But I cannot comment and we are ready to deal, as we did in the past through maybe an evolution of the current situation.

As far as Zubair, I will ask Antonio to elaborate a bit more on the status of this project.

ANTONIO VELLA: Zubair, at the moment, is producing lower than 400,000 barrels per day.

Concerning the negotiation of the new fiscal term, there are discussions ongoing with the authority and all the oil companies. Definitely, we will see what's going to be the end of the negotiation.

THOMAS ADOLFF: Thank you.

MASSIMO MONDAZZI: Okay. As I mentioned before, in the meantime we got some better payment terms in this process. That's the reason why we are taking some advantage in terms of working capital in this respect.

THOMAS ADOLFF: Great, thank you very much.

OPERATOR: Jon Rigby, UBS.

JON RIGBY, ANALYST, UBS: I've got three questions, please. The first, just on CapEx. If I just look at the run rate on CapEx, there's a drop 3Q against the run rate in the first half of the year. Thinking about your guidance for the full year, should we be expecting, and are you expecting, a similar dropdown in the fourth quarter, I guess, as Kashagan and Goliat now have rolled off. That's the first question.

The second is just, you did seem to indicate that you expected the cash tax rate to fall meaningfully into the fourth quarter.

You also referenced the fact that there was a fair amount of shield going forward, which, I guess, begs the question, and commenting on the statement, I think, you make on page 2 today, is that you don't seem to be recognizing full deferred tax benefits for some of the losses that you're making.

Can you perhaps square that circle and maybe indicate to us what kind of scenario and outlook you would need to start to recognize some of the deferred tax credits that you appear not to have taken in the third quarter and, in fact, actually, quarters before, because your accounting tax rate is so high?

The last is just on gas and power, and I recognize I ask this question every quarter, but it's reflective of the opaqueness or opacity of the guidance and the performance in that business.

What should we be thinking about the fourth quarter outlook given the moving parts that you've acknowledged? And can you confirm that you do, effectively, essentially break-even in 2017? Thank you.

MASSIMO MONDAZZI: Okay, thank you, Jon. In terms of CapEx, as I said, we are confirming our guidelines as far as the full year, minus 20% becoming minus 30%, excluding Zohr. That

is quite unique in terms of rapidity. We are executing the project and the time compression, because we are projecting to put the project into production substantially in two years' time.

So, two comments on this. First of all, the 20% is a confirmation of what we said in March, because today we see more or less the same market that we have seen in March with significant opportunity in terms of CapEx decrease, in terms of unit costs, and that was quite high.

Do you remember, we said -- we announced EUR3.5 billion of CapEx reduction in the full-year's manoeuvre related to the better scenario, so better conditions in the market.

We are glad to say that, notwithstanding the fact that we are, I have to say, reducing our potential reduction from 30% to 20%. And we are glad to say that the investment we are doing in Zohr are fully benefiting from the current scenario.

That probably is the best one in terms of a new project, because, thanks to the FID we have taken and the same for Coral, we are fully leveraging on this scenario. And probably if the expectation is the one that everyone has in terms of future Brent trend, we will, in these two projects, we will take the full benefit of this trend.

This is in terms of CapEx. So, more or less, we are going to spend EUR9 billion and we expect to spend, more or less, EUR2 billion in the fourth quarter.

In terms of cash tax rate, first of all, let me comment about the 37%. That is slightly higher than the guidance we gave as far as 2016 that was in the range of 30%. I said that at the end of the year we'll be more or less in line; it will be in the range of 32%.

Why today we are higher? Because of two reasons mainly. First of all, the stop in Val d'Agri, because Val d'Agri is benefiting from, I would say, the tax losses we incurred in the past, so any cash produced would be tax free. That's the reason why, thanks to the production, a full regime in Val d'Agri in the fourth quarter, the cash tax rate is expected to decrease.

As well as for Goliat, because the first year you know we benefit a 50% reduction in tax rate. So, also Goliat will give a contribution to this tax rate, cash tax rate reduction.

As I said, definitely, we are partially posting deferred tax asset today with the current scenario, because tax assets are checked every period versus the projection we have in terms of income generation in the coming years, based on our scenario, due to the fact that our scenario is the one that you know very well. It represents today a cap to the full recourse of deferred tax assets in our balance sheet.

Definitely, a level of \$60 per barrel would be -- going forward in the following year, would be the level at which this amount of non-recorded deferred tax assets will decrease. The current tax rate we record in our profit and loss would turn down 100%.

In terms of gas and power, you asked for a guidance in terms of result by yearend and looking forward. Let me give you some colour -- more colour on the expected result by yearend.

First of all -- I'm just checking the numbers. We have lost EUR320 million after nine months. The expectation is to increase this loss by yearend in the range of EUR80 million. So, the expected loss by yearend will be in the range of EUR400 million. This is due to the current environment in which we do not expect any significant gas contract renegotiation from now to yearend.

JON RIGBY: Right.

MASSIMO MONDAZZI: But, at the same time, comparing this result with the result we had in the previous year, in the previous year we recorded more or less EUR20 million, so more or less zero result in the fourth quarter, while today we are forecasting something in the range of EUR80 million of loss.

I would like to remember, that as happened in the first nine months, in 2015 we recorded some significant one-off positive items that, in the fourth quarter 2016 result is expected to be slightly better than the 2015 result, due to the advantages we already got in the first nine months. Namely, a better result in trading in the oil -- in the gas and power and the cost reduction.

You remember we showed a slide in which we are showing a EUR100 million of cost reduction logistic and operating cost reduction. Part of this, definitely, will keep on the fourth quarter, generating this underlying better result.

Now, I'll leave the floor to Massimo Mantovani to describe his view about the negotiation going forward.

MASSIMO MANTOVANI, CHIEF MIDSTREAM GAS & POWER OFFICER, ENI S.P.A: Good morning. Let me say that we are building on the structural break-even for 2017 as Massimo said, firstly in respect of the optimization and the reduction of the operating cost and, in particular, in respect of the negotiation of the gas supply -- long-term gas supplies.

These negotiations are on track and the objective of the break-even is actually still there and is actually what we are aiming at.

JON RIGBY: Now, just to confirm that would effectively mean about a EUR400 million turnaround, 2017 over 2016, right?

MASSIMO MANTOVANI: Sorry, can you repeat please?

JON RIGBY: You're effectively saying that implies a EUR400 million EBIT turnaround, 2017 over 2016?

MASSIMO MANTOVANI: Yes.

JON RIGBY: Yes. Thank you.

OPERATOR: Massimo Bonisoli, Equita.

MASSIMO BONISOLI, ANALYST, EQUITA: Just two quick questions left. The first on the results below the EBIT for the associates line. Could you shed some light on the negative figure?

And the second question is on the central Group costs and elimination effect. Could you also shed some light on the higher cost than we expected? Thank you.

MASSIMO MONDAZZI: About the equity investment we said that the reduction is driven by the same drivers we highlighted this already the EBIT result, because having sold Snam and Galp today the most important equity investment we are still retaining in our balance sheet are upstream related, mainly Nigeria LNG. Nigeria LNG, by definition, is suffering for the current environment. That's the reason why we are recording a significantly lower result.

On top of this, we are suffering also some losses from equity investment in Venezuela, because of the exchange rate. That is more or less a one-off. That's the reason why this drop in this profit and loss line.

As far as the corporate cost, I would say I don't know exactly which kind of table you are looking at on this respect, but I would say that in terms of corporate costs, year on year, today we are consolidating something in the range of EUR40 million of lower cost.

The rest will be a part of the consolidation -- the consolidation effect in terms of internal profit that is, I would say, quite complicated to be explained now. But substantially the underlying cost at the corporate level are decreasing.

MASSIMO BONISOLI: Okay. Thank you very much.

OPERATOR: Alessandro Pozzi, Mediobanca.

ALESSANDRO POZZI, ANALYST, MEDIOBANCA: It's about gas prices. You mentioned the weaker micro scenario, but your gas realization have been -- held up quite well in the quarter. I was wondering if that is the impact of the oil linked contracts.

Also, I was wondering whether you can maybe give us a bit of insight on how you think gas realizations are going to go in the next couple of quarters?

MASSIMO MONDAZZI: Sorry, probably I didn't get fully your question. Could you repeat, please?

ALESSANDRO POZZI: Yes, okay. So, it's about gas realization and I was wondering the outlook for gas realizations for the next couple of quarters, given that they've been quite decent this quarter in Q3?

FRANCESCO GATTEI, EVP Scenarios, Strategic Options & Investor Relations: Actually, the quarterly performance on gas pricing you know that is impacting differently, clearly, our business upstream. Clearly, there is a lot of different kind of price mechanism. There is oil linked mechanism in certain [equity] production. Most of our productions, we mentioned this also during the presentation, we said is substantially linked -- is spot basis. So, it's impacted by the current price of gas.

As you could expect in the future clearly the rebound of oil price will generate a rebound also in the oil linked reference, but it will take time. You know that most of our oil linked are generally working with a nine-month, let's say, average.

So, it depends how long the rebound will emerge and how strong it will be. While on the spot pricing the dynamics is mainly linked clearly from seasonal oversupply, but also from the general structural trend in the European gas market that is expected to be relatively long in terms of gas volumes.

So, I would say there could be some recovery, but I wouldn't expect a large gas recovery in terms of pricing.

ALESSANDRO POZZI: Some recovery starting even in Q4?

FRANCESCO GATTEI: I'm referring to the next quarter. Fourth quarter and the following first quarter next year. So, with the rebound of pricing is expected mainly in the oil reference more than in the gas one.

MASSIMO MONDAZZI: By fact, the current price we see today in the Italian market, the up prices are slightly better than the average we record in the first nine months.

ALESSANDRO POZZI: Okay. Thank you.

OPERATOR: Biraj Borkhataria, RBC.

BIRAJ BORKHATARIA, ANALYST, RBC: The first one was on Kashagan. I think last quarter you mentioned that you were expecting it to get to 230,000 barrels a day by yearend, and then be at full plateau by the middle of 2017. Then, as of today, your guidance is a little more cautious.

I was wondering if you could just talk about if there's any change in view there or whether you're just being conservative?

And then the second question, just going back to the cash flow framework, I was wondering if you could just highlight or quantify the maintenance volumes in Q3 that were offline, that are going to come back in Q4? That would be really helpful. Thank you.

MASSIMO MONDAZZI: Okay. Antonio will give you the answer about Kashagan.

ANTONIO VELLA: I think the production sometimes has been mentioned in barrel and boe. There is a little confusion among all the communications in the press coming out. The 230 are barrel oil equivalent.

MASSIMO MONDAZZI: Okay. So, this is part of the answer. Today, as I said, we are producing 100,000 in terms of oil. That means 130,000 more or less, in terms of boe, including gas.

The ramp-up is going ahead. The field is quite complex. No issue at all up to now in terms of progressing towards the full production. We cannot be engaged together with a joint venture targeting some intermediate steps towards the 200,000 to 370,000 boe expected by the end of next year.

So, we are a bit cautious in projecting, but I would say nothing changed versus last time, when we disclosed some numbers.

In terms of production offline. In the third quarter, more or less, we are talking about 40,000 boe per day shutdown, because of maintenance that would be, again, in production in the fourth quarter.

BIRAJ BORKHATARIA: Thanks. That's really helpful.

OPERATOR: Hamish Clegg, Bank of America.

HAMISH CLEGG, ANALYST, BANK OF AMERICA MERRILL LYNCH: Two questions. First of all, do you think you could give us a little bit of reassurance on Goliat, after seeing it switch on then off multiple times this year, that we can start to see a consistent production from Goliat, maybe talk about the remedies that you've put in place?

And second, do you mind explaining, probably once again, just in very simple terms, the tax impact on the net income in this quarter, because it seems that not only you but other companies too are not really benefiting from a tax yield in lossmaking times?

I appreciate there are non-tax deductible costs, but do you mind explaining it very simply? And is this just a function of oil price, or is there something else?

MASSIMO MONDAZZI: Okay. Antonio will give you the reassurance about Goliat, and I'll answer the question about the tax rate.

ANTONIO VELLA: After the startup that we made in September, all the action -- the remedial action has been made -- minor remedial action has been made. And since that we never shut down again. I think the performance is quite well at the moment on Goliat. We don't expect any shutdown. The production is over 100,000 barrels per day, 100%. All the rest of the plant is working very well.

HAMISH CLEGG: Could you just add what -- before you do the tax, if it's okay, do you mind just telling us what the minor remedial action was, and why we should be confident that the problem is solved?

ANTONIO VELLA: It was just a training process that we made to our people. As you know, this is a platform, a very sophisticated technology, and this is -- that was the main issue that has been resolved already.

HAMISH CLEGG: Okay. Thank you.

MASSIMO MONDAZZI: As far as the tax rate, I'll try to do my best to explain very simply more in detail what's going on. Let me break down the overall tax rate in two pieces, the E&P part and the other businesses.

E&P recorded, in the third quarter, a tax rate in the range of 100%. Why 100%? Because the majority of profit before taxes we recorded in the third quarter is coming from PSA, with, I would say, higher than the average tax rate.

Why? The other activity is mainly concession. At the level of price that we had in the third quarter, as well as the nine months, are, I would say, slightly positive or even negative. In this case, by definition, the algebraic sum of this element will result in a tax rate that is even higher than the maximum tax rate we paid.

On top of this, if you consider that in some cases, for example, in Italy where we, overall, recorded a loss. We currently measure how bookable are these losses in terms of deferred tax asset versus the future recovery, so the future generation of recordable income.

So, due to the fact that this future flow is not enough at the current scenario to cover all the future -- the current losses, the current losses are not fully booked in our balance sheet. That's the reason why.

For example, if you look at the refining and marketing or gas and power, so the remaining business mainly in Italy, the relevant tax rate in the third quarter is in the range of 18%. Why 18% and not 27% is the current tax rate? Because the remaining part has not been booked as deferred tax asset, because of the phenomenon I just mentioned. I hope I contributed to a better explanation.

HAMISH CLEGG: Thank you very much.

OPERATOR: Alastair Syme, Citi.

ALASTAIR SYME, ANALYST, CITI: I just had one question. I just want to come back to gas and power, because I must admit, I'm still a little confused. Is the turnaround in EBIT performance, operating profit performance in 2017, the EUR400 million, simply a function of stopping the losses on gas supply contracts?

And if so, is that entirely down to renegotiation or is there some assumption around recovery and hub pricing being built in?

MASSIMO MONDAZZI: Yes, we said that it will be function of renegotiation that we expect will take place all along 2017. Together with the current action that we already put in place, in terms of, I would say, reduction in cost. I mentioned that we already got EUR200 million out of EUR350 million that is our projection. That is the process that is going on, together with maybe the, I would say, enlargement of our trading activity.

So, all this together will imply, by yearend 2017, a significant reduction of the EUR400 million losses we are suffering in 2016.

ALASTAIR SYME: So if the renegotiations take place throughout 2017.

MASSIMO MONDAZZI: That's definitely the bulk of the activities looking forward to reduce this overall loss.

ALASTAIR SYME: So, is the implication, therefore, that this year you've lost more than EUR400 million on those gas supply contracts? Is that a fair assumption?

MASSIMO MONDAZZI: No, I would say in principle, no. It will depend on the market condition, difference between oil price and the up price or whatever. But, in principle, I would say no.

ALASTAIR SYME: And on the hub price, is there an assumption around the hub price in 2017, because the hub price has moved a lot even in the last month. So, quite difficult to get a sense of where that guidance is based on.

MASSIMO MONDAZZI: Definitely. If we remain with some oil link supply contract, while the oil price will go up and the up price will go down, by definition, because of the phenomenon, we will see our losses increase, just to give you an example, considering the same contract in place.

So, that's the reason why our scope, as Massimo said, is to renegotiate even the latest contracts that remain to be negotiated -- renegotiated in 2017.

ALASTAIR SYME: Okay, thank you very much.

OPERATOR: Martijn Rats, Morgan Stanley.

MARTIJN RATS, ANALYST, MORGAN STANLEY: You've gone through a lot already, so I'll keep it at one. I wanted to ask you what the status is of the EUR1 billion claim from GasTerra and the bank guarantee that you've given up.

Where are we now in that process and can we expect some sort of provision on that at some point? Can you give us an update?

MASSIMO MONDAZZI: So, Massimo will give you the answer.

MASSIMO MANTOVANI: Well, the guarantee is going to stay there until it's the end of the arbitration process and the arbitration process from our side is in respect of the revision of the price and that -- when you consider overall what the situation -- can be the outcome, we do expect the price should be adjusted in respect of the Italian market conditions.

MARTIJN RATS: Okay, thank you.

OPERATOR: Irene Himona, Societe Generale.

IRENE HIMONA, ANALYST, SOCIETE GENERALE: Just one question, please, on cash flows, if I may. You mentioned, Massimo, that year to date the cost of the non-incurring interruptions of Val d'Agri, etc., was about EUR2 billion.

Effectively, if we add back that plus nine months plus a stronger Q4, effectively the underlying is on track with strategy. In practice, of course, the actual differs and the actual will be closer to EUR6.5 billion and, in practice, equity on the balance sheet has declined about 13% since yearend, so gearing is up a little bit.

My question, really, is about next year, 2017. In a scenario where there is an OPEC response, oil slips back down to \$45, how would the Board's response differ to the current plan? How can we think about the three internal levers available to the Board to react at \$45 oil to protect the balance sheet?

I'm thinking about OpEx/CapEx/dividend. What is the relative flexibility for you on these three in an environment of \$45 as you look to protect the balance sheet? Thank you.

MASSIMO MONDAZZI: Thank you, Irene. So, probably your question will receive a full answer why we present next strategy -- next full-year plan, so approximately February/March 2017.

Now, let me say that, up to now, as far as we can see, the development of our business, including disposals, including the overall external environment, I mean, at the commodity prices, there are no reasons to think about a change in our strategy.

On top of this, do you remember we said that to protect what we said we retained some additional lever that maybe others already spent in their action that we are still keeping on our pocket, in order to cope with a worsening looking forward of our scenario.

First of all, in terms of disposals, you remember that we said that we confirmed that the retail gas and power business is not more considered core in our portfolio, but any proceed is not included in the EUR7 billion disposition we declared.

And, let me say that this divestment will not be related to the overall, I would say, environment in terms of oil environment. So, it will not follow, in case of a lower oil price, difficulties in dispositions.

On top of this, we didn't use any other tools, such as average or whatever, in order to reduce the weight of the debit on our equity.

So, on top of this, I will say Zohr would be spent in 2017 to complete the first phase of investment, so to respect the yearend production start-up. But we are still retaining some lever in our CapEx manoeuvre that can be readjusted, in case performing next strategy presentation we realize that there are some negative effects not considered in the previous plan.

These kinds of additional levers, together with what has been already performed, Irene, that will, I will say, give benefits looking forward. Our expectations in terms of divestments are keeping us quite comfortable about what we committed.

IRENE HIMONA: Thank you, Massimo.

OPERATOR: Theepan Jothilingam, Exane.

THEEPAN JOTHILINGAM, ANALYST, BNP EXANE PARIBAS: Three quick questions, actually, please. Could you just update on Zohr and the development progress there and just provide a little bit of colour in terms of is the CapEx spend in 2017 for Zohr likely to be similar to a level of 2016?

Then my second question is if you could just update on what you see as exploration spend for 2016?

My third and final question is could you give us a progress in terms of when you see the timing for Coral FLNG and the final investment decision? Do you think that will be before yearend or not? Thank you.

MASSIMO MONDAZZI: Okay. I'll ask Antonio to answer about Zohr and Luca to answer about the exploratory targets. And then I'll answer about Coral.

ANTONIO VELLA: Concerning the Zohr development, we are on schedule as we anticipated, December 2017.

The spending, it's matching our budget. It's going to be -- including exploration cost in 2016, it's going to be \$1.4 billion.

I'll leave Luca to give you much more colour on exploration of Zohr.

LUCA BERTELLI, CHIEF EXPLORATION OFFICER, ENI S.P.A: I think you ask about the capital expenditure of exploration in 2016. Our projection is about \$800 million a year, including all the price of campaign of Zohr.

MASSIMO MONDAZZI: Okay. In terms of Coral progress, the FID, you remember we got the government approval for the development plan? We got the environmental license. We completed the tender, proceeded. We selected the winner, by the way, taking, as I said, full advantage of the current service environment. We signed the gas agreement; that has been announced a few weeks ago.

The last steps towards the final investment decision is the final commitment of the project financing. The process is very mature. We are quite ahead. We are collecting the commitment from all the involved banks. So, the process will keep some weeks to be completed and, at that time, we will be ready to take the final FID.

THEEPAN JOTHILINGAM: Okay, thank you. Could you just clarify, do you think spend on Zohr will be the same in 2017 as 2016, or will it be less or more?

MASSIMO MONDAZZI: The expectation I guess would be a bit higher. The expansion will be a bit higher in 2017 than 2016.

THEEPAN JOTHILINGAM: Okay. Thank you.

OPERATOR: Lydia Rainforth, Barclays.

LYDIA RAINFORTH, ANALYST, BARCLAYS: I'll try and keep it short. If I could just come back to the gas and power guidance again for next year. Of that \$400 million swing, can you give -- did I understand that right, that you said about \$200 million of that swing will be down to reduced cost? And does that then imply that the other \$200 million is down for the contract renegotiations?

And I just want to check in terms of the cash flow from new projects coming on stream. I understand you can't give it for any one specific project like Kashagan, but are you able to give us what that average cash flow per barrel for new projects coming on stream over the next couple of years is compared to the current average for the portfolio? Thank you.

MASSIMO MANTOVANI: I don't think it's correct to split the issue as you said. Also, it's difficult and also for commercial sensitive information, I'm not going to tell you how much is the discount or the reduction in respect of the gas supply.

The key issue for us the structural break-even in bringing the price in line with the market price, and that really remains what we look at for 2017.

LYDIA RAINFORTH: Okay, thank you.

MASSIMO MONDAZZI: So now your second question, Lydia, it's difficult to give you an answer in terms of cash flow. What I can say, that if we are targeting the full production from Val d'Agri and Goliat in 2017 and the ramp-up of Kashagan, the amount of cash expected by 2017, I would say, will be a significant amount. Again, we are talking about oil; we are talking about oil that, as far as Kashagan, we suffer a little bit tax rate; Val d'Agri, we suffered no tax rate at all.

So, I cannot enter giving you some precise number. But, I would say, together with the other major fields we have in our portfolio, just to mention Karachaganak and others, this contribution will be a very important one.

LYDIA RAINFORTH: Understood. Thank you very much.

MASSIMO MONDAZZI: Okay. So, thank you very much and have a good afternoon. Bye, bye.

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

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