



2014 First quarter results

April 29th 2014

Presentation and Q&A

Presentation

Speaker:

Massimo Mondazzi - CFO

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

Before I take you through the financial results, let me give you a summary of the main highlights of the quarter.

Reported E&P production was flat versus the previous quarter. However, when taking into account the sale of our assets in Siberia, that occurred at the end of last year, production was up more than 2.5%.

In exploration, we have continued to record material successes, enlarging our resource base and increasing portfolio optionality. During the quarter, total discoveries, mainly oil, amounted to 200 million barrels. In line with our budget, the unit exploration costs was 2 \$ per barrel.

In G&P, Q1 results benefitted from the renegotiation of the Norwegian gas supply contract, whose retroactive effects (which will be cashed-in during the second quarter) more than offset the backdrop of declining demand, weak prices and a very mild winter. We continue to improve our performance in resilient segments such as LNG and new structured products.

Our Refining and Chemicals businesses were materially affected by a very weak scenario with lower demand and depressed margins.

At the Corporate level, we continued with our divestment program, selling a further 7% of Galp. Cash for this transaction will be accounted for in the second quarter.

The market scenario was overall weaker than the corresponding period of last year:

- Brent averaged 108.2 dollars per barrel, down 4% percent;
- refining margins were dramatically depressed, posting a 52% reduction when compared to the first quarter of 2013;
- finally, the Euro kept on appreciating, averaging 1.37 dollars over the quarter;

Looking at the overall results, adjusted operating profit was 3.49 billion euro, down 7% versus last year. I will go through each component in the coming slides.

Adjusted net profit was down 14%, also due to a 3 percentage points increase in tax rate versus the first quarter of 2013, as a larger share of taxable income was generated by Exploration & Production subsidiaries exposed to an higher tax rate. Turning now to the results of each business. E&P first.

When netting the effect of the disposal of our Russian assets, hydrocarbon production of 1.583 million boe per day was up 1% over the same quarter of last year. Continuing ramp-ups of production mainly in the UK and Algeria offset mature field declines.

Compared to the previous quarter, production was up more than 2.5% or around 40 thousand boe per day, principally due to the resumption of the Wafa field in Libya, whose closure had weighed heavily on Q4's performance.

However, with renewed protests currently affecting Wafa, and bunkering activity continuing in Nigeria, we confirm the guidance of a flat 2014 production profile. E&P adjusted operating profit was 3.45 billion euro, down almost 14% mainly driven by lower oil prices and by the appreciation of the euro against the dollar.

Turning now to Gas & Power, adjusted Ebit was 241 million euro, as compared to a loss of 211 million in Q1 of 2013.

The positive effect of the renegotiation with Statoil was partially compensated by lower margins and reduced sales of gas and electricity, down 11.3% and 9.9% respectively, due to structural demand headwinds and a persisting condition of oversupply in the European market.

Notwithstanding the weaker market environment, we can confirm our previous guidance of full-year reported Ebit in line with 2013. The Refining & Marketing Division reported an adjusted

operating loss of €223 million, which was €89 million worse than the corresponding quarter of 2013.

The negative result was due to the sharp reduction in European benchmark refining margins, caused by a persisting excess of capacity, weaker demand for oil products and increasing competitive pressure.

Refining throughputs declined by 15.5% due to the planned shutdown of the Venice plant, currently under conversion into a Green Refinery, and maintenance activities at other sites.

Overall sales declined 5% year on year, mainly driven by sharply lower sales in gasoil and gasoline in Italy, only partially compensated by increased sales in Europe.

And finally, the other businesses.

Versalis reported an adjusted operating loss of €89 million, a 41% deterioration from the first quarter of 2013, reflecting the continuing weakness in commodity demand and increased competition from Asian producers.

The Engineering & Construction segment reported an adjusted operating profit of €128 million, down by 37% from the first quarter of 2013.

Other Activities and Corporate posted an aggregate loss of 126 million euro, versus a loss of 137 million last year.

Turning now to the debt.

Net cash generated by operating activities amounted to 2.2 billion euro. It has been negatively affected by the increase in Saipem's working capital for more than 850 million euro, expected to be more than recovered before year's end. In addition this performance does not reflect the benefit from the Statoil renegotiation that will be cashed in during the second quarter.

Our disposal program contributed with 2.2 billion euro, following the sale of Arctic Russia fields, for which we received consideration at the beginning of the year. A further 700 million euro, related to the sale of a 7% of Galp stake will be accounted for during the second quarter.

Capital expenditure amounted to 2.8 billion, of which 83% in the E&P sector.

As a result, net financial debt at the end of March was down €1.2 billion, resulting in a leverage of 22%. Both on capex and leverage, we confirm our guidance for the full year. Thank you for your

attention. We will now be happy to answer your questions

Questions and Answers

Corporate participants

Massimo Mondazzi - Eni S.p.A, CFO

Marco Alverà - Eni S.p.A., Senior EVP, Trading

Daniele Ferrari - Eni S.p.A., CEO Versalis

Conference call participants

Oswald Clint - Sanford Bernstein, Analyst

Theepan Jothilingam - Nomura International, Analyst

Irene Himona - Societe Generale, Analyst

Lydia Rainforth - Barclays, Analyst

Michele Della Vigna - Goldman Sachs, Analyst

Thomas Adolff - Credit Suisse, Analyst

Jon Rigby - UBS, Analyst

Giuseppe Rebuzzini - Fidentis, Analyst

Alastair Syme - Citi, Analyst

OPERATOR: (Operator instructions) Oswald Clint, Sanford Bernstein.

OSWALD CLINT, ANALYST, SANFORD BERNSTEIN: I guess I'll start with the obvious question about Kashagan and if you could provide us with some details or updated details about what's happening with the project.

And my second question was actually on Mozambique. There has been some talk from Anadarko through the quarter about selling that gas on a Henry hub and oil linked pricing mechanism. I wonder if that's something that you would also consider for your Mozambique LNG asset going forward.

MASSIMO MONDAZZI, CFO, ENI S.P.A.: First we talk about Kashagan. As we said during the starting presentation at the beginning of the year, the first results of the investigation we started very intensely the repair works on the pipeline. The following day the result of the investigation of the gas pipeline and the onshore and transition zone and the oil line that finished in end of March when the operator gave out the result, was quite clear that the situation was worse than what we consider were the first results of the investigation. So the most likely situation is still replacing the two pipelines as an (inaudible) operator and the ministry said in the last week.

The operator meanwhile while investigating, we also started a [duty contest] and a tendering on the pipeline, also on the spreads to be rated only the cap solution. So we think to have a (inaudible) operator in June a final situation on the cost and timing and depending on the project. It's clear that as we said already at the beginning of the year, we didn't consider any production or a margin of production in 2014, so 2013 in terms of guidance of production will not be affected. And looking forward for the 2016, we do not (inaudible) the results, so we already put some contingency to cover a possible lack of production in 2015.

Other details on Kashagan we can say that all the lab tests that we run in three different labs independently in UK and France and Italy certify that the material we use, the carbon steel, for the pipeline was elevated and was in line for the Kashagan conditions, the fluid conditions. And the problem is related to some spot (inaudible) point in the pipeline, but mainly in the welding. So that is the issue. And for the future we are working with the suppliers, with the contractor, with the manufacturers to be sure that we don't have this kind of problem in the future again.

For Mozambique I think that you ask about for more about the (inaudible) issue. We are really working hard and with good results on the commercial side. A lot of interest, but we don't really prefer to disclose any kind of formal or any kind of detail on what we are discussing with our buyers for -- clearly for our competition issue. So what I can say that there are a lot of interest and by the end of the year we will be ready to sign (inaudible) contracts for Mozambique gas.

OSWALD CLINT: Is it possible to be more specific on that contingency or the assumed numbers you have for volumes for Kashagan in 2015?

MASSIMO MONDAZZI: What I can tell you at the moment, maybe it will be more clear and precise in the second quarter, the thing that is we are going to have a lack of production about between 50,000 and 60,000 barrels per day but first we're considering our contingency plan for

2015. But second, we had some good results in terms of discoveries. Discovery that we can fast track in Nigeria, in Congo, in Egypt. So above this contingency that we considered in our plan, we have some -- we have this new production, new discoveries that will give a strong help and contribution to replace this possible lack of production.

OPERATOR: Theepan Jothilingam, Nomura International.

THEEPAN JOTHILINGAM, ANALYST, NOMURA INTERNATIONAL: A number of questions, please. Just on the other big flagship project for yourselves, can you just talk about timelines on Angola, if you're still on track for a start-up later this year?

Secondly, just you mentioned the Congo. If you could perhaps give us a little bit more color there in terms of the progress around the exploration and appraisal program on Nene Marine.

And then thirdly, just on gas. An 11% decrease in volumes. Could you talk about the shape you see in terms of demand for the rest of this year please?

MASSIMO MONDAZZI: First, we'll talk about Goliat. So Goliat we are in progress with the commissioning and our plan is still to be able to finalize at least arrive at the commissioning level of about remaining 500,000 man hours before standing away. And the plan is still, we are working still to have this (inaudible) way of the (inaudible) so by June.

So without the condition to celebrate this (inaudible), the first is to achieve this target of 500,000 man hours. And the second one is to have a float detail in Norway in the Bering Sea by the end of October. So that is something that we are working on because at the moment it's not easy to find a barge for this period, but we are still working on it.

Contractually we have two options. We have a first window already contracted for the sell away in June and we have the second window at the end of the year in January.

So which is the difference? The difference is that if I sell away in June, I arrive in location in mid-October, then I have to finalize the completion. (Inaudible) can use the second window in January, but if I sell away in January, I will sell away after it's all completed, finalizing time of completion. So as soon as I reach the location, that should be in February and March, the ramp-up will be faster.

So the two situations, the two windows have practically few months of differences in terms of start-up. So that means that the lack of production for 2015, considering second window, will be marginal. And as we've said before, already covered as Kashagan by the contingency and by the additional production.

Second point Congo. So for Nene, in line with what I said, we want to use what they find last year to roughly get first production where we are working on two different parts. The first one is to get an early production if possible that is quite new in 2014. And we are in the right track, we want to start production either initial production, then grow the (inaudible) production in 2015 that are ready as a first production to test the reservoir. The last well was very good, we had a production of 5,000 barrels per day without any kind of stimulation or without any, say natural flow. And that is really the good news. And this well, Nene (inaudible) gave out very strong positive news in terms of production, but also increased their reserves on the field.

So we go ahead with this early production, we go ahead with the full (inaudible) production that, as we've said, we'd like to add in production in 2016, so we are going to ramp-up until 2016 and then we start the full production. In parallel, we have to get out of two wells to test additional [optionality] in the field because we have the other two structures that we are to understand if they are connected or not connected with good dimensions. And we feel (inaudible) possible -- a possible addition of the potentially about 800 million barrels.

So that is additional good news where we are going to drill these two wells in 2014 and I think beginning 2015.

The third question, let me ask Marco.

MARCO ALVERA, SENIOR EVP, TRADING, ENI S.P.A.: On the gas demand, we've seen a fall quarter on quarter of 18% in Italy. So the Italian market has been 21.5 bcm versus 26.2 bcm in the first quarter of 2013. So our loss of 11% is actually a gain in market share.

But I'd just to take this question to make a comment that we don't use volume that much as the reference because the volume guidance on gas in the moment when we have a liquid PSV hub is no longer that relevant as a guidance. I think what Massimo said earlier is what is relevant in the declining demand we're able to confirm the guidance we'd given in February of replicating the 2013 result in 2014.

In terms of where the decline was, I think its power has deteriorated significantly and the weather has been a lot warmer on the residential sales.

OPERATOR: Irene Himona, Societe Generale.

IRENE HIMONA, ANALYST, SOCIETE GENERALE: I had a couple of questions. So firstly, in the quarter you had quite a material working capital cash outflow EUR1.7 billion negative working capital. Can you talk a little about what caused that and would you expect it to reverse over the rest of the year? Or any comment you can make on that would be helpful.

And then secondly, given the widening losses in Q1 in both R&M and chemicals, should we assume that we end up for the full year with bigger losses than in 2013? Is that what your guidance states at present?

MASSIMO MONDAZZI: First to your question about the working capital. Yes, it's true, with (inaudible) significance the deterioration of our working capital. This amounted to EUR1.7 billion in the first quarter. And this has been viewed significantly by, as I said, aside from working capital increase, as commented by the Company itself, due mainly to a lack of a down payment in the first quarter plus some credit that has been mature in some contracts that are expected to cash-in in the remaining part of the year.

So we are relying upon the forecast made by the Company that would revert, more than revert, at this cash absorption in the first quarter.

Second, I would like to remind you that we accrued the agreement with Statoil that will be cashed after the first quarter, so that's another very relevant element to justify the increase in working capital.

And third, we factored less receivable due to the decrease expected in the net debt at the end of the quarter. So having said that, our forecast is to see a significant decrease in working capital by year-end.

MARCO ALVERA: On refining, Irene, I think it's obviously very much driven by the refining margin assumption.

Looking at the forward curves this year, including the first quarter actual, we can expect an outlook to be in line with 2013 where we have on the upsides some of the cost reduction initiatives that we've initiated, some of the capacity reductions that we've initiated with Venice. And we have on the downside some maintenance in the first quarter that we expect to recover. So I think at the same scenario of last year we should expect a very similar result.

Daniele, do you want to comment on the chemical side as well?

DANIELE FERRARI, CEO VERSALIS, ENI S.P.A.: I was going to say that the chemical side is expecting an improvement versus last year. The fact that we made it cost of one a worst result as compared to last year is particularly due to the licensing business and the way that we account the basically profitability on some of the licensing that we did last year.

We are anyway acting on or reducing capacity in line with other people, like the closure of (inaudible) for the Alaskan oil business is our reaction to the shortage of demand in Europe

particularly. And continue to reposition our assets and products internationally where demand and profitability is in a better shape.

We have also made an important agreement with Elevance Renewables to finish the reconversion of the [Megaera] site, which was the last of the three critical sites we were due to address this year.

OPERATOR: Lydia Rainforth, Barclays.

LYDIA RAINFORTH, ANALYST, BARCLAYS: A couple of questions if I could. Firstly on Libya, can you give us an update as to what you're seeing within the country at the moment?

And then secondly, Claudio, can I just invite you talk through what your priorities will be when you take on your (inaudible) sort of as we start (inaudible) May?

MASSIMO MONDAZZI: About Libya, in Libya the situation is still really volatile. In the first quarter we were able to perform quite well in line with our guidance because we produce about 250,000 barrels a day average.

The situation now after March is likely to be worse because Wafa has been shut-in and I should think for about four weeks and their production is declined to 170,000 barrels per day. So the situation in Libya is still volatile. We think that we have some contingency, so we can use our contingency to compensate this lack of production in Wafa. It's clear that we tended to compensate for all there. We are working hard with the National Oil Company and with authority to find the way to start again Wafa. We don't have any major problem, we don't at all problem of our facilities, so that is a good point. Just the way that they close -- shutting the doors. That is your first question.

For the second question, (inaudible) said that we are here to talk about the first quarter and I've said to start answering to questions about the future. First of all, after my takeover that will be in May, and second also after adding the possibility to talk about my priorities with my board. And also that we'll be ready to talk about the future.

OPERATOR: Michele Della Vigna, Goldman Sachs.

MICHELE DELLA VIGNA, ANALYST, GOLDMAN SACHS: Claudio, first of all congratulations on your new role. I was wondering if I could ask you two things. The first one is how you're progressing in terms of your West African pre-salt exploration. (Inaudible) has been a huge success. I was wondering what are you looking at next.

And then finally, whether you could give us an update of some of the key SIDs that you intend to take over the next 12 months?

MASSIMO MONDAZZI: So pre-salt we are still really engaging in the pre-salt exploration and as you know, they are drilling (inaudible) pre-salt target in the Bakken and Eagle Ford. This is in shallow water, but is verified good.

We are finalizing drilling in Angola. (Inaudible) and we are just reviewing the results and hope and I think that very soon we're going to issue a press release on the result. And we are continuing also other activity on their onshore result in Congo and also in Angola. So we are -- I think that we can say that we are going to drill additional six wells this year on this result.

On the (inaudible), we are on track to reach our target of 800 million barrels. This cold weather we already discovered a 200 practically oil -- on the oil. That's a very interesting exploration unit, cost of \$2.00 per barrel.

So exploration, so far, so good.

For the main FID for 2014-2015, we have the OCP project in Ghana. Then we have also in Italy (inaudible) there that is a very important gas field in Italy.

Then we have Indonesia (inaudible) and also in Indonesia a project that is not operated by ours but by Chevron, the IDD project that we hope to be able to sanction this year. And as I told you before, we have the reproduction of Nene in Congo that want really to start as soon as possible. And in 2016 we have to establishing and also the full field of Nene.

Then we have -- okay, we have also the block, in Mozambique where Mozambique the block 4 and the coral, we have to sanction by the end of the year. And (inaudible), (inaudible) and then (inaudible) west, that are the major projects that we are going to sanction.

OPERATOR: Thomas Adolff, Credit Suisse.

THOMAS ADOLFF, ANALYST, CREDIT SUISSE: I've got a few questions firstly on Mozambique and the FLNG. There's still a few regulatory things that needs to be sorted out like the petroleum law. But could you perhaps talk about how you think the FLNG will be treated from a tax perspective in terms of will it be ringfenced?

And also just following on your earlier comments just now on FID. So your base case is to FID the offshore first before the onshore. Can you perhaps talk about what your base case is for FID on the onshore part of Mozambique?

That's on Mozambique.

And another question just briefly on Iraq and Zubair. What's the point of sticking around? I mean isn't that really distracting you from more interesting projects in your portfolio?

And finally, I didn't quite hear you well earlier on. Could you again say what you have to see in terms of production cash flow from Kashagan for 2015?

MASSIMO MONDAZZI: For Mozambique. So for Mozambique, yes, we have two, I would say two projects in (inaudible) and 4 Coral. So for Coral we didn't have any discussion ongoing any engagements on the (inaudible) or any -- because 4 Coral, as in the (inaudible) LNG will be inside the E&P contract. They all will be treated as a cost gas -- cost of gas in the BNC contract. So we are not discussing this specific issue. And that is the good news.

Also for the onshore, what we were discussing that is mainly the (inaudible) because they recently are allowing Mozambique practically cover all the different points of different aspects of the project. I'm talking about the LNG onshore.

And we are discussing, we are -- first of all, we want to be this existing (inaudible) be confirmed for our big investment and second, the remaining (inaudible) a fiscal responsibility all along the project life. And that is the main discussion. There is -- the engagement of the [authorities], the additional authorities started last year with Anadarko at each level and (inaudible) for the onshore LNGs, one of the main conditions (inaudible) to add the FID. We think with the discussion we have the authority that we'll be able to have the final document approved and valid in -- by the end of the year.

Zubair, Iraq. So we say that this -- you can use that our resources. And sometimes I think the same, that you know that our engagement in Iraq was a strategic move. We're moving it back and adjust for (inaudible), but we thought -- we're still thinking that Iraq is a very important oil country and they (inaudible) oil country. But the situation there must include in the future where a lot of interesting opportunities, not only in terms of brownfield, but also greenfield.

It's clear that we are suffering some drop this year and some slowdown in our action. Again now, we've got approval for all the full field developments that through which we had to produce 850,000 barrels per day. We had the approval of the [POD], we had the approval of the three out of the main five contracts. We are still discussing the remaining contracts on the gas plant and all the building there and all the water supply.

I'm confident the exposure -- there's no exposure. We (inaudible) invested equity EUR1.9 billion and recovered already EUR1.7 billion, EUR1.6 billion, so we don't have any exposure because

every three months we are able to recover to the cost of oil and to selling (inaudible) our investment.

At the moment we are still there. We are still there, we are discussing. I think I've seen the last four months' situation improved. (Inaudible) I see that as a long-term investment for the future. And it's here that in the next year we are going to see and understand it's the right investment or the wrong one. And we are going to take a decision. At the moment we are still there, we are increasing our production. We are really engaged and we're getting good results.

So Kashagan, the cash flow for 2015. Okay, this question -- what I can tell you that from a production point of view I can say that we are -- we will be able to compensate the lack of production of Kashagan to our contingency and to a very (inaudible) the new project that we'll start -- we'll put in production.

From a cash point of view, I think that we are quite sure to compensate the lack of cash flow, so confirming our guidance for the next couple of years, if you remember we gave a guidance of, for the two years 2014 and 2015, and we are quite sure because we are going to -- we already have an account plan. We are going to accelerate the divestment. You remember that we presented (inaudible) divestment of EUR9 billion the four years. We are going to accelerate our divestment essentially in the exploration phase or also in other area of the activities to be able to compensate and confirm our growth in terms of cash flow.

OPERATOR: Jon Rigby, UBS.

JON RIGBY, ANALYST, UBS: Two questions. The first, and I'm sorry to labor the point on Kashagan, Claudio can you just walk me through the logistics of the pipe laying exercises and also the tendering exercises? Because as I understand it, you can only lay pipe onshore during the winter and I'm assuming, and you may correct me, that you can only lay pipe in the offshore during the summer.

So I guess you now become quite dependent upon hitting various weather windows and I just wonder whether you could talk to me -- or sorry, seasonal windows. And I don't know whether you could talk to me about that because I guess that gives us some idea about the actual effective replacement of the infrastructure.

And then just to go onto the gas side. Obviously you've now completed the first round of negotiations and renegotiations successfully. So I wonder whether you're able to let me know, one, to what degree your portfolio is now linked to hub pricing and secondly, sort of the timeline that you now expect in terms of the second round of renegotiations to get you to the point that you

need to be.

MASSIMO MONDAZZI: On Kashagan, I think that I'm not in the position in order to really answer in the details of the logistic or the phasing of the project.

It's clear that we are going to use what we did (inaudible) in a different way in 2004-2005 and that we are (inaudible) down in the good season with offshore, we lay down in the cold season for the onshore. So we have the possibility and the flexibility to lay down.

It's clear that the main issue is still phase. They budgeted the spreader -- the spreads availability with the seasons. So what we are doing now is really rushing on the (inaudible) to find out two barges. We already found one barge that is available and we are going to find the second one. And that will be very critical in terms of season, as you said.

For the pipe or the (inaudible) is the experience you asked is there different possibilities in order to (inaudible) the 28 inches with the (inaudible) weld. And we are also starting the possibility to (inaudible) pipelines that are -- there are different size, 20 inches instead of 28. And it's much easier to add and which less problem in terms of (inaudible).

So we are starting and we are moving in parallel. I mean we have started it in terms of security on each pipe's kind of pipe and we are engaging the supplier. So we are ready -- the operator is ready with (inaudible) by the (inaudible) with different (inaudible). Priority in finding all the barges and priority in selecting the different option in terms of (inaudible). So that's what I can tell you now.

MARCO ALVERA: Jon, it's Marco. Absolutely we do look at this in terms of round one and round two. We have completed the round one. You can assume that Statoil is hub linked, that a big part of their (inaudible) is hub linked, that our Italian equity is hub linked. The others remain oil linked. The biggest outstanding for this year is Gazprom, where we start from an okay agreement, but as you know, the hub since we last spoke in February has deteriorated another 15%. And so all these oil (inaudible) contracts need a rather deep second round.

Nothing has changed from in terms of our intention to bring all these contracts in line with market and we will need, as we said before, 2014 and part of 2015 to achieve that target.

Sonatrach will start in October this year, as we said previously. So these are the two big outstanding efforts ahead. In terms of where we are with Gazprom, I think it's very much business as usual. We talk regularly and we hope to bring this contract in line with let's say new market base in the coming months.

JON RIGBY: Is the issue with, I guess Russia particularly, but any of the others that insist on continuing oil link that you have to come up with a way of sort of almost artificially creating a price mechanism that gets you to -- that mimics the hub price, but has an oil link calculation. Is that the complication on this?

MARCO ALVERA: I wouldn't say so. I think we're happy to take oil exposure so long as the absolute level is minus the hub. Now the hub having collapsed recently doesn't help in the sense that we need to go back and readjust that pricing mechanism. Pricing mechanism's quite simple and we have, as with other suppliers, in Gazprom's case, the ability to trigger an arbitration, which is very straightforward in case we don't get to the right price. It's actually a simpler discussion because it's just about a number, which is the discount on the current formula. So the effort right now is just to fix the contract number and bring it in line with the market.

OPERATOR: Giuseppe Rebuzzini, Fidentis.

GIUSEPPE REBUZZINI, ANALYST, FIDENTIS: I've got three questions, two again on Kashagan. The first is if you can give us a broad range of the incremental costs for fixing the problem with the pipelines, as long as you have some estimates today.

And the second is if you have any possibility to recover part of the cost of insurance or part of it from the contractor doing the welding in this case, if you can confirm which was in particular or which were the contractors involved in this activity.

And the third question is if you can remind us about your guidance for the tax rate for 2014.

MASSIMO MONDAZZI: Kashagan. The first question, as I said before, we don't have still from the operator, a cost guidance or cost estimation and timing. We have some idea, but because the operator and (inaudible) and they have to disclose and present officially to the first party to the ministry these figures, I think that we are to wait until June to know exactly about cost.

In terms of cost recover ability. So from a contractual point of view you know that all costs incurred after the first of October, without reaching the [KTP] are not recoverable. From an assurance point of view or from any other kind of view, we cannot disclose and talk about that because we don't want to create any prejudice to the party involved. So that is an issue where I can't say anything at the moment.

MARCO ALVERA: And next part is the tax rate for 2014. I can confirm that our expectation is to have a tax rate of around 66%, well in line with what we experience in 2013.

OPERATOR: (Operator instructions) Alastair Syme, Citi.

ALASTAIR SYME, ANALYST, CITI: A couple of questions. Marco or maybe the question is for Massimo, on the gas business, given the losses in that business, are you building up some sort of tax credits that as that business returns into profitability that you can help offset?

Secondly, Claudio, can I ask you about the E&P cash flows? Have you looked at unit cash flows over the last couple of years? They look to be (inaudible) and they've come down around 8% from where they were in 2012. Is that just a loss of high margin production or is there something else going on there?

And finally, can you just quantify exactly what the level of contingency is that you had built into your forecast?

MASSIMO MONDAZZI: Can you repeat the last question because -- or you can talk a little loud because we are not able to hear you. Can you repeat the last question?

ALASTAIR SYME: The last was how much contingency is built into your forecast? I think you maybe have previously given some numbers for 2014.

MARCO ALVERA: Well, about the losses generated by the fiscal (inaudible) by the gas losses in Italy, I would say that we used to offset the overall losses in Italy and it's come from a refinery transfer plus gas, compensated by the income generated by the [NP]. So there's an overall assessment that they made year by year based on the forecast and we accrue only the taxes that we estimate we can recovery in the next years.

So that's the (inaudible) we perform year by year on this respect.

ALASTAIR SYME: So you don't open up a big stockpile of accruals then.

MARCO ALVERA: No, I would say no.

MASSIMO MONDAZZI: So your second question about the cash flow. I think that you are talking about the cash flow or considering the (inaudible) for cost and for price. Our cash flow per barrel is always above \$30 per barrel. That is our figure at the moment, so I don't see any reduction. And as we said, what we see in the future, considering our guidance, these costs -- these (inaudible) has to increase. So there's no doubt in the cash flow per barrel.

Contingency, well we talk about contingency (inaudible) there and the (inaudible) presentation and we have some high contingency for the first couple of years. So about 100,000 barrels per day the average the first 2014 and something more far from that figure also for 2015. Then we are going to -- we are decreased because we are much further projects coming in 2016 and 2017. So that

are the figures.

ALASTAIR SYME: That's 90,000?

MASSIMO MONDAZZI: (Inaudible)

ALASTAIR SYME: Okay.

MASSIMO MONDAZZI: Okay, yes. At \$90 -- \$100 per barrel, yes.

OPERATOR: There are no more questions at the moment.

MASSIMO MONDAZZI: Thank you very much.

MARCO ALVERA: Thank you. Bye-bye.

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

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