2018 Fourth Quarter and

Full Year results

February 15th 2019

Presentation

Speaker:

Claudio Descalzi - CEO

Good afternoon and welcome to the 2018 full year results presentation.

The transformation undertaken by Eni in the last years allowed us, in 2018, to further improve our results, both from operational and financial points of view.

We have been able to accelerate the implementation of our strategy, achieving remarkable milestones in terms of geographical diversification and in the rebalancing of our businesses.

In terms of our priorities, in 2018 in safety we registered a Total Recordable Injury Rate of 0.35, confirming a level that is in the lowest range of the industry average.

For the Environment, we are strongly committed to reducing the carbon footprint of our activities. Upstream GHG intensity decreased by 6% versus 2017.

In 2018 we improved all our main KPIs from the upstream to the downstream sector, increasing our financial and technological efficiency and with an extensive integration of all our businesses.

The main highlights for upstream, are:

A new record of production with 1.851 boed, an increase of 2.5%, excluding price effect.

In exploration, more than 600 mln boe of added resources at a Unitary Exploration Cost of 1,5 $/boe, which confirms our focus on exploration to guarantee organic growth, contributing to a low break-even cost.

Moreover, also in 2018 we reached a very high level of all sources RRR of 124% (105% organic excluding the price effect), which was fostered by new FIDs taken in the period

and finally, we increased the value of each produced barrel faster than expected.

In Mid - downstream:

G&P performance was strong with an EBIT of 544 million €, more than twice that of 2017. This growth has been led by gas portfolio improvements, a remarkable retail contribution of 201 mln €, LNG and power.

Downstream performance was slowed by the high cost of the feedstock, the exchange rate effect and market conditions.

In Refining & Marketing we reached an EBIT of 390 mln € for the full year. This result represents a 25% reduction versus 2017, in line with the reduction in the refining margin.

In chemicals, the downturn was more severe. However, despite the extremely negative scenario, we reached break-even, thus confirming the resilience of our chemical sector.

From a financial point of view we had one of our best performance of the last decade.

Cash Flow From Operations of 13.9 billion €, including the contribution of 400 million € from Zohr deferred cash-in, is 39% higher than last year. This result, driven by our valuable and diversified portfolio, has exceeded our original 2018 guidance of 13.5 billion €.

The efficiency of our investments allowed us to lower our full cash neutrality, that in 2018 reached 52 $/bbl.

As a result, we generated an organic Free Cash Flow of 6.5 billion €, the highest since 2008.

With a net debt of 8.3 billion €, leverage has dropped to 16%, the minimum in the last 12 years and one of the lowest amongst peers.

And now some colour on our recent activities in the Middle East.

The exceptional rate of growth of Eni in this region over the last year represents a strategic achievement, one which was a major target in terms of geographical diversification and a more balanced portfolio.

Starting from a limited presence in the area, we signed 11 contracts, from the exploration to the downstream, according to our model to be all along the value chain.

We entered:

already producing assets that have a high potential growth rate,

discovered giant fields to be developed,

areas to be explored and

one of the largest refineries in the world.

Starting from the 2018 production of 40.000 bbl/d from Lower Zakum and Umm Shaif, we have added the development of Ghasha, the largest gas field in the Abu Dhabi offshore.

Based on this, from the second half of the next decade we will raise our equity production to more than 180 kboed.

We acquired 70.000 square km of “highly-promising/low risk” acreage in Oman, Abu Dhabi, Sharjah and Bahrein. This is the largest acreage held by an IOC in the region.

With a risked preliminary potential of around 3 billion barrels of oil gas in place these areas will be a primary target of our exploration activity in the coming years. This potential will be developed leveraging the existing infrastructures, with an accelerated time to market and low costs.

Overall, in the Gulf, we target a long term equity production of around 400.000 boe/d.

In refining we reached another strategic result with the acquisition of a 20% stake in Ruwais, which increases our overall refining capacity by 35%, without taking into account any further improvements resulting from the already defined expansion plan.

Ruwais is one of the best refineries in the world, a unique opportunity to rebalance our business structure and improve the average profitability of our refining sector.

This deal has two components:

first, we entered a large, flexible producing asset, with an important upside potential; and

second, we are establishing a trading JV with our partners to better capture the market potential in Europe, Middle and Far East and Africa.

It is a significant step-up in our processing capacity that will further enhance the resilience of our refining system.

Through this acquisition we will improve our average breakeven margin from about 3 $/bbl to around 2.7 $/bbl from 2020, and to 1.5 $/bbl at the completion of the upgrading projects, which will increase the complex refining capacity to 1.1 Mbop/d by 2023.

The new development will be entirely self-financed by the revenues of the refineries.

These assets will be equity accounted and will contribute to our cash flow thanks to an attractive dividend distribution policy.

The key drivers that have characterized this impressive expansion in the region have been the deployment of our technologies and our operational model, from exploration to the refining phase.

In 2018 we set a new production record.

With a production of 1.851 boed we grew by 2.5% (excluding price effect) vs last year, mainly thanks to:

- the ramp ups of Zohr and Noroos in Egypt, of Jangkrik in Indonesia and of Kashagan in Kazakhstan; and

- the start ups from the OCTP gas project in Ghana, Wafa Compression and Bahr Essalam phase 2 in Libya and Ochigufu and Vandumbu in Angola.

Lower gas demand, due to geopolitical issues in Libya and Venezuela and to commercial reasons in Ghana, has reduced our existing potential growth by about 27 kboed. The last quarter of the year was also impacted by some downtime in US, Norway and Nigeria.

During the year, we more than replaced our reserve base organically. Proved reserves at year end were 7,2 billion barrels, of which 51% is gas.

Major organic revisions were recorded in Egypt, with progress in the development of Zohr, and FIDs in Mexico Area 1, Merakes in Indonesia and Angola.

Including the positive contribution of the portfolio we recorded an all sources RRR of 124% and around 11 years of life index.

In the past 5 years we have been able to organically replace 130% of our reserves.

Let's now move to the upstream economic results.

2018's EBIT was 10.9 billion €, more than doubling last year's results, with an oil price growth in euro of just 25%.

Better performance in terms of production mix and volumes contributed more than 1 billion € to the EBIT growth of 5.7 billion €.

Upstream Operating Cash Flow was 12.9 billion €, 55% higher than in 2017.

Our generation per barrel, thanks to an improved production mix, was 22.5 $/boe, a level that we had expected to reach at the end of the plan period.

Thanks to the efficiency of our investments which allowed us to keep capex flat, we generated a cash flow after capex of 6.3 bln €.

This excess cash fully covers more than twice our distribution needs.

Mid-Downstream contributed more than 900 million € of EBIT and around 1 bln € of Cash Flow From Operations.

G&P, with 544 mln € had its best performance since 2010, proving the competitiveness of Midstream and capturing high value from LNG where we increased our contracted volumes by 70%.

In particular, Retail G&P contributed to this result with 201 mln €, thanks to greater operating efficiency, the continuous growth of the customer base which now numbers 9,2 million clients, 6% more than last year, and thanks to an improved offer of new products.

Refining and Marketing had a good performance notwithstanding the reduction by 26% of the refining margin. EBIT was driven by an excellent marketing performance with a result close to 500 mln €, while the refining system was impacted by the appreciation of sour crudes due to the U.S. sanctions on Iran and recent OPEC cuts.

In Versalis, we were very close to break-even. It was a difficult year due to the growth in cost of Virgin Naphta by 25%, the weak €/$ exchange rate and an excess of supply in the Polyethylene market due to strong growth in M.E. and US exports.

In 2018, Eni improved its financial performance reaching its best results in the last 12 years.

Eni's organic cash neutrality covered all costs, capex and a full cash dividend at 52 $/bbl, an improvement on last year's result of 57 $/bbl and on our target of 55 $/bbl.

Even if we exclude the deferred cash-in from the Zohr disposal, our cash neutrality remained below 55 $/bbl.

If we do take into account the net cash flow from portfolio activity, we generated a free cash flow, after portfolio and dividends, of 3.8 bln €, the highest since 2006. This has allowed us to lower our net debt to 8.3 bln €, and to reduce the leverage to 16%, and the gearing to 14%.

Finally I would like to highlight the exceptional results we have reached in years of industry downturn.

We have been able to reshape our businesses quickly, so that today's Eni is more flexible, faster, more efficient and more valuable thanks to the large contribution from exploration success and the fast-track development of our discovered resources.

70% of the projects we sanctioned in the last 3 years come from discoveries of the last 5 years.

By leveraging the quality of our portfolio and the low cost development, we have increased our production by 16%, whilst reducing overall capex by around 35%.

The result of this is in an improvement in organic cash generation and a reduction in net debt.

The organic free cash flow now has reached 6.5 billion €, more than double what we had in 2014 with a Brent price that was 30% higher.

Net debt has dropped by 40%.

Thank you. And now together with our Top Management we are ready to answer your questions.

2018 Fourth Quarter and

Full Year results

Q&A Session

OPERATOR: Ladies and gentlemen, we will now begin the question and answer session. The first question is from Mr. Henry Tarr of Berenberg. Please go ahead, sir.

HENRY TARR: Hi, thanks for taking my question. Could you potentially talk about the auctions on the exploration blocks, one in the UAE and the Middle East? So when are you hoping to start drilling activities, and perhaps if you could talk about the potential fiscal terms agreed for the blocks and how happy you are with the arrangements there? And then secondly, following the investment into the refinery in the UAE, are you now happy with the balance of the portfolio or do you think there's potentially more rebalancing to do as you look across the group? Thanks.

CLAUDIO DESCALZI: Okay. Thank you, Luca can you answer for the exploration in Middle East?

LUCA BERTELLI: Yes. Our plans is to start exploring in Abu Dhabi offshore next year, so we have a plan for…start drilling in second quarter 2020 and will follow up with a stream of exploration wells?

CLAUDIO DESCALZI: So I think that you asked also if you are happy with the commercial contractor and contract that we signed, here we are happy otherwise we didn't sign it. And it's clearly considering that is not diluting our package of exploration initiatives, it is not diluting our…in the future our package of development. So these are good conditions and clearly we have to be good also in exploring and finding resources.

For R&M, so I think that now we are very focused on these big initiatives and big acquisition we made. You know that we had plan on development already defined, so we…by 2022 we are going to increase our capacity from 900,000 barrels to 1.1 million barrels per day. We are also…improvements also in Italy because we restart in EST, so our refinery in the north of Italy we start also Gela now. So I think that it is going to be a good period for refinery.

If you ask, if we are happy, and now we think to…we are in a good balance between upstream and downstream. I think that now we improved our position, clearly we don't have any other thing in front of us is really something that we are going to see in an opportunistic way, but considering that we are in the biggest refinery that has a lot of possible future developments I think that we are happy with what we have now.

HENRY TARR: Great, thanks.

OPERATOR: The next question is from Mr. Rafal Gutaj of Bank of America Merrill Lynch. Please go ahead, sir.

RAFAL GUTAJ: Yes, thank you. Good afternoon, I've got a few please. First one just coming back to the ADNOC downstream acquisition. So when that transaction closes in the third quarter this year, your leverage will likely go up by around 5%. So can you just illustrate what that might mean for the timing and level of additional shareholder returns over and above your current dividend strategy? Second question just in upstream you had a 100 million barrel write-off. Could you just give us a little bit of color around where that is and what are the assumptions underlining that reserve impairment? And then finally jumping back to downstream, just a bit of housekeeping on the Milazzo refinery in the first quarter. Can you give us how long that refinery was out due to weather issues in the first quarter? Thank you.

CLAUDIO DESCALZI: Let's say, about ADNOC investment in the refinery. I think the closing is expected by the third quarter. So first of all it is not impacting, I mean, impacting in our capital allocation in respect to the…our dividend policy or our return to investor. So they are not in conflict because also with this acquisition now our leverage will be below the 20%. So from that point of view, there is no problem. Massimo, if you want to answer for the…

MASSIMO MONDAZZI: Yes, so the net write down we made in E&P asset amounts substantially to €470 million net of taxes, more or less half of this value is due to the write-down we are performing on Junin-5 our oil…heavy oil asset in Venezuela, because we have written down all the proved undeveloped resources…reserves sorry, due to the current situation in country. So we have written down also the value. So the issue is related to the difficulty to operate such asset in country right now. So you remember we made a write down of Cardon IV so the Perla…the Perla field in 2017, because of…I would say the uncertainties in country so the difficulties to inject additional money in Venezuela.

Today, we are performing this write down because of the technical issue in country. So the current production is going ahead while the development of the undeveloped reserves is difficult and that's the reason why we are doing so. And the rest of the write downs relate to other assets and may relate to technical issues and a slightly reduction in the scenario we are projecting looking forward.

GIUSEPPE RICCI: Now, about Milazzo, really the long period of bad weather produced some problem in our south refineries not only in Milazzo, but also in Taranto because the bad weather were very long. Now, this was rebalanced reposition…with the repositioning of our product coming from other depot and refinery. And in Milazzo…especially in Milazzo for a couple of week, we had to slowdown some plant but without any shutdown.

CLAUDIO DESCALZI: Thank you.

RAFAL GUTAJ: Thank you.

OPERATOR: The next question is from Mr. Alessandro Pozzi of Mediobanca. Please go ahead sir.

ALESSANDRO POZZI: Thank you very much for taking my calls, I have two. The first one is on ADNOC, the refining unit. It looks like it is going to have a meaningful contribution to your R&M division. Just wondering if you could potentially quantify for us the impact on either earnings or cash flow? The second question on the upstream…gas realizations in the upstream been again very strong. Just wondering if you can give us bit more colour there, I was also wondering may be if there is a lag between the oil price and the gas realizations in the upstream? Thank you.

MASSIMO MONDAZZI: Okay. So as far as the return expected from ADNOC refineries, definitely we don't…we can't be deterministic on this but some numbers has been spent even by the operator and the other partners in the initiative in the range of 10%...10% yield from this investment and broadly speaking we can confirm definitely the cash flow expected from this investment will be a growing one…as we said….as Claudio said, we expect a growth in our capacity…in the refinery capacity up to 1.1 million [bbld], so the return would be in line with this growth with an average that would be in the range of 10% or even slightly higher than 10%.

And the second question…the realization of gas…the realization of gas has been growing in 2018, taking into consideration the increase in the gas realization prices in Europe when we sell the Italian production and the…and part of the Libyan production. So…and the mix…the change of the mix in our portfolio in term of gas is contributing to this among the new project…the gas project that they are into production I would like to remember Zohr and Jangkrik and definitely are increasing significantly the overall realization gas price in our portfolio.

ALESSANDRO POZZI: A follow-up question. I believe the sensitivity of cash flow to the oil price has come down a little bit, I guess, that's a function on the new projects coming online…?

MASSIMO MONDAZZI: Yes slightly, but you're right.

OPERATOR: The next question is from Mr. Alastair Syme of Citi Group. Please go ahead, sir.

ALASTAIR SYME: Thanks very much. Can I just ask what you think will be the sort of key final investment decisions you take in 2019 in the upstream? And my follow-up was just really on reserves, you know, ENI has shown itself to be a very different to the rest of the industry in terms of reserve replacement in recent years, you know, at the same time some of your peers say reserve life and reserve replacement doesn't really matter that much anymore, but I will be interested in your perspective on you know, how the strong reserve position gives you visibility on the future or what you think of that comment?

CLAUDIO DESCALZI,: So clearly, our position on the reserves replacement ratio is quite…I don't know what they think of the other, but is really one of the main priorities because we…our strategy is to grow organically, so our strategy is to grow organically through exploration and be fast in developing our field. So we reduced our inactive capital. We have exploration. So we start from our exploration that is as around $1 per barrel unit cost so that is the only way to be able to keep and to have a low breakeven. So exploration, development that is a key and a key is to replace our reserves and our production. If you don't replace our production by organically, you have to buy, and if you have to buy you have to spend much more and that means that you reduce your cash flow, your profits, and that is not our business to reduce our profit, our business is to increase. So clearly the reserve replacement ratio is a key point…is clearly a key point of our strategy. For that reason we are investing in technology, for that reason we are also so selective in finding good exploration prospect, across to existing facility, in area that we have already some operation or existing facility, also it's not our facility to be able to go fast and the average now…the average time to market that is 2.7 years that is one-third of the average of industry show that's our focus at the maximum.

So for the FID, the FID that we think to put in production as a number then we would be more clear doing our strategy presentation because if we talk about 2019 now we don't have anything to say in one month, but we are going to deliver about…between 7 and 9 new FIDs that with the aim really to replace…more than replace our reserves.

ALASTAIR SYME: So, Claudio, can I ask what you think the commercial resource base of the company is, as distinct from SEC reserves. Were you….

ALASTAIR SYME: My question was: where you think the size of the company's commercial resource basis as distinct from SEC proven reserves?

CLAUDIO DESCALZI: Those as you know, let's say about 14 billion* [boe], I think, yes…to be…no, it is a little bit more, but, okay, we can say around between

14* [boe] billion and 15 billion* [boe]. *[14-15 billion boe of 3P Reserves]*

And currently just to conclude what I was saying before, the organic growth and the replacement of our reserves is a matter of…to be low cost and that is one of the reasons why we can keep our CAPEX flat. That is the reason why also for the future, the only disclosure I can do about the future is that really we can keep our CAPEX flat because we are…all our assets, we are growing organically, we can phase-out and phase-in new projects. And that is really one of the reasons why we have been able to reduce our debt and to increase our free cash flow.

ALASTAIR SYME: And sorry, just a follow-up for the clarification, the 14 billion* [boe] to 15 billion* [boe] would be consistent with your scenario planning. So based on to the $70 oil, something like that?

**[Note: 2P reserves are approximately 12 billion boe and 3P Reserves are approximately 14-15 billion boe]*

CLAUDIO DESCALZI Yes, exactly.

ALASTAIR SYME: Yes. Okay. Brilliant. Thank you very much.

OPERATOR: The next question is from Mr. Jon Rigby of UBS. Please go ahead, sir.

JON RIGBY: Yes. Thank you. I'm sorry to labour the point on Abu Dhabi, but can you just go through the…how we should think about this going forward and particularly in the context of the calculation or the indication you gave on profitability because I'm a little puzzled, because you talk about accounting for this in the associate line item. So do you…as we go forward and pick unpick the associate structure to look at a sort of fully consolidated refining and marketing business to calculate the breakeven or is that breakeven calculated on the basis of the dividend inflow that you're getting, just to clarify, please?

And then secondly, I take your point probably about not wanting to reveal everything about March 15th. But just to think about the context in which you will speak on March the 15th. You've talked about the $55 cash neutrality figure, $52 achieved in 2018. There's a lot of moving parts with the disposals, additions et cetera. And obviously, you've increased the perimeter of the business with the Abu Dhabi acquisition.

So the way to think about going into to March, would it be to think about whatever the moving parts end up is something in that $50 to $55 range is, is kind of where we should expect, so the ENI's net performance to be? Thank you.

MASSIMO MONDAZZI: So, Jon, technically you are right. So, the depreciation would be accounted on based on the equity method. So you will see the result pertaining to the 20% that we acquired and in the cash flow, you will see the dividend. So, the number I mentioned before in the range of 10% in term of yield refers to the dividend that has been part of the negotiation we put in place, so how to structure the dividend policy of the company. But let me say that this investment is a bit more than just an equity investment, because we negotiated with ADNOC for more than one year about the technical assessment of the refinery. And the way forward about how to increase the capacity, increase flexibility, and the efficiency of this refinery.

So, we definitely from accounting point of view, it is what it is. But from a business point of view, we really believe that our contribution will be much, much higher and will be part of the decision taken in ADNOC refinery.

And definitely, we will give you every quarter, significant information about the contribution of this investment to our full result. So bridging from this answer to the following one relating to the cash neutrality, definitely based on this perceptive, we expect that the cash neutrality will take some advantage from this investment, because definitely we are talking about the significant rebalancing in our refinery capacity, we said 35% increase, but more than this, definitely the breakeven of this refinery is much, much lower than the average that we have in Italy basically considering the historical asset base that we have.

So…but on this we expect a positive contribution, definitely we have moving parts as you said in our cash neutrality, $55 in 2018 does not include any disposal contribution. And we do not believe that even considering no contribution from disposal, we definitely would not believe that our cash neutrality will be higher than $60 looking forward. We believe that our cash neutrality will remain definitely below this number.

JON RIGBY: Right. Thank you.

OPERATOR: Okay. The next question is from Mr. Michele Della Vigna of Goldman Sachs. Please go ahead, sir.

MICHELE DELLA VIGNA: Thank you. Well, Claudio, one question. When you took over as CEO in 2014, you had a…as a strategic imperative, to improve the business and geographical balance of Eni. And since then, you've materially grown the LNG business, refining biofuels. You've created as you highlighted today a major business in the Middle East. You've entered Indonesia and Mexico in scale, is there any other part of your business that you think still needs to grow to provide a better balance and where you see attractive opportunities at the moment. I'm thinking particularly in areas like Asia or North America. Thank you.

CLAUDIO DESCALZI: So we have to do, I think that we did a lot. And we did a lot very quickly, rapidly also because we had to fight the downturn and also because we had the good opportunity. And as I said during the presentation, we would be able to enter most of these new countries thanks to the technology and the know-how that we put in place.

Middle East, in Middle East, on the gulf it's not clearly has not finished our…we just started. So, I think that we have to develop, to continue to work and there are huge important opportunities to grow and rebalance further our portfolio. And that area is quite important and it's important in term from a contractual point of view, from the good assets point of view, from facility and maturity of the area.

We are growing in Asia so, the gas in Asia is another target. We have Indonesia, but we have Australia that is growing and we have to remember that we have Myanmar still under restoration in Vietnam. So there are areas that in exploration especially on the gas side will grow and we have also…we are drilling and important well in Pakistan.

In North…in the U.S. we are growing in Alaska and that is an area where we are, but where we are increasing production and that is an additional target, a main oil target for us. And so, it's not finished yet, it's still that we have to do much more to be able to be more resilient, more balanced. Clearly, all these efforts is also based on our target to grow, but looking at our carbon footprint. So clearly, we are working and from a technological point of view also to be able to grow, but we are reducing our carbon footprint. And clearly, at least for the Scope 1, to become carbon neutral, that is another important target. So, there are many things that are helping also to be more efficient, more effective and also to have a better package to sell to the new country that we want to enter.

MICHELE DELLA VIGNA: Thank you.

OPERATOR: The next question is from Irene Himona of Societe Generale. Please go ahead, madam.

IRENE HIMONA: Thank you, good morning. And congratulations on this results, I had three questions, please. Firstly, in July you merged Eni Norge with Point Resources. Can you tell us the impact in 2019 on your cash flows and cash balances of that deal and perhaps remind us of the benefit you expect from this merger going forward? Secondly, would you talk a little bit about some cost inflation pressures, I mean, I know this from your disclosures to the full year, operating expense increased about 7%, are you recruiting more people or is there wage inflation? It would be helpful if you can clarify. And then finally, your full year capital expenditure was €9.4 billion, your net CAPEX €7.9 [billion], if you just remind us of the bridge or the components between those two numbers? Thank you.

CLAUDIO DESCALZI Okay. Hi, Irene, so for us your first question about the effect of Var Energi in 2018, I would say all along the year, during the year in terms of cash flow economic terms, the effect has been zero because we deconsolidated Eni Norge and created from an accounting point of view Var Energi starting from the 31st of December. So the only effect we recorded are balance sheet effects. And the balance sheet effect has been the deconsolidation of €1.9 billion in terms of net capital invested.

And looking forward, we expect definitely a positive contribution, that in line and what we announced, a contribution to our cash neutrality decrease in the range of $2 per barrel. The integration activities are going ahead as expected or even better than expected, even from an industrial point of view. A new discovery has been announced, the progress in [indiscernible] project that would be the next FID are going ahead in line with expectations. So, so far, definitely so good.

The CAPEX split on Page 15, in our press release, you can see all these capital expenditure including investment of €9.3 [b]illion, €9.4 [b]illion, net CAPEX amounted to €7.94 [billion] and excluding the following items. So the entry bonus paid in connection with the entry in the new concession in the Emirates amounting to €869 million and other non-strategic acquisition in mid-downstream businesses for approximately €100 million. So, this is the reconciliation between the €9.3 [b]illion and the €7.9 [b]illion.

ALESSANDRO PULITI: Okay, in terms of inflation and cost environment for the upstream what we reckon through our market analysis is that offshore drilling rigs we see some signals of recovery of the price especially for the jack-up rigs around 5%. While for the deep water activity, the prices, the rate, the daily rate are still steady. For the rest of the supply it's like umbilical line pipeline and production system, we reckon [essentially] steady prices. And the same really also for turbo machinery, in this moment there is still a substantial market oversupply, while services for drilling, we reckon a 3% cost increase, so all in all, there is no big changes in terms cost inflation for the upstream costs.

IRENE HIMONA: Thank you. And in terms of your Group operating expenses moving up during the year 7%, is that linked to something specific, it is wage inflation?

ALESSANDRO PULITI: No, it is related to increased activity.

IRENE HIMONA: Thank you.

OPERATOR: The next question is from Mr. Peter Low of RedBurn. Please go ahead, sir.

PETER LOW: Hi, thanks for taking my questions. First is about refining and marketing. Your green…so your green throughputs rebounded in the quarter which coincided with the stronger than expected results. Can you give any indication of the financial contribution of those green refineries and perhaps how you see that developing moving forwards? The second is another quick one on Venezuela; obviously the situation is pretty fluid at the moment. Can you give us an update on your operations there and the extent to which you actually think you can recover any outstanding receivables? Thanks.

GIUSEPPE RICCI: If I understood well the question is the contribution of the green business in…in the last quarter, we have a good margin of green product and the Venice refinery increased the EBIT and we closed the year with a good contribution of Venice even if the capacity of the refinery is not so high. In the next weeks, we will start also with the Gela refinery that more than doubles the capacity of Green and the contribution will increase significantly.

CLAUDIO DESCALZI Just if I can complete the answer about the green refinery; so they are positive. They are giving a positive contribution. Clearly, we have still, you know that we are using…we started using through our technology second generation, also third generation, so something that is not palm oil, so the palm oil is something that has a cost because there is logistics, so we have to import, so with the upgrade that we are doing looking for our green refinery, we will use it and that is our final target. It is second generation so cooked oil or waste material…organic waste material, that is going to reduce all the logistic costs, but clearly there is no conflict with food and it's going to increase drastically the already good performance of the Green refinery.

ANTONIO VELLA On Venezuela, the average production during 2018 was 48. The majority of the equity is coming from Perla, you know and then we have Coraora and Junin. The gas demand is lower than the capacity of our plant and we expect to have it lower also during 2019. However…the same range, yes…however, the availability of the plant is there in case of additional requirement we are ready to deliver more gas.

MASSIMO MONDAZZI: Okay, so in term of outstanding, the outstanding at the end of the year was in the range of $700 million, so more or less 100 more than what we recorded at the end of 2017. So during the year, we've been paid in the range of 35% to 40% of total revenues that's definitely something more than expected at the end of 2018. We expect that the way we are recovering partially the revenues will continue in the future and what is much more important that's the way we are recovering in euros outside United States is something that is not affected by the…even the new U.S. sanctions.

PETER LOW: Thank you. That's very helpful.

OPERATOR: The next question is from Biraj Borkhataria of RBC. Please go ahead.

BIRAJ BORKHATARIA: Hi, thanks for taking my questions. I had a few on Egypt. Could you just comment on where you are on the restart of the LNG plant because it looks like these all continuous to surprise me upside? And then also just related to that, can you walk us through the key deliverables in 2019 both the phase 2 of the project? And then finally for Massimo, just to remind, can you guide us to a cash tax rate for group for 2019? Thank you.

MASSIMO MANTOVANI: On the LNG plant in Egypt, you know that we are there through our participation in Union Fenosa Gas the joint venture that we have in that [indiscernible] buys the LNG, and you know that, of course, that there is an ongoing…there was an going and there is…still there is an ongoing litigation with Egyptian government. The situation in the past months changed in particular for the discoveries which were made and we are now and we have been in this past period in a framework where it is in the interest of all parties to have the plant restarted as soon as possible, and the parties are discussing on that basis…they have been discussing, they are still discussing and you know, once there is the interest of everybody, you would expect that an agreement is found, but of course the commercial discussion is ongoing.

ANTONIO VELLA: Okay. Concerning the performance of our project Zohr, we are producing currently as, you know, the 2.1 billion scf per day as a gross production and our equity is 672 million scf. And the major achievement that we are working for 2019 is train 5, 6 and 7 completion. So the first step of next grow is going to be 2.7 billion scf in July, six months ahead of our schedule, and then we are going to complete in September the lay down of the 30-inch subsea line to increase our additional production to 3.2 billion scf, meaning that 980 million scf of equity. So the gross production that we expect in 2019 is going to be 450 million barrel oil equivalent and the end of 2019 we're going to reach 580 which we're going to be in September. So we are quite okay on our schedule and head of six months for all the projects.

In addition to that we have…we have completed more or less the line that's connecting you remember El Gamil for Nooros production with Abu Madi and this is going to give us debottlenecking on the pressure which we expect to grow up again on production of gas, which will give us additional 200 million scf from the previous 1 billion, so these are the plans for the 2019 in Egypt.

Moreover, we are concluding our extension of concession on Western Desert in Egypt and we expect to launch a large campaign of drilling on the oil discovery in South West Meleiha. And this will allow also too launch additional production on the Western Desert. Conclusion of our negotiation is going to be in more or less in couple of months and then we kickoff all the activity there.

MASSIMO MONDAZZI: Okay. And the…as far as 2019, we expect…cash tax rate in the range of 30%.

BIRAJ BORKHATARIA: Okay. Thank you.

OPERATOR: The next question is from Massimo Bonisoli of Equita. Please go ahead, sir.

MASSIMO BONISOLI: Good afternoon. Two quick questions left. One on the very positive marketing result in R&M division, fourth quarter is usually a low season period. Could you give us some more details on this result? And the second on Versalis, at the start of the day, the scenario forecast was for an operating profit of about €300 million. Clearly, the scenario was much different. Are there any operating issues also or is only scenario-related?

GIUSEPPE RICCI: Okay, about the marketing really in the last quarter of 2018, we had an exceptional performance even if this winter quarter is not really the best for the marketing...for the marketing result. And this is due to the very good performance of the retailers, especially the National Retailer in Italy but also in the retailer in the European country Germany, Austria and France especially. And this...in addition the result has been supported also to the increase in the result of the wholesale, maintaining a good margin even if in the quarter, the consumption slightly decreased.

DANIELE FERRARI: And Massimo, for the chemical side. You know, there was a lot of good wind in the first-half of the year. So unfortunately this didn't happen in the second-half, we are still very exposed in terms polyethylene, in terms of the cracker margins which in the second-half of the year particularly with a spiking of naphtha returned to the level of being very uncompetitive in Europe compared to Middle East and U.S. particularly. So we didn't have really any issues on the operating side. In fact...the fact that we are less maintenance and good operation facilities helped us in mitigating some of the second half. But unfortunately, with the portfolio that we have today and continuing to trying to diversify and develop, we are still in the situation where the scenario had a big affect in the second half.

MASSIMO BONISOLI: Very clear. Thank you.

OPERATOR: Mr. Descalzi that was the final question, I will turn the conference back to you sir for any additional comments.

CLAUDIO DESCALZI: It's okay. Thank you very much and good afternoon.