Q1 2015 results

April 29th 2015

Presentation and Q&A

Presentation

Speaker:
Massimo Mondazzi - CFO

Good afternoon, and welcome to our first quarter results presentation. In this quarter we continued to perform in line with our strategy, progressing in all our businesses and delivering positive results in each of them.

In particular:

• In E&P we achieved, as planned, 5 main start-ups. This, together with the contribution of rampups and the increased Libyan production, contributed to a volume growth of more than 7%, or 3,7% net of PSA and portfolio effects

•Development activities are progressing well. In particular: Perla is on track to start up in June and Goliat at the end of July, following the arrival of the FPSO in Norway a few weeks ago

•Exploration successes continued with near field discoveries in Egypt, Libya and the upgrade of our Merakes gas discovery in Indonesia

• In Mid-down stream, all segments were profitable, achieving, in total, more then 400 million euro of EBIT thanks to:

• In G&P, the improved competitiveness of our gas contracts and more favourable weather conditions;

• In R&M and Chemicals, better margins and the results of our continuing turnaround.

As a consequence the Company generated an operating cash flow of 2.3 billion euro.

This, combined with capex in line with the guidance and the positive exchange rate effect, allowed us to keep our leverage unchanged at 22% notwithstanding the steep fall in the oil and gas prices.

Q1 adjusted operating profit amounted to 1.57 billion euro, around 1.9 billion euro lower than last year. This drop was driven by the negative scenario which accounted for 2.5 billion euro, partially compensated by our stronger industrial performance that improved by 600 million euro. All our businesses recorded positive adjusted operating profits, reflecting the implementation of our turnaround programme. The adjusted net profit amounted to 648 million euro, benefitting from 185 million euro gain from the fairvalued interests in Galp and Snam, that in Q1 2014 accounted for 65 million euro.

Turning to E&P.

Hydrocarbon production was 1,697 kboe/d, 7.2% higher compared to the first quarter of 2014.

Excluding both the PSA and portfolio effects, production increased by 3.7% thanks to:
new field startups. To mention the most important: Hadrian South and Lucius in US, Nenè Marine in Congo, West Franklin in UK and Eldfisk phase 2 in Norway

• and production ramp-ups mainly in Angola, Congo, Egypt and the United States.

Production levels also benefitted from better performance in Libya which included the volumes of the deal on the Intisar stored gas destined for the local market.

Operating profit was affected by the decline in oil and gas prices, which accounted for 3,2 billion euro vs 1Q 2014, partially counterbalanced by higher production volumes, lower exploration and operating costs as well as by a favourable exchange rate.

Gas & Power adjusted operating profit amounted to 294 million euro.

This result has been achieved leveraging on gas contract renegotiations, including two achieved this quarter, and a positive retail performance driven by higher sales in certain European countries, mainly in France, and more favourable weather conditions compared to last year.

This result represents a 21% increase versus first quarter 2014 that, as you might remember, benefitted from the strong retroactive contribution of the contract with Statoil.

In terms of adjusted operating profitsplit, one third came from midstream, which in this quarter was at breakeven also without the retroactive benefit of the two renegotiations recently finalized.

The remaining two-thirds came from the retail business that generated a profit double the level of the first quarter of 2014.

Turning to R&M and Chemicals, now combined into one business segment, which mirrors the new organization in place since mid 2014.

This business showed a marked improvement year on year, with an adjusted operating profit of 121 million euro leveraging on both scenario and industrial improvements.

In particular the refining result benefitted from a strong margin increase vs Q1 2014 along with continuing operating enhancements; capacity utilization rate was 79%, up 11 percentage points versus last year as a consequence of our reduced capacity and the positive scenario. We confirm that the breakeven margin is now in the range of 5 $/bl and we are on track to lower it to 3 $/bl margin by 2018.

Chemicals operating performance of 29 million improved by € 119 million vs last year reflecting higher margins due to a temporary market shortage of certain commodities as well as efficiency gains.

Finally the debt evolution.

Leverage remained flat at 22%, despite the drop in the oil and gas prices. The 2,3 billion euro of operating cash flow together with the 0,5 billion euro cashin from disposals funded almost the totality of the 3 billion euro capital expenditure incurred in the quarter.

The net debt increased by around €1.5 billion from December 2014, also as a result of the negative impact of exchange rate differences of about €0.5 billion as well as other cash outflows including the payment of investments accrued in the previous quarter.

We confirm our leverage guidance for year end within our 30% ceiling.

And now let’s open our Q&A session.

Question and Answers

Corporate participants

Massimo Mondazzi - Eni SpA, CFO

Marco Alverà - Eni SpA, Chief Midstream Officer

Roberto Casula - Eni SpA, Chief Development, Operations & Technology Officer

Antonio Vella - Eni SpA, Chief Upstream Officer

Conference call participants

Oswald Clint - Bernstein, Analyst

Theepan Jothilingam - Nomura International, Analyst

Lydia Rainforth - Barclays Capital, Analyst

Mark Bloomfield - Deutsche Bank, Analyst

Hamish Clegg - BofA Merrill Lynch, Analyst

Martijn Rats - Morgan Stanley, Analyst

Biraj Borkhataria - RBC Capital Markets, Analyst

Thomas Adolff - Credit Suisse, Analyst

Jon Rigby - UBS, Analyst

OPERATOR: (Operator Instructions) Oswald Clint, Bernstein

OSWALD CLINT, ANALYST, BERNSTEIN: Yes. Thank you very much. Good afternoon. Massimo, thank you.
Question on the disposals. They're quite light in the first quarter so far. Obviously you have a target for the four-year plan and this year I guess. Could you talk about where you are in terms of asset disposals and when we might expect some of those for 2015?

And then secondly a question on gas & power, just curious if you're seeing or if you expect to see any greater demand for your pipeline gas, as the lower oil price filters through those kind of long-term oil- linked contracts, versus kind of spot prices or some of the LNG imports. That's my two questions. Thank you.

MASSIMO MONDAZZI: Okay. Thank you very much. So as far as disposals, first of all I would like to highlight that we already achieved around EUR500 million of disposals, mainly in Nigeria. And that definitely, as I already outlined during previous discussions or previous conversation, we have to cash in from now to the end of the year the value of the Galp shares that will be in the range of looking at the current capitalization of the company, EUR850 million.

So more or less, what we could say today that we are more or less half of the way to the final result we fixed by 2015 that you may remember would be in the range of EUR2.6 billion.

As far as the remaining part of the plan, you might recall that there are some-- a number of transactions ongoing. Some of them are, I would say, quite well advanced. So what I could [tell] today that we remain confident that the final target we announced one month ago is still achievable.

And as far as the pipeline, maybe I leave the ground to Marco for the answer.

MARCO ALVERA, CHIEF MIDSTREAM OFFICER, ENI SPA: Thank you, Oswald. So we do see some recovery in demand. In Italy the first quarter demand was around 24 billion, compared with 21 billion cubic meters previous Q1 of 2014. A lot of that has to do with weather. But we are seeing on the power side also some growth.

Bringing that to the full year, we expect demand to recover in Italy to around 67-68 billion cubic meters, up from what was 61.5-62 billion cubic meters in 2014.

So at the European level, that should bring demand for 2015 around 450 billion cubic meters, again with some recovery. So I'd say part of that is weather. Part of that is on the power sector gas and some hours being competitive, especially in the UK against coal. On the LNG front, weak demand in Asia, we expect some cargos to come over to Europe, but not to change the overall demand picture significantly.

OSWALD CLINT: That's great. Thank you very much, both.

OPERATOR: Theepan Jothilingam, Nomura

THEEPAN JOTHILINGAM, ANALYST, NOMURA INTERNATIONAL: Yes, good afternoon, gentlemen. Three questions, please. Firstly, I was wondering if you could break down the increase or the year-on-year change, the EUR600 million you talk about between [costs]. So we improved our plan and renegotiations on the gas contracts.

And secondly, you talked about the cash flow being around EUR2.3 billion for the quarter. I was just wondering. Do you feel in this type of oil price environment you'll still be able to cover certainly your CapEx commitments for this year on an underlying basis?

And my third question was just on Mozambique and the FID of FLNG. Could you give us an update if that's still proposed or planned for the middle of 2015? Thank you.

MASSIMO MONDAZZI: So thank you very much. About the EUR600 million of industrial improvements we accounted for in the first quarter, you asked for a breakdown. So what I could say around one third is coming from E&P. It is mainly by a reduction in OpEx and a reduction in exploration cost.

As far as OpEx, I'm pleased to say that we confirmed in the first quarter, and we keep on confirming along with the full year, our target to reduce the OpEx. Today we are in the range of $7.40. If you remember, we started at the end of 2014 with an OpEx per barrel in the range of $8.00. So we are confirming the target we gave during the strategy presentation.

And as far as exploration, we are in line with what we disclosed as a target in term of expenditure. You might remember that this year we are mainly focused on near-field exploration. That's the reason why we are, I would say, spending a little bit less. But what has been achieved up to now in terms of new resources discovered is anyway a very significant number. Because we are talking about 180 million barrel of oil equivalent, and maybe look at the end of this year, we may give you some more detail.

And what I could say is that notwithstanding the reduction in capital expenditure expected by this year, we really think that what we are drilling or we intend to drill all along this year give us a very, very good expectation. And we are very well confident that the target of 500 million boe of new resources all along this year will be perfectly achieved, if not, overtaken.

The remaining part of the total (inaudible), certainly EUR100 million are coming from the retail that as I said, performed at double result versus last year. Also thanks to the, I would say, more favorable weather conditions. And around EUR150 million are coming from the refinery. Because I would say on top of the margin that you know has been much higher than the margin we recorded in the first quarter of 2014, we are now collecting, say the gain, after the turnaround exercise we put in place starting from 2014.

And then the other minor, I would say better result, including the chemical one that recorded more than EUR100 million, out of which just a few coming from a better scenario, and the remaining part related to the higher demand and again as a result of the efficiency program we put in place starting from 2014.

So that's the broad view that in order to the exclude the renegotiation effect of the long-term gas contract that we are taking apart. But anyway are giving us significant advantage this quarter versus the first quarters of 2014, as you may remember, benefitted from a strong contribution linked to the Statoil contract renegotiation.

As far as the cash flow, on commenting the EUR2.3 billion. The broad comment is the following one. The first quarter of the year definitely is not the best one in terms of cash generation. Because of, I would say, some seasonality, mainly in the retail gas business. Because this is the peak quarter for retail, but definitely just the fact that (inaudible) is at least two months after the delivery of gas, definitely what has been billed has not been cashed yet. And this is exposing something in the range of EUR1 billion of increase in working capital.

And then definitely what we are really suffering a little bit about the increase that has been announced by Saipem yesterday, again is something that more or less is seasonal. That what they declare, the expectation is a reduction in the net financial position of Saipem. So as the recovery of the EUR1 billion retail, we expect to recover also the working capital increase announced by Saipem.

And then is EUR2.3 [billion] has been some way, I would say, linked by the increase in the stocks in refinery. The refinery definitely is benefitting of a very high margin. But at the same time, due to the fact that the plants are running much faster than in the previous periods, it means that in order to fit in the plan, we increase the amount of stock that is being bought just to supply the facilities. And that again has been something that in some way created a sort of limitation.

But having said that, and performing a very, I would say broad and general exercise, and thinking about what we said during the strategy presentation, so that the target for the first two years, so 2015 and 2016, would be to match the CapEx. But by the way, this exercise has been performed with a Brent average price of $63.

So the average between $55 as far as 2015, and $70 as far as 2016. So this EUR2.3 billion has been achieved at the $54.

We have a sensitivity for every dollar of around 150. So if you, broadly speaking, multiply by 4 the 2.3, we're down I would say EUR1.5 billion in term of differential in Brent price. And you add on some contribution for working capital that is still expected in the remaining nine months of this year, you will see that the EUR12 billion of CapEx that remain our guide as far as 2015, will be matched, and will be I would say particularly matched one year in advance. Because on top of the Brent recovery, definitely the expectation we made was based also on a recovery on the industrial side, I mean in additional production from E&P at the end of the turnaround plan in the non-upstream businesses.

So just to conclude, I will say that this result of EUR2.3 billion represents something more than what we expected when we launched the four-year plan.

And then as far as the Mozambique, maybe I leave the ground to Roberto, who is here with me.

ROBERTO CASULA, CHIEF DEVELOPMENT, OPERATIONS & TECHNOLOGY OFFICER, ENI SPA: Thank you Massimo. About Mozambique, and specifically Coral, all activities are progressing as planned. As you probably remember, we submitted at the end of 2014 the final development plan for Coral. We continue the engagement with the authorities. A very fruitful and proactive engagement. So we do expect the approval of the final develop plan by third quarter 2015.

At the same time, the major tender activities are ongoing, in particular the one for the floating LNG is expected to be completed in terms of receiving technically commercial offers in the next couple of months. Let's say that by the end of June we will have the full picture of the project. At that point we will finalize everything, and it will be ready for the final investment decision.

Also an important part is the sale of gas and maybe Marco can say some words about that.

MARCO ALVERA: We're discussing on the commercial terms with a number of parties. Discussions are progressing well. And we're perfectly in line with project timetable to confirm FID later in the year.

THEEPAN JOTHILINGAM: Thank you, gentlemen.

OPERATOR: Lydia Rainforth, Barclays

LYDIA RAINFORTH, ANALYST, BARCLAYS CAPITAL: Thanks. And I have two questions, if I could. Good afternoon, everyone. The first one, just going back to the EUR600 million of recovered margin. Is that here you expected to be at this stage in the year, or are you actually seeing better progress than you might have anticipated?

And then the second one was really on the accounting side. The merging of the chemicals and the refining & marketing businesses together within the results, I think it was May last year when Claudio announced the new structure. Should we actually think about the change in terms of the results purely being an accounting one? Or are the two divisions actually working together differently on an operational basis to what they were a year ago? Thanks.

MASSIMO MONDAZZI: Okay. So as far as the, again the EUR600 million. But more or less we are where we imagined to be just, I would say one and half months after our strategy presentation, Lydia. So what we saw through the first quarter numbers that exactly all the actions we put in place in all different businesses in order to get the final target we declare, so the breakeven in refining & marketing in 2015. The breakeven, the structural breakeven in gas & power in 2016 and in the same year, structural breakeven in petrochemicals are going ahead in line, or I would say, a bit ahead of schedule on this respect. Definitely the scenario in some way is helping us to enforce this result. That's the reason why we experienced positive results this quarter in all businesses, including refinery and including chemical.

Secondly, I would say the new organization is not something just related to the accounting. Chemical and refinery are working, I would say, closer together thanks to the new organization starting from, I would say, the supply that now is even more integrated. So in this respect, we are after eight months still, I would say, upgrading some processes, but we-- I would say we are happy. And we definitely confirm the goodness of the decision we took.

LYDIA RAINFORTH: Perfect. Thank you very much.

OPERATOR: Mark Bloomfield, Deutsche Bank

MARK BLOOMFIELD, ANALYST, DEUTSCHE BANK: Good afternoon. Thanks for the opportunity. First of all on production, just wondered if you could remind us of the volume produced from Intisar storage this quarter, and how long you expect that volume to be sustained, or is that going to be continued into 2016? And then secondly, turning to gas & power, just wondered if you could give us a sense of the working capital benefit you have enjoyed this quarter from any release of gas take-or-pay prepayments. Thanks.

MASSIMO MONDAZZI: Okay. So I leave the ground to Antonio to answer the production question.

ANTONIO VELLA, CHIEF UPSTREAM OFFICER, ENI SPA: Okay, so the Intisar production is going to contribute for the next four years, and it will mean all the volume equity allocated to Eni on the last let's say 25 years from the Alpha 100 field, the Abu-Attifel field in Libya and the storage in Intisar. The contribution is going to be between 60,000 to 65,000 barrels per day.

MARCO ALVERA: On gas & power, hi Mark. It's Marco. I would say on the retail front, the Q1 usually bsorbs working capital, as we sell more gas than in other quarters. But we also draw gas from storage. So the retail effect is quite neutral. We have about 150 million of take-or-pay recovery in the quarter, which is an improvement obviously of working capital.

MARK BLOOMFIELD: Thanks.

OPERATOR: Hamish Clegg, Bank of America Merrill Lynch
HAMISH CLEGG, ANALYST, BOFA MERRILL LYNCH: Thank you. Good afternoon, gents. There are a few questions I had. Just first of all in refining, you mentioned that there some competitive pressure and retail demand was slightly lower as well. Can you tell us if there's any hedging at all in your refining business? Because it was somewhat lower than Q4.

Second question is I was wondering if you could maybe update us on Libya and how you're managing to deliver such brilliant volumes out of the country that so many people are struggling in.

And my third question was could you maybe tell us a little bit about your approach to execution, and what gives you the confidence. Is it to do with your engineering capacity that you've recently acquired in the last 12 months, and how you're taking a greater control over individual projects? Because 3.5% growth target is ambitious in your four-year plan. And I wondered if you could just help us understand what gives you the conviction in that target.

MASSIMO MONDAZZI: Okay, so I'll give you the answer about the refinery. And so you noted the difference between the contribution in the fourth quarter of refining & marketing versus the first quarter this year. So definitely part of the difference is related to the marketing part of the business. Because the first quarter naturally is the lowest all along the year. So part of the difference is related to this.

And as far as the refinery, so the result has been, I would say limited by a negative effect of some hedging.

Because at the very beginning this year, when we saw significant higher margin than expected, but drastically declining towards the yearend, we decided to hedge part of the refinery capacity.
And so this result, I would say, is discounting something in the-- I'm just checking the number-- something in the range of EUR40 million of (inaudible) because of this.

HAMISH CLEGG: Okay.

MASSIMO MONDAZZI: And Libya?

ANTONIO VELLA: Okay. Libya is, as you know, we are producing in the range of 300,000 barrels per day. And power operating company is Mellitah Oil and Gas. It's counting 5,000 Libyan employees. And most of our production as of today is coming from Sabratha, Bouri Oil, El Fil and Wafa. And gas production is the majority in condensate, because we are delivering quite a large amount on local market. We are moving between 10 million to 13 million standard cube meters per day on power plants. And those guys are on the oil company, which is protecting their requirements for the local power production. At the same time, we are continuing our exporting from the same location of Mellitah.

ROBERTO CASULA: About our approach on projects, as you know, we started some time ago about having more grip on all the different phases of a project, starting from engineering, with our engineering companies.

So responsible for basic design and front-end engineering and design. This allowed us also to develop some more standard deviation and modularization of systems and modern equipment. Another important tool is represented by the framework agreement, the contractual framework agreement with major suppliers.

So overall this gives the confidence that we are able to control time and cost of the significant project activities, as you mentioned earlier, in our four-year plan. But I have to tell you that, for instance this year, things are going already very well. Because out of the 170,000 barrels of oil per day, we are expecting from start-up and new ramp-up already in the first quarter, we've secured 116,000 barrels a day. And the remaining part will come with Goliat and Perla, for which as Massimo said, we are definitely on track.

You should remember also that 50% of this 650,000 barrels of oil per day we are expecting in 2018 are relevant to (inaudible) part of 2014-2015 project. And with the new FID, with five FID we are expecting this year, we will be able to secure 100% of this objective.

HAMISH CLEGG: Thank you very much.

OPERATOR: Martijn Rats, Morgan Stanley

MARTIJN RATS, ANALYST, MORGAN STANLEY: Yes. Hi. Good afternoon. Two things from my side, first of all I wanted to ask. Quite a few companies have reported quite strong oil trading results in their downstream businesses. I was wondering if Eni also enjoyed a similar strong oil trading result.

And secondly, I wanted to ask about Egypt. Just a couple of weeks ago you announced this sizeable investment program, and you reiterated it in the statement this morning. It's a quite sizeable amount of spending at a rather interesting point in the cycle. And I wanted to ask what you're seeing in the Egyptian investment that is making you like this so much at this point in time. Thank you.

MARCO ALVERA: So on the oil trading, it's Marco, hi. I would say that we do less of the Contango capture and of the pure speculative or proprietary activity on the oil side. We have some interesting profits coming from our gas trading, which is integrated together with our oil trading, using our flexibilities. That's asset- backed trading. So you would see less of that compared to others who enjoy more third-party and proprietary trading activity.

MASSIMO MONDAZZI: Okay. Antonio will give you an answer about Egypt.

ANTONIO VELLA: On Egypt, after we have signed the Head of Agreement in Sharm el, and the negotiation took place immediately with the Oil Ministry. And we are planning to close within the first quarter all the items within the Head of Agreement.

MASSIMO MONDAZZI: So you remember Martijn, the main objective I would say were three. The revision of some close of the main contract there, the revision of the gas price. That definitely is an issue. Because the gas price is very much (inaudible) in Egypt, was limiting significantly the development of new gas resources.

And at the end of story, we see at discount as I would say, a very special case, importing some LNG. And third, definitely part of the agreement is the, I would say, the timeline to recover our spending.

So all of these are very positive. Because it gives us the opportunity to explore the resources over there that we know very well. Because they are located in a reservoir from which we are producing since, I would say, 1956. All this discovery we are talking about have been discovered by us. And definitely it will in a, let's say, protected environment, thinking about the extent the recovery will allow us to explore a significant of new resources.

A significant part of them are already included in the CapEx plan that has been announced during the strategy. Just a few of them will be added. But at the same time, we will have an addition in terms of production, in terms of resources.

MARTIJN RATS: Okay. Thank you.

OPERATOR: Biraj Borkhataria, Royal Bank of Canada

BIRAJ BORKHATARIA, ANALYST, RBC CAPITAL MARKETS: Hi. Thanks for taking my questions. Two if I may, firstly for Marco on gas & power. It remains one of the more volatile divisions for you on a quarterly basis.

And I appreciate how you only gave your updated plan a few months ago. But it does to be running ahead of that plan. So I was wondering if you could provide some color on whether you see some

upside relative to your expectations at the end of 2014.

And then just a quick update on Kashagan, if you don't mind. What are the latest steps there? Are you still confident in the late 2016 start-up? Thanks.

MARCO ALVERA: So Biraj, there is a slight improvement. So we were giving a guidance of breakeven, assuming we close all pending arbitrations, the main one being the one with Gasterra. I think we're ready to upgrade that. We're seeing marginally positive results in case we close that. So not to extrapolate the Q1 improvement and multiply that. I think we're slightly more optimistic. But the volatility is still there, and Q1 is still one of our strongest quarters.

MASSIMO MONDAZZI: Antonio?

ANTONIO VELLA: So Kashagan, we have already received the first batch of material at site. And probably next month we'll start welding. So as of today, we are still believing on the schedule to start up on the second quarter of 2016. Sorry, second half.

BIRAJ BORKHATARIA: Okay. Thank you.

OPERATOR: Thomas Adolff, Credit Suisse

THOMAS ADOLFF, ANALYST, CREDIT SUISSE: Hi, good afternoon. Three questions, please. The first one is on slide 7. The EUR700 million negative impact from others. You obviously said it's payment related to investments accrued in the past. I wondered where your balances stand today. I'm assuming there's no [funnies] going forward. And also whether you can give a bit more color the [EUR500] million FX difference, what exactly that is.

The second question on the refining restructuring plan that you announced over a year ago. You've converted to [Gela]. It's gone a little bit quiet on the other plants, wondered whether that's still moving ahead as planned, or whether you're just taking your time, given the margin environment is somewhat more favorable.

The third point is on Mozambique. I think you've been saying for some time that you've got encouraging discussions on securing off-takes. I guess industry expectations pretty much is we're in a wait-and-see mode, and no one really expect to be able to secure any firm SBAs, given the tug of war you have on pricing mechanisms.

So I wondered whether you can give a bit more color what discussion you're having, and that aside on Mozambique, I also wanted to know whether your intention was still to farm out another stake,

given that's also been going on for some time. Thank you.

MASSIMO MONDAZZI: Okay, Thomas. Thank you very much. So as far as the 0.7 are, you're saying slide number 7, I said that the majority of this refers to payment of investment accrued in previous quarter. The amount is something in the range of 0.4 or 0.5 out of the 0.7 overall. And we think that this amount will be overall recovered in terms of overall cash flow all along this year.

As far as the refinery, definitely we are pleased to see this very favorable environment. But we believe that it will last some time, but it will be back to the structural expectation at the end of this year, beginning of 2016. So we are still, I would say, stick on the plan we announced, so mainly to reduce an additional 20% our capacity. And on this respect, we are I would say, on schedule that the [target] will be achieved from now to the next two years.

MARCO ALVERA: On Mozambique, it's Marco. Let me try to add some color. I would say first point is compared to our internal timetable and the project timetable, everything is on track. So we haven't had any missing of commitments or of timings also in the commercial discussions. There is a lot of interest because of the nature of the project, the size of the project, the geography of the project. And as Roberto said, the rather simple nature of the project.

So a number of buyers see limited execution risk when it comes to the future status of the project, compared to other projects.

On the pricing front, certainly there has been a shift. A lot of the people who had moved in Asia to aggressive Henry Hub pricing, and are now reconsidering the oil pricing, have halted some Henry Hub based discussions.

And this is only positive for a project like ours, which is oil-linked.

Regarding the longer-term oil outlooks, I think the curves haven't moved that much. And so we're talking about the same levels with the buyers. So I hope that's helpful.

THOMAS ADOLFF: I think on the farm-out and also the FX difference? Sorry. I had quite a few questions.

MASSIMO MONDAZZI: Our farm-out, I would say, just to mention the (inaudible) disposals and nothing to [head] about that. So because definitely, I say the confidentiality of this. And as far as the foreign exchange, this is related to the pure exchange rate of conversion from dollar to euro, nothing special.

THOMAS ADOLFF: Okay. Thank you very much.

OPERATOR: Jon Rigby, UBS

JON RIGBY, ANALYST, UBS: Oh, hi. Just a couple of points I just wanted to raise. The first is on the resegmentation, two things. On the earnings transfer, which looks principally to be from refining & marketing and chemicals to gas & power, is that related to the oil trading activities? I mean you referenced it. But I don't think-- it's not clear to me anyway where the actual movement is. And is that a representation really of the level of earnings or EBIT being generated by those activities?

And then secondly on that point, can you just confirm that the EBIT targets, cash flow targets, et cetera, by segment remain the same and are not affected by re-segmentation? I'm guessing not, but just to confirm.

And then going back to the disposal program. I know in the discussions we had in March, there's a big chunk of the disposal program is exploration, which on the face of it is quite an attractive thing to be monetizing. Because there's no earnings and cash flow that sit with it. So it's clearly a hugely accretive transaction if you can do it.

So taking onboard the fact you didn't want to talk about Mozambique, but can you just maybe give some color on progress towards that? And should we expect those transactions to be towards the latter end of your plan period to coincide with the rise in the oil price? Or do you stick to your view and from your discussions in the market that it's a fairly oil-price insensitive transaction? Thanks.

MASSIMO MONDAZZI: Okay, thank you very much, Jon. So about the re-segmentation, I would say the main rationale is the following one, so nothing to do, I would say, with the trading that currently we'll have and it something that has been done. But the real rationale refers to the industrial locations. So the majority of the planning we have in refinery and chemical are located in Italy. And the majority of them are living exactly the same issue. So the rationale is being to put under the same responsibility the management of the issue that is absolutely common between the two businesses.

And definitely this is a management approach. It's a matter of responsibility, nothing to do with the redefinition or I will say change in the guidance that definitely remain exactly the same.

As far as disposals, definitely I'm afraid there is a confidentiality issue. But I would say that some discussion prior to our Head discussion, we are having this referred to-- also refers to exploration asset. So yes, you cannot say that you have closed until the very end. But we are confident that at least one of them can be concluded by this yearend.
JON RIGBY: Okay. Well that's encouraging. Thanks.

OPERATOR: There are no more questions at the moment.

MASSIMO MONDAZZI: I think that is the end of this conference call. And I thank you all for your questions and attendance. Thank you very much. Bye.

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