2017 Full Year Results

February 16th 2017

Presentation

Speaker:

Claudio Descalzi - CEO

Good morning and welcome to our 2017 full year results.

2017 was a year of outstanding results, coming from the implementation of our strategy over the last 3 years, and based on a strong focus on the upstream's valuable growth, the well advanced turnaround of mid-downstream and the structural reduction of our cost basis.

We have succeeded in making our company financially sustainable also in a weak scenario, delivering material cash generation while putting it into a position to be able to benefit from possible upsides.

We have improved our main operating and financial targets in all businesses:

<u>In the upstream:</u>

- In exploration we added 1 billion boe of new resources to our portfolio, at a unitary cost of around 1$/bl. Since 2014, we have discovered more than 4 billion boe, replacing nearly twice the cumulative production over the same period
- We have set a new production record with an annual average of 1.82 Mboe/d
- We delivered 4 deep water projects in a record time, confirming the effectiveness of our integrated development model. Zohr, with a time-to-market of 22 months, is particularly impressive and sets a new benchmark for the industry
- Thanks to the cash contribution of our growth, upstream cash flow from operations rose to 8.3 bln €, and, finally
- We executed the planned disposals in Egypt and Mozambique in accordance with the dual exploration strategy.

In the mid-downstream the turnaround is well advanced and gives a material cash contribution of around 1.8 billion €:

- G&P is now structurally positive and accounts for an EBIT of around 200 mln€ , above our original guidance

- Downstream earnings accelerated up to 1 bn € thanks to the excellent performance of R&M and Chemicals. Refining breakeven is now at 3.8 $/bbl, and both R&M and Versalis are now entirely self financing.

Overall our cash from operations reached a level of around 10 bln €, a 25% increase vs last year and a remarkable result even considering the higher contribution from the optimization of the working capital in 2016.

We reached this by implementing a rigorous operating discipline and strict cost efficiency, further reducing our capex to around 7.6 Bln €, without affecting our growth.

We generated a free cash flow after dividend of 3.4 bln € including the net cash-in from disposals of 3.8 bln € after tax.

This has allowed us to reduce our gearing to 18%, corresponding to a leverage of 23%, one of the lowest among European majors.

The key metric of the 2017's performance is cash neutrality: our CFFO covers all costs, capex and a full cash dividend at 57 $/bbl, 3 $ lower than our original guidance, which becomes 39 $/bl if we include the effect of the dual exploration model.

HSE is our top priority…

And we continue to register the long-term trend of improvement in all key metrics.

In Safety, in 2017 we reached a Total Recordable Injury Rate of 0.33, 7% lower than 2016.

For the Environment, we are strongly committed to reducing the carbon footprint of our activities.

The GHG emission intensity in the upstream decreased by 3% vs 2016 and by 19% vs 2014, confirming that we are well on track on our long term targets of a reduction of 43% in 2025.

Methane emissions and routine flaring reduction are the key levers to reaching our GHG targets, and for both we are progressing well and close to achieving our goals.

Our strategy in reducing our carbon footprint also implies a growing exposure to renewables.

With 20 projects under execution or close to sanctioning, we will add around 250 MW of new power capacity in the coming years, a major first step towards a much greater presence in this emerging business.

In Upstream, let me highlight the 4 key metrics of our strategy execution:

<u>In Production:</u>

- in 2017 we produced 1.82 mln boe/d, a 3.2% growth vs 2016 or 5.3% when factoring-in OPEC cuts and PSA effects.
- Our 2017 production increase is around 220 kboed, 14% higher than in 2014, when the price started to fall and notwithstanding an E&P capex reduction of around 40%

<u>In Capex efficiency:</u>

With 10.6 $/boe of finding and development cost in the period 2015-2017, we are growing more efficiently, thanks to the great portfolio optionality which is continuously enhanced through exploration, the new model of development and the benefits of market deflation. This is a remarkable reduction versus the F&D of 21$/boe we had in the period 2012-2014.

<u>In operating cashflow:</u>

- In 2017 upstream CFFO, inclusive of interests and taxes, was 8.3 bln €. We generated a free cash flow of around 1.7 bln € corresponding to a self financing ratio of 125%. And this is without taking into account any benefit from disposals.

<u>And finally in upstream cash neutrality:</u>

Upstream CFFO covers its capex at around 45 $/bbl, a reduction of more than 50% versus the level of 2013 around 100 $/bbl

Let's turn to exploration, the engine of our growth, which had another outstanding year, the 10^{th} in a row.

We added 1 billion boe of equity resources, including 200 mln boe from the farm-in of Evans Shoal in Australia.

We continue to add resources at a competitive unitary exploration cost of 1 dollar/boe.

In 2017 we continued to explore near field with contributions from Egypt, Indonesia, Libya and Norway and we opened a promising new basin in Mexico, where we discovered 2 billion barrels of oil in place. Most of these discoveries will be fast tracked and will start up within the 4YP.

At the same time we further re-loaded our portfolio, by adding 97.000 sqkm of new net acreage: in offshore Oman, Mexico, Ivory Coast, Cyprus, Morocco, Norway and Kazakhstan.

Exploration successes and fast track developments are key to reserves replacement, and this year we recorded an organic RRR of 151%, or 103% taking into account the effect of the re-classification of Perla Phase 2 reserves to unproved, due to the contingent domestic situation.

And finally another metric which proves the effectiveness of our upstream model. Between 2015-17 our RRR all sources was 120%, even including the effect of the disposals.

And now let's have a look at the 2017 start-ups.

In December we started up Zohr, just 28 months after discovery and 22 months from FID, an industry record for a giant deepwater development.

Zohr is now ramping-up fast: it has reached a gross production of 400 mmscf/d and it is expected to contribute 1.9 bln scf/d by the end of the year. In 2018 it will contribute on average around 70 kboed to Eni's production.

This is just the latest success of our integrated model of development: in the first half of 2017 we started up 3 main deepwater fields in Angola, Ghana and Indonesia.

All of these projects, coming from our exploration discorveries, started ahead of schedule with an average time-to-market of less than 3 years from FID.

Overall, these four fields are performing better than expected, contributing to 80 kboe/d to 2017's average equity production. They are expected to contribute around 210 kboe/d in 2018.

Let's now move to E&P results.

2017's EBIT of 5.2 billion €, is double last year's.

Opex at 6.6 $/bbl and depreciation costs at 10.3 $/bbl are in line with our expectations.

In 2017, benefitting from high value barrels, Upstream Operating Cash Flow was around 8.3 billion €.

This 38% increase in cash generation, coupled with a 20% capex reduction, generated a free cash flow of 1.7 bln €.

Our cash generation is equivalent to a cash flow of 14.1 $ per barrel, or 15.3 $/bl at the budget scenario of 57.5$/bl, exceeding our original guidance.

And now let me give you some numbers on the key turnaround of our Mid-Downstream.

G&P is structurally positive. With more than 200 mln € of EBIT, that includes around 100 mln € of positive non recurring profits, we have exceeded the original guidance of breakeven.

We have progressed in the restructuring of our supply portfolio and logistic costs, and enhanced contribution from "high-value" segments: Trading, LNG and Retail.

- The overall 600 mln € improvement vs 2016 is equally split between:

- the restructuring of our portfolio such as supply and logistics;
- high value segments such as LNG, Trading & Optimization and Retail

The Refining sector is profitable at 3.8 $/bbl , a margin of breakeven that is 40% lower than 2014.

R&M generated 530 mln € of EBIT, with Marketing contributing 390 mln €.

This year's refining result of 140 mln €, in a 5 $/bbl margin scenario, has been achieved notwithstanding the impact of 100 mln € of fixed costs, mainly related to Gela, currently under conversion into a Bio-refinery and in production at the end of 2018.

We are therefore well on track to reduce the breakeven to 3 $/bbl by the end of this year with the start up of Gela, the restart of EST and additional operating improvements.

- Chemicals generated 460 mln €, a record, and an improvement of 50% on 2016. The negative results from 2008 to 2014 are behind us and Versalis is now a self-sustaining company also in terms of free cash flow.
- The operating profit from our mid-downstream is at its highest point for a decade while cash flow maintains the positive trend of the past two years.

Mid-Downstream contributed more than 1 billion € of EBIT in 2017, triple the average results of the past two years.

Overall, in the period 2015-17 we cumulated an economic result of 2 bln € vs the losses of 2.1 Bln € of the previous 3 years. All sectors are now structurally positive and are much more resilient to weaker scenarios.

This turnaround is even more remarkable at cash flow level. We were able to turn a drain of 3.7 billion € in the period 2012-14 into a contribution of 8 billion € in the last 3 years, through greater operational efficiency, optimization of logistics, renegotiaton of gas supply contracts and the recovery of working capital, including take or pay.

In 2017, our mid-downstream businesses were self-sustaining and, with a generation of around of 1 Bln € of FCF, they are able to cover 1/3 of our dividend.

Before concluding, let's have a look at the group results for 2017.

The fourth quarter was marked by an acceleration of our economic and financial performance.

In this quarter, which is seasonally stronger for Eni, we leveraged our upstream positioning, production growth and the efficiency of our mid-downstream assets. Compared to the 3rd quarter, we recorded an increase of 100% on EBIT and 50% at CFFO level.

The 2017 economic results confirm the trend of our improvement.

Overall, the company generated 5.8 bln € of EBIT, an increase of 3.5 bn € vs last year.

This result was driven by:

- the improved scenario for 3.1 bln €, mostly in the upstream sector;

  - growth and efficiency actions for 600 mln €; and

  - negative one-off effects and OPEC cuts for around 200 mln €

CFFO for the year was 10 bln € or 9.3 bln € before working capital at replacement cost.

We generated an adjusted net profit of 2.4 billion €. The average tax rate in the full-year was 56%, or around 61% normalized for one-off effects.

Our reported net result was 3.4 billion €, the highest since 2013.

In 2017, Eni achieved a much improved financial position beating its cash neutrality target.

Eni's 2017 organic cash neutrality covered all costs, capex and a full cash dividend is at 57 $/bbl, an improvement to the original guidance of 60 $/bbl .

If we take into account the cash-in from the dual exploration model our cash neutrality was actually 39 $/bbl, generating a free cash flow, after dividends, of 3.4 bln €.

As a result, we have lowered our net debt to 10.9 bln €, contributing to a reduction of the gearing to 18%, one of the lowest among the European Majors.

Before concluding let's have a preliminary look at 2018.

For this year, I can anticipate :

- An Organic production growth of 3% vs 2017
- G&P's underlyng EBIT expected at 300 mln €
- Refining Breakeven at around 3 $/bbl at year end
- CAPEX in line with 2017, up to 8 B€, confirming our focus on a disciplined and sustainable growth

With the upstream set for growth in a low scenario, a continuous improvement of mid-downstream and a strong financial position, we will be able to capture all the potential upsides from the recovery of oil and gas prices.

We will disclose our plan on 16th of March but I can confirm that all of the actions and initiatives are in place to build a stronger and longer future for Eni and its shareholders.

And now, together with my management team, we are ready to answer your questions.

Q4 2017 Eni SpA Earnings Call

Questions and Answers session

CORPORATE PARTICIPANTS

Claudio Descalzi – CEO

Massimo Mondazzi - Chief Financial Officer

Antonio Vella - Chief Upstream Officer

Massimo Mantovani - Chief Midstream Gas & Power Officer

Luca Bertelli - Chief Exploration Officer

Roberto Casula – Chief Development, Operations & Technology Officer

CONFERENCE CALL PARTICIPANTS

Jon Rigby - UBS, Analyst

Oswald Clint - Sanford Bernstein, Analyst

Alessandro Pozzi – Mediobanca, Analyst

Massimo Bonisoli - Equita, Analyst

Marc Kofler – Jefferies, Analyst

Bertrand Hodée – Kepler Cheuvreux, Analyst

Hamish Clegg – Bank of America Merrill Lynch, Analyst

Martijn Rats – Morgan Stanley, Analyst

OPERATOR: (Operator Instructions) The first question is from Mr. Jon Rigby of UBS.

JONATHON RIGBY, MD, HEAD OF OIL RESEARCH, AND LEAD ANALYST, UBS INVESTMENT BANK, RESEARCH DIVISION: Can I ask 3 questions, please? The first is just on the tax rate, which obviously came down in 4Q. I guess there's some sort of reappraisal going on, so we need to look at the full year 2017 number to get some guidance on the outlook for tax rate. But could you just talk a little bit more about that and maybe reference also cash tax rates as well? The second is on production. There's a big pickup in North Africa in gas production in the fourth quarter. And I just wonder whether you're able to characterize that between organic growth in Egypt and maybe demand pull out of Italy from Libya, I know that sometimes that impacts your fourth quarter. And then lastly, I was intrigued by discussing your comments around the creation of surplus value for shareholders or substantial surplus value for shareholders. And I just wonder whether you could maybe start to talk a little bit about how you think about how that could maybe share with shareholders. I know you'd probably talk about it more on the 16th of March, but it does seem to sort of hint at some plans behind the scenes about looking at your share -- your dividend policy or your distribution policy.

CLAUDIO DESCALZI: Okay. Thank you. Massimo is going to answer about the tax rate and then we follow up.

MASSIMO MONDAZZI, CFO, ENI S.P.A.: Jon, so the normalized tax rate that we got in 2017 is around 60%. 60% is a bit lower than the guidance we gave, that was in the range of 65%. Why we got this slight reduction? I would say because mainly 2 reasons. First of all, the Italian activities in all the mid-downstream businesses, including retail and with gas and the chemical business got better results than expected. This result is as close to a lower than the average tax rate. So this is the first reason. The second one is that the mix of production we got in E&P is slightly different versus the expectation. We got a higher contribution from the new start-up, including Angola, for example. This is exposed to a lower tax rate than the average, while we got some less production from Norway that you just post to a 78% tax rate. So the combination took us to a lower tax rate in the range of 60%. I believe that 60% would be the right guidance as well as for 2018 in a $60 per barrel Brent scenario. In term of cash tax rate, the cash tax rate we got in 2017 is something in the range of 30%, and we expect, I'm just checking the numbers, something in the range of 25% in 2018.

CLAUDIO DESCALZI: And just to try to give more context about gas, gas in the Mediterranean, so we talk about Libya and Egypt and mainly also if we have also Algeria. So the main source of new gas comes from Egypt. It was Egypt. We have Zohn, but we also have also Nooros. And additional gas that will go on stream, and that is for the local market.

Then we have also gas clearly from Libya. And the flow of gas is split at the 40-60, 60% is for the local market and 40% for the Italian market. And we can have some fluctuation, some variation, but there's no -- we didn't increase our import. Set maybe in some special days, but we didn't increase our import from Libya. And Libya is really consuming and increasing the gas consumption, so that is the situation. Clearly, the gas rate and the gas equity of Eni is going to be increased in this area because we have a new field and a new project on stream. For the remuneration for the TSR, for the remuneration of dividend, as you -- well, note that this is something that we are going to discover and elaborate on it in March. So you have to be a little bit patient. And in March, we're going to answer to all of your questions. Thank you.

OPERATOR: The next question is from Oswald Clint of Bernstein.

OSWALD C. CLINT, SENIOR RESEARCH ANALYST, SANFORD C. BERNSTEIN & CO., LLC., RESEARCH DIVISION: Maybe just a question on the cash flow neutrality number that you've given out this morning, the $57 versus your expectation of $60. It feels -- I mean, it looks like that's mostly coming from the lower CapEx spend versus budget of $300 million or $400 million less CapEx spend versus EUR 8 billion. Is that where that's coming from? And where did that kind of $300 million, $400 million CapEx saving come from? And is that not something that could flow into 2018 as well, please? First question. Second question, just on Mexico. I see you've completed your exploration campaign pretty quickly. I'm just curious to know what is the activity plan for Mexico in 2018, please.

MASSIMO MONDAZZI: I believe that cash neutrality is the sense of your question if the $57 are sustainable or even potentially improved -- to be improved in the future. The answer is definitely yes. So it's not depending on the level of CapEx. It's a bit lower than the EUR 8 billion. We believe that this level of cash flow from operation and CapEx is sustainable even to feed in the future production growth. So this is our view in this respect.

CLAUDIO DESCALZI: Okay. For Mexico, Luca and Antonio, if you want to answer, please.

ANTONIO VELLA, CHIEF UPSTREAM OFFICER, ENI S.P.A.: So we have already -- presented to the authority of Mexico the plan of development. Well, the discussion is already ongoing. We expect by end of March, early April to get the approval of plan of development. And then immediately after, we will proceed with our FID. Luca?

LUCA BERTELLI, CHIEF EXPLORATION OFFICER, ENI S.P.A.: Exploration-wise, we will start working on the other license that we won in 2017 rounds and where we expect to start drilling operation around the year-end of 2018. So we will prepare for drilling and a new license by the year-end of 2018. And regarding Area 1, we will continue drilling, of course, appraisal development drilling for all the years. These wells were to keep producers for their project.

OPERATOR: The next question is from Mr. Alessandro Pozzi of Mediobanca.

ALESSANDRO POZZI: Two questions. The first one is on Gas & Power. Clearly, a good quarter, probably there's a bit of seasonality, but certainly there's a structural improvement in the results. And now I think that you have a further improvement this year. I was wondering if you can maybe give us a bit more colour on how you're going to achieve that, whether it's based on previous renegotiations or whether you are planning to perform more cost-saving initiatives over the next few quarters. And also the second one is on production growth. I think you're assuming a 3% this year. I believe there is a 200,000 barrels from new project. I was wondering if you can give us maybe a bit more colour on that as well.

CLAUDIO DESCALZI: Massimo, you can answer to Gas & Power.

MASSIMO MANTOVANI, CHIEF GAS & LNG MARKETING AND POWER OFFICER, ENI: Yes. On Gas & Power, the driver we had this year were mostly renegotiation on gas supply and at least 3 bigger long-term contracts. Then we had, of course, huge efforts on reducing the logistics and costs. This was done mainly by terminating, also taking opportunities from the regulation contracts or capacity and in particular, on asset-backed trading. We had also quite a significant result from LNG trading, and those are also the drivers, which we see for the future. And in the strategy, we will tell a little bit more in particular on LNG.

CLAUDIO DESCALZI: So Antonio, maybe you can talk about and give some light on the 210 in terms of -- around parts and the other contributions and the gross production.

ANTONIO VELLA: So the exactly number we have achieved, and the ramp-up is that it's going to continue in 2018 is going to be sort of 55,000, 60,000 barrel… is going to be the new start-up. And 280 is going to be the ramp-up… along the year.

CLAUDIO DESCALZI: So it gives some names to the ramp-up. Clearly, the ramp-up, we can -- the big ramp-up is coming from Zohr hitting production, 4 -- additional 4 trains. So we pass from a 400 million scf per day to 1.9 billion by the end of the year. Then we have a ramp-up in OCTP. So we have the gas phase of the project in Ghana, and we double the production to reach 85,000 barrel per day of gross production in Ghana. Then we have the additional ramp-up on top -- in Egypt for the great Nooros area that is the shallow water considering Nooros and Baltim West. So Egypt will be a big contributor. Then we have Indonesia where we increased production in Jangkrik. We have an additional growth for a project, the West Hub, that start up -- structurally, West Hub, they start up in May, April. So that are the main contributor. We have also offshore production in Libya, and we have a project in Algeria. So this is a quite diversified contribution from different projects, but we are going to all ramp up, all start up, as Antonio said.

OPERATOR: The next question is from Mr. Massimo Bonisoli of Equita.

MASSIMO BONISOLI, ANALYST, EQUITA SIM S.P.A., RESEARCH DIVISION: Three questions from my side. Could you just spend a few words on the explosion block in Block 6 in Cyprus? And what's the current situation following the opposition of the Turkish government? And maybe also a few words on the awards of the blocks in Lebanon. Do you have potential synergies with Zohr from those blocks? The second question is on the divestments left in 2018 if you have an update on what to be cashed in over this year. And third question is, out of the...

MASSIMO BONISOLI: Could you give us an update on the divestment to be cashed in over 2018? And out of the EUR 8 billion CapEx, how much is related to Zohr and Mexico?

CLAUDIO DESCALZI: Okay, okay. So we couldn't hear you but we've got some questions, and we try to answer. If it’s not complete, you can repeat. Now the first point, so the Block 6 is finished… So the well that is under -- that is stuck and is in discussion is the well in the Block 3. So it's -- the Block 3, that is another well. And the situation in the Block 3, I have just to highlight that the block is in the exclusive economic zone of Cyprus South. So we have been really, really attentive to put…, to locate the well in the right location. That is the third well that we drill in this area. And the first -- for the first 2 wells, we didn't have any problem. Now the situation is not really under our control because the diplomacy of different countries Italy, Europe, France, and Cyprus and Turkey that are discussing this issue. At the moment, we are waiting. And for Lebanon, maybe, Luca, you can say something?

LUCA BERTELLI: Lebanon is part of our position in the Eastern Mediterranean, and we don't see direct synergies with Zohr. It's mainly an exploration activity that we look for, first of all, domestic opportunity. This is our intention.

CLAUDIO DESCALZI: Thank you. So for the other question that we understood was about the return on the emissions 2018 on Zohr and on Mexico. I give the floor to Massimo to answer it.

MASSIMO MONDAZZI: So Massimo, the dual exploration model we apply successfully, I believe, -- up to now would be continuing in the future. So as I already commented in September, the potential divestment in the near term could relate some recent aspirational success we had. With the very high interest rates such as the Area 1 in Mexico where we commented. Merakes in Indonesia. Definitely there are some other candidates in our portfolio even right now as well as, I would say, we are very confident that the future exploration activity that probably we will comment at length during our strategy presentation will give us additional floor to keep on this kind of strategy. I cannot give you a precise number because it will be definitely an M&A activity looking forward. But I'm strongly convinced that the positive contribution from the dual exploration will be continued without jeopardizing the production growth as we did up to now, including the replacement, because I would like to highlight the comment that Claudio already made about our replacement ratio, that in the last 3 years when we put in place the significant part of our dual aspirational model selling down 25% or more than mid-40% of Zohr. Anyway, our replacement also has been 120%. So everything included.

OPERATOR: The next question is from Mr. Marc Kofler of Jefferies.

MARC B. KOFLER, EQUITY ANALYST, JEFFERIES LLC, RESEARCH DIVISION: I think from the press release, it shows that you're adopting a more conservative approach with regards to the operations in Venezuela going forward. So I was just wondering if you could talk a bit more about how the situation there is unfolding at the moment. And then also, if you could, I think it would be great if you could talk about the production that's in the budget for 2018 from Venezuela.

CLAUDIO DESCALZI: So I'll answer the first part of the question, then I will give it to somebody, to Massimo and to Antonio, to complete the answer. From the operational point of view, we are producing from Perla, from Coral, from Junin 5. So the production is daily, and the Perla is producing quite well. We're certainly selling everything to the domestic market. And so there is no operational issue and problem. What happened that, due to the situation of outstanding that we have, clearly, we are not proceeding with the second and third phase. The second and third phase is there in term of authorization, in term of production and technical ability, but we want to understand better the situation and be able to recover our outstanding that now are around EUR 600 million, our share. So we want to understand when and how we can recover, and then we can continue our operation. All our -- most of our operation are offshore. So they are not impacted, but we want to be sure about the economic and financial returns. Antonio?

ANTONIO VELLA: Okay. In term of budget 2018, we still have the same budget of 64,000 barrel per day of '17 and also in '18. The growth in -- expected on the previous activity have been suspended. And there, we are delivering the gas requirement for local market as the facility in place. Thank you.

OPERATOR: The next question is from Bertrand Hodée of Kepler Cheuvreux.

BERTRAND HODEE, HEAD OF OIL AND GAS SECTOR RESEARCH, KEPLER CHEUVREUX, RESEARCH DIVISION: Two, if I may. The first one is about potential FID **Eni** could take in 2018. So you've talked about Mexico area 1 and … if there are any other potential candidates. And the second question relates to Zohr and the divestment. So Rosneft and BP did not exercise the option to acquire another 10%. So would you try to sell another 10% of Zohr going forward?

CLAUDIO DESCALZI: Okay, thank you. About the FID, Roberto, Antonio can answer, and then we talk about Zohr.

ROBERTO CASULA, CHIEF DEVELOPMENT, OPERATIONS & TECHNOLOGY OFFICER, **ENI** S.P.A.: Okay, thank you. We have envisaged in 2018 a number of important FIDs. Well, as we discussed earlier, Mexico will definitely be one of them for the entire Area 1, Moca, Mitzon, Tecoalli. Then in Egypt, we continue the developments in the area of Nooros with Baltim South West. In Italy, we will sanction the Algo Cassiopea project, gas project offshore. Then we have the continuation of Nené development in Congo. In Indonesia, we can go ahead with the Merakes development, which is the field, the -- close to Jangkrik. So very cost effective in terms of tie-in. And last but not the least, deepwater Nigeria will be another major FID envisaged this year.

CLAUDIO DESCALZI: Massimo, the last one.

MASSIMO MONDAZZI: So about the potential divestment, the addition of 10% on Zohr, I would say the divestment following the dual exploration model has been done on Zohr. So the sale of 40%, I would say, completing the most important part of what we like to do on this respect, I would say an additional 10% would be an opportunistic way to handle our real portfolio and to swap with some asset to some other asset, no more than that.

BERTRAND HODEE: Okay. Can I just make one follow-up on FID? You mentioned deepwater Nigeria. You are referring to OPL 245 development being sanctioned this year?

CLAUDIO DESCALZI: Yes.

OPERATOR: The next question is from Hamish Clegg of Merrill Lynch.

HAMISH WILLIAM GEORGE CLEGG, DIRECTOR AND SENIOR ANALYST, BOFA MERRILL LYNCH, RESEARCH DIVISION: A few questions. Firstly, just on Venezuela. I know quite a lot of the moves in the housekeeping today related to some of the write-downs taken there. I just wanted to confirm a number you gave us last year for existing or outstanding receivables with close or around EUR 400 million, I believe. If you could clarify where that stands today, so we have an idea of what receivable is still pending from Venezuela given the moves you've taken in results. Second question, I'm sticking with Venezuela with Perla 2 appearing to be canceled now. I guess, it's the result of the situation in Venezuela. Could you confirm where that CapEx will be directed, given you're keeping with a sort of EUR 8 billion CapEx level, and what I believe you were due to spend some money in Venezuela which you will no longer do? And thirdly and finally, if Mexico is so good as you've increased the reserves several times, which has been impressive, could you confirm why you chose not to increase your acreage in the recent licensing rounds in January?

CLAUDIO DESCALZI: So Venezuela, yes. So Venezuela last year was EUR 450 million, now we are at -- as I said, we reached EUR 600 million of outstanding. Second, the Phase 2 is not canceled. The Phase 2 is suspended, and so we are observing and we are discussing and understanding if we can go ahead. At the moment, we don't invest for 2018, and that is already included in our budget. So we are going to invest in Phase 2. So there is not a direct impact on the -- on our CapEx spend because it's already included. Mexico, I think that we have been very successful, and we won other 3 blocks and we won other blocks. So we continue through different bid round to increase our resource base, asset base in Mexico. So we -- now we have blocks in the offshore, conventional water and deep offshore. So we are present, and we are going to continue to participate to the other bid rounds.

OPERATOR: The last question is from Martijn Rats of Morgan Stanley.

MARTIJN RATS, MD AND HEAD OF OIL RESEARCH, MORGAN STANLEY, RESEARCH DIVISION:

All of my questions have been answered, so I'll leave it to this.

OPERATOR: That was the final question. Thank you for participating in the **Eni conference** call. You may disconnect your telephones.

CLAUDIO DESCALZI: Thank you very much. Have a good weekend.

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