

Eni

2022 Second Quarter Results

Friday, 29 July 2022, 14:00 CEST

Presentation

Speaker: Claudio Descalzi – CEO

Good afternoon everyone.

Today we will focus on three aspects of the year to date:

- Firstly, our execution of strategy amid highly volatile economic and geopolitical conditions;
- Secondly, the financial results that underpin our ability to invest and pursue our strategy across the cycle;
- And thirdly, our delivery of competitive returns to our shareholders.

In a market characterized by extreme volatility and complexity, we continue to progress on our strategy with effectiveness and determination.

Technology, and its fast-track deployment, is a key element of our transformation, and in the first part of 2022 we delivered 3 major successes:

- On LNG, with the on-plan and budget start-up of Coral offshore Mozambique, we have opened a new path for this country and developed a leaner LNG offshore scheme.

The experience gained from this project will allow us to replicate a similar scheme in Mozambique, and in other countries by accelerating the time to market of gas resources, and reducing financial exposure.

- We sanctioned the Baleine project in Côte d'Ivoire just 4 months after its discovery. It will be the first net-zero development in Africa for scope 1 and scope 2 emissions. After a production test on the appraisal well, we can confirm the potential of at least 12,000 bbl/d and an increase of hydrocarbons in place to around 2.5 billion barrels of oil and 3.3 Tcf of associated gas. We expect first oil in the first half of 2023.
- And on future breakthrough technologies, the SPARC magnetic fusion plant construction is underway in Boston, with a planned start-up in 2025. Eni is the largest shareholder in the CFS venture and the successful \$1.8bn funding round at the end of 2021 will carry the venture through this important stage of developing a new source of clean energy.

But our transformation is not limited to the deployment of technology. It also requires the construction of new, financially attractive business models, to capture new investors and new sources of capital that will help to accelerate our growth.

The success of VAR Energy, the largest IPO of an oil and gas company in Europe in over a decade, is an example of our business combination model that we want to replicate.

With Azule, the partnership between Eni and Bp in Angola, we are creating an African giant. All the conditions are close to being met and its formal establishment will take place in the next few days. With an average production of around 250,000 barrels per day and great potential for synergies in exploration, operation and development, Azule will be one of the strongest upstream players in the years to come.

We are also advancing in the creation of our company dedicated to sustainable mobility, targeting completion by the end of this year.

This company, together with Plenitude in the retail household business, is functional to reach net zero Scope 3 emissions in mobility.

With the first vegetable oil produced in Kenya last week and the development of a network of agri-hubs in Africa, we are on track to securing diversified feedstock to expand our biorefining capacity and we will reach a target of 35% vertical integration by 2025.

Gas security is the key topic of this moment, a recurring concern for government, consumers and investors.

Eni was already progressing the replacement of third-party volumes with new equity gas and, after the invasion of Ukraine, we further accelerated this plan of substitution.

We moved quickly, leveraging our huge discoveries and strategic relationships: we signed new gas supply arrangements with Algeria, Egypt, Congo and just last month we entered Qatar's North Field, the world's largest LNG project.

The initiatives are designed to deliver up to 20 Bcm of gas supply by 2025, effectively covering 100% of 2021's Russian gas imports.

This gas will be produced in projects where Eni has a material upstream stake, securing diversified supply to meet customer needs, while also boosting Eni's returns.

Focussing now on the gas market itself.

In order to protect the company from disruption in the shorter term, we have increased the flexibility and resilience of our delivery chain.

On top of diversifying our gas sourcing and filling storage well ahead of winter, we have also diligently addressed our financial position.

We have carefully managed our exposure where we deviate from our mostly hub-based pricing-model; we have addressed potential mis-matches in our supply commitments; and we have ensured our financial hedging is consistent with physical supply.

To really place this in perspective, I want to emphasise that the company's remaining 2022 contracted obligations can be fully met with non-Russian sources without any additional cost.

Alongside managing unprecedented levels of market complexity, and moving on with our transformation strategy, we continue to deliver excellent results.

EBIT for the first half was €11bn and for Q2 €5.8bn. We have generated €10.8bn of CFFO in the first half of the year, fully funding our capex of €3.4bn and our yearly distribution plan.

Importantly, our financial performance was not just in our Upstream division but was also balanced with significant contributions from GGP in Q1 and R&M in Q2.

To this, we can add a growing support from our associates, that emphasises the emerging value of our satellite model.

Even with the build in working capital resulting from higher gas prices impacting both seasonal gas storage and sales, plus the effect of various portfolio activities, we have reduced our net debt which now stands at 15% leverage, confirming our financial resilience and offering strategic flexibility.

Upstream captured the improved scenario and maintained disciplined cost management to deliver almost €5 bn of EBIT in the second quarter.

As we continue to focus on high-value activities, we also expect production to increase in the second half of 2022 thanks to project ramp-ups – for instance Coral in Mozambique, and Ndungu in Angola, plus production to come onstream from Berkine fast-track activity in Algeria – and the reduced impact of major turnaround that affected Q2.

Q2 was also impacted by force majeure in Libya, Nigeria and Kazakhstan, which substantially explains the production shortfall against our expectations.

In addition to the start-ups we have made progress towards FID in the second half 2022 for the Marine XII full field in Congo, Melehia Phase 2 in Egypt, a number of new projects in Angola plus the next Karachaganak expansion in Kazakhstan.

Our exploration activity continues to yield excellent results.

We have discovered 300Mboe of resources in the first half.

The second half 2022 has also started on a very positive note with the first appraisal well at Baleine. We are raising our guidance for discovered resources for the year to 700 million boe.

After a very good first quarter, GGP broke-even in Q2 as expected. We see second half EBIT skewed towards the last quarter as is the normal seasonal pattern.

The second quarter was a standout quarter for Refining & Marketing.

It benefited from the robust scenario but the results are really driven by:

- a major increase in the utilisation rate at our Italian refineries, which is 20 percentage points higher than Q1 at 90%; and
- Our management of energy costs impacted by high gas prices. In the first half of the year where we saved 200 million € through energy supply optimization.

In May we also restarted our Gela biorefinery, ahead of plan, contributing to the capture of favourable market conditions.

In Chemicals, despite a challenging market, Versalis has delivered positive results thanks to improved margins on polymers and proactive mitigating actions on costs and energy uses.

As a reminder, our investments for making Versalis a fully sustainable and differentiated company are focused on four strategic areas: specialties, circularity, biochemicals and efficiency. In this context, by 2025, added-value products will grow to over 40% of portfolio.

Plenitude continues to grow its renewables installed capacity - by almost 35% year-to-date and on-track to have more than 2GW installed by year-end.

In the quarter, Plenitude delivered €190 million in EBITDA, nearly 50% above 2021, thanks to its growing Renewables contribution and a retail performance featuring strong sales in solar distributed generation and energy efficiency services.

We continue to see additional strategic value in a listing of the company and we confirm it remains our intention to pursue an IPO subject to market conditions.

In line with the commitment we made in March, we have updated our assessment of the 2022 buyback upside price scenario, taking into account the Brent price to date and the expected trend, market fundamentals and potential risks.

Accordingly, we are announcing an upside Brent price of \$105/bbl for the year as the basis of the incremental FCF to be distributed.

In addition, the stronger foreign exchange rate and the strength of refining margins and gas prices leads us to conclude that a larger €2.4 billion programme, an increase of €1.3 billion vs our original plan, is appropriate and consistent with our strategy.

Based on the current share price, our dividend and buyback correspond to a distribution yield of 14%.

We expect the buyback to be completed before the end of Q1 2023 and confirm we will further update our scenario and plan at our Q3 results in October.

I will now summarise on our updated guidance before concluding.

2022 production guidance is 1.67 Mboed, in line with the original 1.7 Mboed, when adjusting for the risk of ongoing force majeure interruptions, most particularly in Nigeria, Libya and Kazakhstan. We expect Q3 production to be broadly in line with the annual average.

Exploration is expected to beat the original outlook with at least 700 million boe of discovered resources, now seen at a cost of around \$1.50/boe.

We confirm 2022 GGP EBIT at €1.2bn, a figure we raised at the first quarter, and Plenitude's full year EBITDA at over € 0.6bn.

Business actions and favourable market conditions for R&M allow us to materially improve our guidance to an adjusted proforma EBIT now expected between € 1.8 and 2 bn.

Looking forward we are raising our guidance for 2022 CFFO pre working capital to €20bn at \$105/bbl.

Underlying annual capex is unchanged from the original plan and expected to be €8.3bn at the updated foreign exchange rate assumption.

We also confirm our 2022 dividend per share of €0.88 and, as I have just disclosed, we will enhance total distribution with a share buyback of €2.4bn to be completed before the end of the 1st quarter 2023.

Leverage is expected to fall further to end the year at around 13%.

To conclude.

We have delivered significant strategic progress over the first half of 2022.

We have continued to secure the long-term for Eni, especially in the context of new gas supply, while protecting it in the short-term from the effects of market volatility.

We are moving forward in our Energy Evolution business, growing Plenitude and establishing a stand-alone Sustainable Mobility company.

Our excellent financial delivery is critical to funding new investment plans through the cycle, being a reliable supplier of energy to our customers in all scenarios and delivering on our commitments to our stakeholders.

That concludes my remarks and I, along with Eni's top management, welcome your questions.

Eni will update its 2022 buyback scenario assessment in July for establishing the upside to the 1.1 bln euro buyback. The extra buyback will be equivalent to 30% of the incremental free cash flow in the event that the oil price exceeds \$90/bbl on a yearly basis.

That concludes my prepared remarks I, along with Eni top management, now welcome your questions.

Q&A Session

Corporate Respondents

Claudio Descalzi, CEO

Francesco Gattei, CFO

Guido Brusco, Chief Operating Officer Natural Resources

Giuseppe Ricci, Chief Operating Officer Energy Evolution

Stefano Goberti, CEO Plenitude

Cristian Signoretto, Director Global Gas & LNG Portfolio (Natural Resources)

OPERATOR: The first question comes from Irene Himona of Société Générale.

IRENE HIMONA, SOCIÉTÉ GÉNÉRALE: Two questions, please. Firstly, can you say what the cost to the various windfall taxes are for Eni this year in Italy, but also the UK? And then secondly, on Plenitude, should stock market conditions remain difficult for an IPO over the next 12 months, how does that impact Eni strategy? Would you then instead consider selling to an industrial partner perhaps?

CLAUDIO DESCALZI: Francesco is going to answer about the tax and then I say something about Plenitude.

FRANCESCO GATTEI: The sum of the two taxes is in the range of €800 million on a yearly basis. You know that we have already paid an installment related to the first payment of the Italian taxes, [which] is 40% of that tax that was in the range of €500 million and the remaining part will be paid at the end of November; and, clearly, the same will occur for UK taxes.

CLAUDIO DESCALZI: For Plenitude, clearly, what prevented us to go ahead with the IPO was the market condition and volatility, we are still there, maybe worse than before. And we are convinced and determined to go ahead, when the condition will be reestablished, with the IPO. But we have to say as a highlight that the strategic move is Plenitude - It's not the IPO. The IPO is clearly a good tool to give value and independence to the company, but the strategic move is Plenitude itself because it's functional to our aim to sell the de-carbonized product – green, blue, and biogas – to our clients to reach the Net Zero in our Scope 3. So, this strategy is Plenitude and then we have a tool to give additional value with the IPO. So, we go straight with our strategy to increase renewables and that's what it's doing because Plenitude is increasing at a very good pace the renewables. But that is the strategy. I'm sure that we are going to find a good window of opportunity for the IPO.

If you are looking at other ways, at the moment, we are focused on developing our company the best way. And we'll see what we are going to do in the future.

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

OSWALD CLINT, BERNSTEIN: Just in the context, please, of gas security, I wanted to ask about Mozambique again. Galp's chief executive keeps continuing to sing your praises on Coral LNG, but I wanted to get your thoughts on the potential for, let's say, another Coral floating LNG facility. And also even on the onshore, are

there discussions around smaller or mid-scale LNG trains at Rovuma that could perhaps allow you to get this project away in a shorter time period than many people expect? That's the first question.

And secondly, good evidence of the natural gas reduction here in Refining & Chemicals. I wonder if you could just quantify how much percentage-wise you've been able to reduce?

And actually, even on GGP, Europe's now trying to reduce demand by 15%. I think you've seen some decreases in Italy and France in the second quarter, but increases in Germany. How do you think the demand for your sales for gas plays out, certainly through the second half of the year, please? I know you've given the guidance for GGP, but that's just an overarching question.

CLAUDIO DESCALZI: I'm going to answer for Mozambique and then my colleagues, Pino Ricci and Christian, will answer for the remaining questions.

So, we are discussing – you know that we are working on the offshore and in our joint venture, in our company with Exxon and the other companies who are in charge of the upstream and the offshore. Clearly, we are discussing – we are proposing – a possible additional offshore development through LNG, the same fast LNG that we are developing in Congo. So, something that is very fast, a small-size that we can replicate, a size that can range between 2.5 and 3 million ton per year. So, that is something that is on the table we are discussing.

I can say that, among our partners, there is a positive view but we have to wait for a final approval, but that clearly is a way to go faster and develop LNG in Mozambique. We have a huge amount of reserves there that is on our block. We have about 80 TCF. So, you can imagine that this is the moment. So, we are really focused and determined to go through with these developments.

For onshore, onshore is not in our end. Clearly, it's in the hand of Exxon. The big train, all the engineering, everything has been done. I think that is just the question to understand if we find a reasonable security condition to develop this activity, but if we think about small size, I think that the offshore – would demonstrate the offshore is the faster one.

So, I think that – I never thought about a small train onshore, but I think that a good way, because there is no constraint, is a small-size offshore LNG.

And now, I turn to Pino for the other answer.

GIUSEPPE RICCI: About the gas reduction in the refineries, our reduction reached more or less 70% versus the previous one. This was a pathway started last year when in the second half we started to see the spike of price (70). And so, when the Ukraine-Russian war started, we were already very strong to push again the reduction of gas consumption in the refinery.

On a yearly basis, it means approximately 0.6-0.7 billion cubic meter of consumption. If you consider that, in the same time, we crossed from a minimum utilization of the refineries because low margin, COVID, low consumption and so on, to a big jump to the maximum utilization because the lack of Russian [commodities]. And so, the combination of the two facts allowed us to reach this result. And take into account that, for instance, our Sannazzaro refinery today has gas import closed, completely closed.

CLAUDIO DESCALZI: Pino means that, in Sannazzaro, we are producing synthetic gas and replacing gas with other less expensive feedstocks, energy feedstocks; that is the secret. And then, we jump from 70% utilization

rate to 90% utilization rate. So, this action has been really important, and that explains also the difference between the consensus and the result. The same in Plenitude. But I think that we can also explain that.

Then there is a question about gas. So, Christian can answer. Christian and maybe Stefano.

CRISTIAN SIGNORETTO: On the gas demand side, as you pointed out, during the first six months of the year, in Europe, substantially, let's say, the overall demand has reduced. Well, differently in the different countries because we vary between, let's say, for example, in Italy, the drop was around 2% and in Northern Europe was actually a bit more.

The reason behind that was a bit warmer winter than last year. So, we had the less consumption in the household segment. And clearly, after the spike of the prices, we have seen also some reduction in the industrial demand that actually Pino was talking about, what we have done on the refineries to reduce the demand and this is happening a bit across the board and we see a reduction of around 10% on the industrial sector, especially in the very high energy intensive sectors.

Going forward, we acknowledge the agreement at the EU level about reducing the demand. And for example, that again depends a lot on the various countries. For example, in Italy, even the specificity of Italy, this 15% actually boils down to a 7% reduction. But the way we see the impact of the demand reduction vis-à-vis our accounts, we think that there is actually a marginal impact on that because we will have maybe less revenues coming from the margins on our sales. But on the other hand, we are going to gain from optionality vis-à-vis the wholesale market and reduced capital absorption. So, not a big element.

OPERATOR: The next question comes from Mehdi Ennebati of Bank of America.

MEHDI ENNEBATI, BANK OF AMERICA: Congratulations for those strong results. So, two questions, please, on my side. First one, I am trying to understand the potential impact for Eni in case of a gas price cap for household in Italy, given that you are involved in gas distribution in Italy. So, can you please remind us what is your market share on gas distribution for households? And can you also tell us if you hedged on that, your selling price to your customers via derivatives, if you have to sell the gas to the spot price? In fact, I would like to know if – in case of a gas price cap for households, will you have to pay, to subsidize the household? Or does it exist another, let's say, organism which can, let's say, take that potential cost?

And a second question regarding your renewable diesel business. So, I remember that in February, you told us that in 2021 that business had negative EBITDA contribution. What about the first half of 2022? Are you seeing some improvements here or would you say that the situation remains quite difficult because of fixed cost inflation?

CLAUDIO DESCALZI: Stefano Goberti is going to answer to all the questions.

STEFANO GOBERTI: In terms of gas price cap, very difficult to comment on a measure that need to be implemented first to be commented upon. On our side, we sell gas to residential, both on a fixed price – and in that case, of course, we hedge – or on a variable price indexed to the PSV. So, in that case, we are naturally hedged in our portfolio.

We have been managing a lot during these first two quarter through energy management not to get hit by the volume risk. And I will say we have been successful because the results in the quarter have been very positive.

The second question on the renewables, last year, we had a minus €10 million result in EBITDA. These first six months, plus €90 million because of our generation and the prices that we are able to capture because of the unique model of Plenitude of putting together merchant position on the renewable together with the client base.

MEHDI ENNEBATI, BANK OF AMERICA:

If I may, just to come back to that gas price cap, let's say, subject. So, you said part of which – part of the gas is sold at a fixed price and then you hedge and you also have an exposure to the variable price. Can you tell us roughly what is the proportion of your exposure to the variable price?

STEFANO GOBERTI: This is quite commercially [sensitive] information. So, I would refrain from saying it.

OPERATOR: Next question is from Alessandro Pozzi of Mediobanca.

ALESSANDRO POZZI, MEDIOBANCA: The first one is on the buyback. You increased it quite significantly to €2.4 billion. Would it be fair to say that, basically, any additional excess cash generation is going to be deployed through buyback rather than an increase in dividend? And you're happy with the split between dividend and buyback at the moment, given that the new dividend policy was introduced about two years ago? And also, in calculating the €2.4 billion, can you maybe give us a sense of how you got there, whether you're targeting a specific percentage of cash flow or whether you want to be above a certain level when it comes down to the leverage?

The second question is on gas demand. We've seen Europe announcing a voluntary 15% reduction. In Italy, as I mentioned, it's 7%. But how exactly it's going to be implemented at 7%? I'm asking you because you're one of the largest retailers of gas. So, how do you think the 7% voluntary demand in Italy can be implemented?

CLAUDIO DESCALZI: The first question is for Francesco on the buyback and also additional possible distribution, dividend Francesco. Francesco, you have a lot of things to say.

FRANCESCO GATTEI: Actually, you know that we presented the distribution policy in line with our strategy presentation. Our strategy plan clearly is built with certain rules. We set the rules at the start of the game and we do not change during the game. So, the next update will occur at the next strategy presentation.

What we presented is a mix of tools. You know that we have a dividend policy that is a mix composed by a fixed and the variable element. We designed a buyback and we announced in March of this year that we would have a progress of this buyback in line with the price reference. This is actually what happened during this quarter. So, we do not expect to change the rules and, therefore, to change additionally these terms.

About the calculation, just to give you some clarity, we announced last March that, at \$80, we would have between €6 billion to €7 billion of free cash flow. By now moving this €6 billion to €7 billion, that was actually at €6.4 billion at the time, to the \$90 that was the minimum where we do not change the distribution of buyback, we would have reached almost €7.7 billion. Now you know that we have announced that our free cash flow will be €12 billion. It means that we have €4.2 billion, €4.3 billion of free cash flow. Multiplying this by 30% brings you to the €1.3 billion increase, that is the sum that we added to the original €1.1 billion. So, these are the drivers of the calculation that we have applied.

CLAUDIO DESCALZI: On the second question about the 7% reduction, honestly, we can't answer to this question because there are a lot of different points at least - and so we cannot talk about the implementation. Why? Because we don't know. So, it's something that we have to wait for the ministry, and especially if there is an alert, to be ready. So, the impact on us - you didn't ask the possible impact of this reduction. Clearly, we have a flexibility. Why? Because we send to Italy LNGs and production that we can diverge, we can change destination. So if there is a reduction of 7% of gas, we have the possibility and flexibility to sell this gas somewhere else.

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

MARTIJN RATS, MORGAN STANLEY: I've got two questions, if I may. First of all, would it be possible for you to briefly summarize the Russia risk? As in, if Russian gas volumes to Europe, including Italy, were to go to zero, how does that actually cascade through the company? I think there's a sort of broad amount of sort of misunderstanding about that? And therefore, I think it would be useful if you could sort of briefly explain it to us all.

And secondly, about the Baleine discovery, it sounds quite large. I was wondering if you could say a few words about it in terms of timelines or plans. It looks promising.

CLAUDIO DESCALZI: The first question will be answered by Christian. The second one by Guido Brusco that I hope is online.

CRISTIAN SIGNORETTO: On Russia, let me say, first of all, we are, as you know, currently receiving around 27 million cubic per day of flows. And we can confirm that, even at that flow, we can, let's say, confirm the guidance of €1.2 billion EBIT by the end of the year.

Then if the flows would actually reduce substantially from that amount the impact will depend on a lot of variables – price environment, regulatory framework, and when actually this will happen.

But what I can tell you, though, is that within the current price scenario, in the event of a complete shut-off of the Russian supply from winter onwards, we will still expect to be at least free cash flow positive in 2022.

CLAUDIO DESCALZI: Guido? You can talk a little bit, elaborate on Baleine.

GUIDO BRUSCO: Baleine is a world-class discovery, very good reservoir, high quality potential to produce up to 12,000 barrels per day. We have already ongoing an early phase, which we are planning to start up in the first half of next year with production up to 15,000 barrels. And this appraisal campaign is setting the scene also for the second phase and its full-field exploitation which we are planning at the moment to take an FID by 2023 first half and with a target startup in late 2025.

MARTIJN RATS, MORGAN STANLEY: You dropped off very briefly. So just to clarify, did you say the production potential of the field was 12,000 barrels per day. That sounds low.

CLAUDIO DESCALZI: No, no, no, no.

GUIDO BRUSCO: No, no. Each well has a potential of up to at least 12,000 barrels, which is the one we tested right now in this well. This is just to demonstrate and confirm the quality of the reservoir. The first phase is a very early phase, which we are doing with vessel, which we have in our fleet. But, clearly, the full-field is something which will go well beyond 120,000, if not 150,000 barrels per day, the full-field.

OPERATOR: The next question is from Henri Patricot of UBS.

HENRI PATRICOT, UBS: Two questions, please. To the first one, I was hoping you could share your views on the refining outlook for the rest of the year. I see you've used that reference margin of 6 \$/bbl. But we've seen quite a lot of volatility in the last two or three weeks, sharp correction, seems to be improving in the past weeks. How do you see the risk around at \$6 per barrel and, in particular, do you see any signs of demand destruction in your own retail network?

And then secondly, I want to come back to the question of the gas supply and will these agreements that you've created last few months and whether there is room to accelerate some of this increased supply, in particular in Algeria, you continue to have some discoveries on the upstream side. So, could this increase the "up to 6 Bcm" brought forward to some extent.

GIUSEPPE RICCI: About the refining margin, of course, the so high volatility is due to the current context that is – has two main drivers. First one, is the very high price of gas and the second is the war with, the lack of availability of Russian product in the European market.

What we expect in the next half of the year is that the gas price will remain very high and could affect the margin. And against this, as we told before, we reacted with the very strong reduction of the gas consumption.

And secondly, we expect a certain decline of the crack spread of products, gasoil and gasoline. But even if – the demand of gasoil will remain strong also in the third and the fourth quarter. So, at the end, we expect that, in the second half, the margin of refining could be around \$5, \$6 per barrel average – yearly average. It means that we continue to be quite robust also in the second half, of course, not as the second quarter, but in any case, a very positive refining result.

CLAUDIO DESCALZI: Thank you for the question about the gas supply. We take the opportunity to give a bit larger view on the model that we were changing starting seven, eight years ago. And so, the two models – one is to buy gas from a third party, so, Russia. And be on the value chain and sell our gas. So, our equity gas, gas for which we run exploration, development and production. So, now we are setting also the contracts that we signed that were – that concerned the destination were just linked to our equity gas, the development we're running in the countries.

So, the question is how we can accelerate it. We set some program in term of three plus three plus three. I just talked about Algeria. And now, recently, additional 4 billion cubic meters. In these quantities, for Algeria, we are considering our equity gas plus Sonatrach equity gas and development that is ongoing.

How can we accelerate? We have discovered more. And [in] Algeria it is very – not easy to discover. But once you discover, it's very easy to tie-in because there is a strong network – pipeline networks and plants. So, recently, we discovered gas in Algeria. We tied in more than four wells. We are working in our concession,

but we are also helping – working very well in good coordination with Sonatrach. So, it could be possible to accelerate and increase this quantity. It is something that we're going to see over the next months.

The same kind of concept we can apply for Egypt, for example. Clearly, Congo is more limited because we are building the LNG. But I think that this is likely to happen because we have a lot of recent discoveries. So, that can happen. I cannot tell you now possible details. Maybe we can disclose in the next months.

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

MASSIMO BONISOLI, EQUITA: Two questions, both on gas. The first, with reference on pages 13 in the annex of your presentation, if you can give us some color on the commitment on your gas customers. Can we assume the main commitments are mainly for the B2B and Plenitude stream? And the second question regarding the gas derivatives and the margin call, can you update us on the effects on net working capital, which was supposed to draw about €1 billion in 2022 according to Q1 conference call?

CLAUDIO DESCALZI: The first for Christian and Stefano and then Francesco.

CRISTIAN SIGNORETTO: On the commitment of the gas sales, let's say, yes, most of our commitments are basically with our own consumption. So, let's say, for our Plenitude, for our Eni Power business and for our refining and Versalis business. So this represents the bulk of our commitment. Then we have also commitments coming from long-term agreements that we signed with shippers a few years ago and that are still in place that will, let's say, fade away in the next years. And then, we have some commitment with the industrial customers, B2B customers, as we call them, but those are, let's say, a minority in that flowchart.

STEFANO GOBERTI: Massimo, if I can add, I can only add that 100% of our gas supply for Italy and France comes from Christian. So, we have the security of supply on this case.

FRANCESCO GATTEI: About the working capital, you'll remember last year that we have this, let's say, positive contribution from, what's called, the cascade of derivatives, particularly on Power. This has impacted us negatively this year. It will move during the year. We expect to have a negative impact related to that of €1 billion, included in our estimate of free cash flow, in particular on the Power. But there will be also be a partial recovery on other derivatives that are cascading in the opposite sense in the range of €300 million, €400 million. So, that is the overall impact.

In terms of margin calls, I can tell you that we are well covered. We have just at the current level of pricing, something in the range of €2 billion, €2.2 billion of cash absorbed, but you know that we have also €20 billion of liquidity capacity. So, we are quite protected from any potential jump.

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

BERTRAND HODEE, KEPLER CHEUVREUX: I wanted to come back on the Gazprom related financial risk. I am a bit confused. Claudio, in your preliminary remarks, you stated that Eni can fully meet all of its natural gas contractual obligation, even with zero Russian gas on a go forward basis and without any additional costs. And then, when Martijn asked the question on the potential shut off of Russian gas and the potential impact on Eni, it looks like there could be an important financial impact. So, hopefully, can you clarify please?

FRANCESCO GATTEI: I'm clarifying because there are clearly two different levels. The one that was mentioned in the presentation and Claudio stated, is related to the physical obligations. So, we are able to cover, in case of interruption of Russian gas, our commitment with no Russian additional contribution from with existing contract because what we have done since the beginning of this year, as soon as we have seen the start of the crisis, we have created flexibility along this chain. The flexibility is not to take additional commitments. It's to look for additional sources of supply.

And on the other side, from the financial point of view in terms of derivatives, to interrupt coverage. So derivatives, let's say, buying in terms of these gas sales. Actually, these were from some of these past coverage. They were taken out before the start of the crisis. And this is, let's say, the original impact that Christian has mentioned. So, there will be an impact from the financial point of view related just on to the unwinding of this derivative, but will be, let's say, relatively mild taking into account that we have already substantially stopped and maintained as much as flexibility as possible.

BERTRAND HODEE, KEPLER CHEUVREUX: Can you quantify those potential, let's say, worst case scenarios of winding down early those hedges and derivatives?

FRANCESCO GATTEI: As we said, this depends from many things. So it depends when it will occur and the level of pricing. But at the end of the day, we are referring to few hundreds of millions.

BERTRAND HODEE, KEPLER CHEUVREUX: I think it was important to clarify because I saw a Reuters headline that in case of disruption, you will stay free cash flow positive at the group level. So I think...

FRANCESCO GATTEI: No, no, no, no.

BERTRAND HODEE, KEPLER CHEUVREUX: ...that you were free cash flow positive...

FRANCESCO GATTEI: Christian was referring to the GGP level.

BERTRAND HODEE, KEPLER CHEUVREUX: No, no. I'm not saying that I understood that. What I'm saying is that... It is the Reuters headline I'm saying.

CLAUDIO DESCALZI: Thank you to highlight that because if we are just free cash flow at the group level, it's a serious problem. So thank you very much for the question, so we have the possibility to clarify.

OPERATOR: The next question is Giacomo Romeo of Jefferies.

GIACOMO ROMEO, JEFFERIES: Just two remaining, just follow-ups really. The first one is on the buyback. Because you alluded to the fact that you could review your distribution at 3Q, but my understanding is that your – the AGM authorization is for buybacks up to €2.5 billion. So just want to understand how easy can these be moved and whether we could see a more material upside to the €2.5 billion authorization you currently have.

The second is on the windfall tax in Italy. What's your perception of the risk of this windfall tax being extended until a longer period of time and potentially change in order to address a larger taxable base? The question really comes from the fact that the Italian government has talked about a much larger financial impact from this windfall tax than what it looks like it will be based on your comments and some of the other Italian energy companies' comments. So I just wanted to understand your view about potential downside risk on the windfall tax as we head into the winter.

FRANCESCO GATTEI: First of all, about the buyback. You are correct, we have €2.4 billion so far, but a limit in terms of authorization of €2.5 billion. So still, we have room, but it is €100 million. So in October, we will update the scenario and the performance and, therefore, there could be potentially this stop up in terms of buy back.

On about the windfall tax, first of all, we have to think that, clearly, we have worked very hard actually to provide security for the country. So, I think that, if you look at the overall performance of Eni in 2022, first of all, in managing a risk that is huge, in finding new source of supply that ensure Italy, in particular, to have, let's say, a better condition so far versus other European countries in terms of security of supply. For example, you can see also from the alert level that is still at the level 1 in the country.

We were able to fulfill our storage well in advance versus last year, practically absorbing €1.6 billion of cash in this quarter. And we intervened to support Saipem very recently with a capital raising.

So, I think that we have made a very large and diffuse activity that is going more than just on a windfall tax. We think that any kind of taxes should be, in any case, designed in a proportionate way, in a way that is at least directly linked to profit - that is most effective and most, let's say, clear way also for investors.

OPERATOR: Gentlemen that was the last question.

CLAUDIO DESCALZI: Okay, thank you very much.