

# Eni

## 2022 Third Quarter Results

### Friday, 28 October 2022, 14:00 CEST

#### Presentation

**Speaker:** Francesco Gattei – CFO

Good afternoon and welcome to Eni's third quarter and nine months 2022 results conference call.

The world, and energy markets in particular, continue to be impacted by very significant geopolitical events, uncertain economic conditions and volatility.

This would be challenging enough but we are also continuing to deal with the legacy of the pandemic on supply chains, the long duration energy transition and the deep cyclical legacy of 7-8 years of underinvestment.

In that context we are delighted with the how Eni is delivering on its strategic and financial objectives while managing the evident risks.

In the last quarter oil prices fell from the levels seen in the previous two quarters. The oil market has pulled back and has traded mostly in the \$90-\$100/bbl range with a number of important but often conflicting factors such as: the pushing up of production towards the ceiling of capacity; the impending EU ban on Russian imports; the US Strategic Reserve releases and the recent OPEC+ decision on production cut. On the demand side there is risk of slowdown or recession, amid inflation and rising interest rates, but against that Chinese demand will likely rebound in 2023. And not forgetting, OECD commercial inventories are at their historical low.

Natural gas prices, a key area of attention among investors, rose on a quarter to quarter basis and have been even more volatile than oil. It is encouraging that European gas storage has been refilled but the winter 2022/23 will be weather dependent and influenced by consumption effects while also impacted by any remaining Russian supply. Recent price softness amid warm weather and high storage in a typical shoulder month cannot be the guidance to where the winter may trade.

The 3<sup>rd</sup> quarter refining margin fell from the record levels of the second quarter but was still robust, helped by strong middle distillates albeit negatively impacted by high energy costs. In the Chemicals space energy and feedstock costs have been a significant headwind and the slowing in end-user demand is a warning of the potential for a wider slow-down.

In the last quarter we have made significant strategic advances across all businesses, continuing to deliver positive results. 3Q 2022 demonstrates once again Eni's strong operating and financial characteristics.

Net income rose around 160% year on year and was in line with 2Q despite the lower crude oil price and a sharp fall in refining margins. This reflects E&P doing a good job capturing the scenario while GGP successfully managed another highly volatile and complex quarter.

In Energy Evolution, results in R&M were excellent despite the weaker margin.

Our net result was entirely produced from the international businesses as the Italian activities registered a negative performance in the third quarter and in the first 9 months. Cashflow from operations was also excellent at €5.5 bn, up 64% y/y. This cash inflow allows us to manage liquidity in the business at a time of

considerable claims on working capital, fund our investment plans, remunerate our investors and continue to strengthen our balance sheet.

Turning to our two main business segments in a bit more detail. Firstly, on **Natural Resources**:

Our E&P earnings resulted from attractive leverage to oil prices and cost control and came despite the shortfall against expected production in the quarter arising out of unplanned downtime at Kashagan as it came out of turnaround, higher impact from force majeure mainly related to Nigeria and Norway's lower contribution.

On the gas price it should be kept in mind that our leverage to the northern European gas hubs is primarily in Var, below the EBIT line; furthermore, from August, associate income also included our new satellite, Azule in Angola, also reported below the EBIT line.

GGP results were generated in a high gas price environment – but one that continues to be very challenging given its unpredictability and volatility. In 3Q we were able to manage market risks and deliver a good result through gas and LNG portfolio optimisation. Meanwhile we also ensured security of supply for our Italian customers.

I just want to spend a few moments on **Azule**. In August, Eni and bp formed a 50:50 joint venture that combines the legacy businesses of both companies in Angola. Azule is now the largest private operator in the country in terms of equity production.

Indeed, it has around 850 employees, most of whom are Angolan nationals. It operates 4 FPSOs in 3 blocks which, along with assets operated by others, produce over 200KBOED, expected to grow at 5% a year to over 250KBOED. Azule is the second largest equity owner in Angola LNG and the leader of the New Gas Consortium that is tasked with finding and developing new non-associated gas supply. Indeed, exploration is a key upside for Azule with a number of exciting oil and increasingly gas prospects in its plan.

It is expected to be self-financing and has a \$2.5bn loan facility in place. In addition to funding its production growth and exploration it will also feedback an attractive dividend stream to its two shareholders.

Cost synergies and operating efficiencies combined with new growth opportunities arising from a deeper operational focus, allied to an appropriate capital structure, precisely demonstrates what Eni is seeking to achieve with its satellites strategy.

Now on to **Energy Evolution**.

Refining & Marketing reported another excellent quarter. It is worth recording again that while the macro environment has been supportive this result has again been achieved through dynamic management of energy costs and feedstocks and the safe and reliable running of our refineries.

I would also like to highlight the contribution from ADNOC to our adjusted net profit and cash, through dividend, in the quarter.

Versalis has had a challenging period reflecting the well-understood trends in the Chemicals industry – high feedstock and energy costs that are more difficult to mitigate than in refining, plus weaker demand, which is both seasonal, and a reflection of slowing global industrial activity.

While 4Q will see a rise in turnaround activity as we address maintenance delayed from earlier in the year

and we are cautious in terms of Versalis, we nevertheless are comfortable in raising our downstream guidance for once more.

I want to briefly update on an initiative that represents another example of both our shift to a zero carbon model and also the use of the satellite structure to unlock value – accelerating growth, providing a deeper operational focus and helping to tailor capital allocation. The **Sustainable Mobility business** represents Eni's commitment to making the mobility of today and tomorrow increasingly sustainable through proprietary technology and strategic agreements

The incorporation of Sustainable Mobility is gaining momentum and we anticipate being able to talk about it in detail in early 2023. We have made some notable progress just recently worth highlighting: we have taken delivery at our Gela bio-refinery the first cargo of vegetable oil produced at our agri-hub in Kenya. This is the beginning of our innovative strategy of vertical integration of sustainable feedstock that does not compete with the food supply chain. Also of note, we have now taken delivery of our last cargo of palm oil in line with our commitment to be palm oil free by 2023.

Eni is a leader in green refining having converted our Venezia and Gela plants to become bio refineries using Eni's Ecorefining technology. Our capacity will progressively increase during the next few years and we recently announced the launch of a feasibility study on a new, 3rd 0.5M tonne/year plant, to be built at our Livorno site.

**Plenitude** adjusted pro forma EBITDA exceeded half a billion euro in the 9M 2022, with a strong year on year progression thanks to the continued growth in renewables and the retail performance, supported by strong sales in solar distributed generation and energy efficiency services.

This was accomplished despite the current challenging market context that has created significant issues for the wider European utilities space, thus confirming the value and the resilience of Plenitude integrated model. Plenitude remains a key strategic component of Eni's decarbonization plan and continues to execute both operationally and financially.

**During the quarter**, we further developed the renewable utility scale business, with installed capacity at 1.8 GW, set to reach over 2GW by the end of the year. Pipeline expansion continued through the partnership with Infrastrutture SpA that added new solar and wind opportunities for growth. Finally, also the Vargronn JV with HitecVision was expanded to incorporate the UK Dogger Bank project, creating the platform for all the offshore wind activities in northern European markets.

In distributed solar generation we reached more than 13 thousand plants in operation, mainly in Italy - where the company has a market leader position. Plenitude aims at continuing the expansion of this business, enlarging its reach to other European countries.

In e-mobility, Plenitude was selected by the European Commission for the construction of one of the largest high-speed charging networks in Europe along key transport corridors and major cities. In terms of operating e-mobility KPI's, installed charging points were close to 10k at the end of September - in line to deliver on the 12k target by year end.

To summarize: all Plenitude operating targets are on track and also the 2022 EBITDA guidance above 600 mln euro is confirmed.

So let's focus in a bit more detail on **group financial and cash performance**.

Our adjusted cashflow from operations in 3Q was €5.5bn before the effects of working capital and unusual items. This corresponds to €16.3bn for the 9 months. We have funded €2.5 bn of working capital outflows mainly related to building gas inventories and managing commercial commitments to our gas customers.

In the first 9 months of 2022 we have invested €5.5bn in organic capex, 35% up y/y. On an underlying USD basis this is in-line with our strict capital discipline and the guidance for 2022. We have funded our dividend and our 2022 share buyback programme of which we expect to complete the €2.4bn commitment by the end of the year.

At the current share price our 2022 buyback and dividend combine for a highly competitive yield of almost 13% and, for reference, our distribution equates to around 27% of our projected CFFO at \$100/bbl.

In addition, we have also made some selective inorganic investments.

In the past quarter we purchased the Tango FLNG to support the fast-track Congo LNG project. We also agreed to purchase assets in Algeria enhancing our in-country natural gas position.

Plenitude continued to develop its renewable portfolio entering a new partnership with Infrastrutture SpA to develop wind and solar projects in Spain and Italy.

Moreover, in early 2022 we contributed to the successful funding round at CFS, the MIT spin out that we helped to establish in 2017, and that targets commercially relevant net energy from fusion with a key milestone planned from 2025.

Other cash outflows include the interim payments on the Italian windfall tax and we are scheduled to pay the remaining balance by the end of November.

Also as a result of it, in the first 9M Italian activities of the group have lost more than € 1 bn. With specific reference to Eni SpA, Italian activities have recorded ca. € 21 bn of accumulated losses since 2014. You can find additional details in the appendix to this presentation.

Turning to our **updated guidance for 2022**. Our new guidance for 2022 O&G production includes the effects of the various force majeure we have experienced this year most notably in Nigeria, the updated guidance from Norway and the unplanned downtime at Kashagan.

Our raised guidance for GGP of €1.8bn reflects the excellent 3Q results but also incorporates lower Russian volumes than previously planned and a weaker market environment, as experienced in October.

Our raised Downstream pro-forma EBIT guidance of €2.5bn is despite a challenging outlook for Chemicals.

In aggregate terms we expect to generate at least the same amount of cashflow at a lower oil price assumption than we previously made, confirming the strong performance of the company that has been a prevailing theme in 2022.

We expect capex to be in line with the guidance of €8.3bn we provided at the 2<sup>nd</sup> quarter which is, in turn, in line with our guidance provided at the beginning of the year, adjusted for FX.

Our year-end leverage is anticipated to be higher mainly on the expectation that we complete the €2.4bn buyback by year end; on account of the payment of the final instalment of the windfall tax in November; and payments related to the completion of announced transactions and capex phasing.

With that, together with Eni top management, we are ready to answer your questions.

# Q&A Session

## Corporate Respondents

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)

Aldo Napolitano, Director Exploration (Natural Resources)

OPERATOR: The first question comes from Irene Himona of Societe Generale.

**IRENE HIMONA, SOCIETE GENERALE:** My first question on E&P. You referred Francesco to E&P cost controls. I wonder if you can talk around any specific cost reductions, either achieved or targeted? And then secondly, on Kashagan, can you please update us on where third quarter production was and where is it now in October, please?

**FRANCESCO GATTEI:** Thank you, Irene. I now leave the floor to Guido Brusco for these 2 questions.

**GUIDO BRUSCO:** On cost inflation, we are looking at the upstream capital cost in that CCI that showed an increase of 7.2% over the first half of 2022, and it's projected to be around 10% in 2022. So indeed, clearly, there is a trend of, an upward trend of cost, which is linked to the rising energy and commodity prices. We are managing those costs. As we said also in our Capital Markets Day, most of our contracts were locked in and so we couldn't see this year and also next year, most of them were already awarded.

We are also, of course, making efficiencies into our company and our processes and implementing some contracting strategies to control the escalation of cost, introducing also some target cost approach for EPC contracts, aggregation of volumes and expansion of existing contracts where prices were more favorable.

As far as concern Kashagan, according to the latest information we received by the operator, the complete restart - at the moment is flowing at 50% of its capacity, so about 200,000 barrels per day - the complete restore of the production should be by the month of November.

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

**MASSIMO BONISOLI, EQUITA:** Good afternoon, and thank you for your presentation. I would like to have some more color on the exceptional performance of the GGP division. It is quite strong. So if you can help us in understanding that kind of performance? The second question is an update on contractual or commitment exposure on gas with industrial or utilities clients in Italy. And do you also have a number for matured receivable for gas? For example, press in Italy were reporting about EUR 300 million only for Ilva.

**FRANCESCO GATTEI:** I leave now the answer to Cristian Signoretto for the GGP. About the receivable, I can answer later.

**CRISTIAN SIGNORETTO:** Okay. So thanks for the question. So the Q3, for the overall gas and LNG business has been very strong, as you said, on the back of a very robust and volatile market, I mean we have seen prices starting from EUR 150 per megawatt hour getting up to EUR 350 and then going back down to EUR 170. But apart from that also we have seen huge spreads around different markets between LNG and gas, between, let's say, time, so prompt delivery vis-a-vis forward delivery. So there has been a very, I would say, imperfect and volatile environment. And we were able to take advantage clearly of the flexibility that we have in our asset base, both in gas and LNG and basically going after all this arbitrages in time, geographical or commodities arbitrages in order to, let's say, close the opportunities into the market. So I think this is the major thing that actually underpinned the performance of the Q3 result in GGP.

**FRANCESCO GATTEI:** About the outstanding receivable, first of all, what we see so far is, let's say, regular payment. You saw also from the performance in the quarter related to the working capital that was actually positive. We were able to, let's say, recover around EUR 500 million. Now the overall working capital clearly includes all - a lot of other elements - is in the range of EUR 2.5 billion. And we actually, we expect that we will close the year by recovering most of that substantially closing the overall amount in the range of EUR 500-600 million. So that is the general trend.

Clearly, you are referring to a major – let's say – customer of Eni. You know that there was, let's say, a rescheduling in the payment that was agreed by both parties. And clearly, this is one of the activity that we are monitoring for the relevance of the supply. And we have a continuous dialogue to support, let's say, the capability for the, let's say, the commitment, for having the commitment concluded. So, but in any case, just to conclude this, the trend that we see so far is not alarming and confirming, let's say, a relatively strength in the system related to this issue.

OPERATOR: Next question is from Biraj Borkhataria of RBC.

**BIRAJ BORKHATARIA, RBC CAPITAL MARKETS:** The first one is on exploration. The 630 million barrels discovered this year is very significant. And this has clearly been a key strength for Eni historically and where you've created quite a lot of value. Given the current environment, I would have thought there's quite a strong business case to increase the exploration budget into 2023. So I was wondering if you could talk a little bit about what you're doing there into 2023, what's the split of frontier versus infrastructure led and so on?

And then the second question is just going back to Kashagan. My understanding is there are some issues in terms of the capacity of CPC and the ability to flow at full rate. So I was wondering, conceptually, if Kashagan ramps up back to full capacity, but CPC is not able to flow at full capacity itself, should we just assume Kashagan gets pro rata down in line with the other projects in Kazakhstan? Or how does that work exactly?

**FRANCESCO GATTEI:** Okay. I will leave the first question to Aldo Napolitano that is the Head of our Exploration activity and then Guido for the Kashagan and CPC.

**ALDO NAPOLITANO:** Yes, about exploration. So thank you for the question. Yes, we think we have quite a good backlog of projects to be drilled also in this final part of the year and the next year. So we'll continue to invest on exploration with a mix of some near-field exploration and selected opportunities that can have a high impact. And so while at the same time, I would say we are keeping our discipline budget-wise, we are trying to take all the opportunities that we see to have also high impact wells to be included in our schedule.

So during this final part of the year, we will drill potentially high impact wells in Egypt, in Cyprus, and very soon, we will drill also in Congo. And in the first half of next year, we have plans for drilling again in Egypt, in offshore Egypt, in Mozambique, in Ivory Coast, in Congo again, in the Emirates, in Mexico and Morocco. All these are wells that potentially can bring a significant result.

**FRANCESCO GATTEI:** Okay. Now on CPC.

**GUIDO BRUSCO:** Yes. On CPC, based on the information we received from the CPC operator, the work for re-establishing 1 of the 2 loading buoys that were out of service are almost completed. So we do expect that when Kashagan will be back on stream, the evacuation capacity will be fully re-established.

**BIRAJ BORKHATARIA:** And in the event the capacity is not there, do all the projects get prorated down equally into the pipeline?

**GUIDO BRUSCO:** There are several, there are some additional export routes that we are assessing as Eni, as I'm sure also other operators are assessing, to cover eventually a shortfall in the capacity.

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

**ALESSANDRO POZZI, MEDIOBANCA:** The first one on the new upstream production guidance, I think in Q4 implies quite a bit of a step-up from Q3, maybe 1.7 million. And of course, I think there's probably some of the unplanned outages coming back, but I think you have a number of startups. So I'm thinking about Berkine, Agogo in 2023 as well, and Marine in Congo. And so I was wondering, as we go into 2023, what sort of - I know it's early days for production guidance for 2023 - but I think you also have a target of increasing production by 3% every year. So if I can maybe get a sense of whether the 1.7 million potential in Q4 could be maintained or increased in 2023? And maybe give us a sense of what the additional production from the new developments over the next few months can bring to the table basically?

My second question is on Algeria. And I was wondering if we can have an update on the 6 bcm of additional gas that we can get before the 2023? And I was wondering whether this is more front loaded or back loaded in terms of timing throughout the year?

The final question on GGP. I'm seeing like sales are down quite a lot Q-on-Q, but also year-on-year. And I was wondering the reason behind the drop in sales in GGP?

**FRANCESCO GATTEI:** Okay. I think that we, on production, we can give the floor to Guido, then for Algeria and for the demand or sales percentage, I come back to Cristian Signoretto.

**GUIDO BRUSCO:** For production, clearly, in these last 2 months, we will have a significant contribution from the restoration of Kashagan. And also from the other assets we have in Kazakhstan, which is Karachaganak, which has still to recover from the last turnaround. And this will be the biggest ticket. Then we have the ramp-up in Coral. As you know, we have produced the first LNG in Coral and we are completing the ramp-up to achieve the first cargo that is forthcoming. This is the second contribution.

The third contribution is coming from the ramp-up in Mexico, and then there are other countries where we have wells coming from production optimization, including Algeria, where we have a significant activity of infilling of course. And this will set us in, of course, much better position for a strong beginning of 2023.

**ALESSANDRO POZZI:** I think your kind of target is to grow by 3% over the business plan. I mean, is it going to be consistent with that growth, the 2023 production?

**GUIDO BRUSCO:** On 2023, of course, we'll elaborate more in the Capital Markets Day, but we are foreseeing an increase of the production and the CAGR, which is in excess of 3.5%. That's, but we'll talk more on that in our forthcoming Capital Markets Day.

OPERATOR: The next question is from, I apologize for that.

**FRANCESCO GATTEI:** There is a second part of the question related to the sales of our gas and power division.

**CRISTIAN SIGNORETTO:** Yes, here we go. So on Algeria, so actually, the 6 bcm increase in supply is already happening in the sense that starting from April when we signed the agreement in Algeria, we already received, as we speak, around 2.5 bcm extra volumes on top of what was contracted before the crisis, so to speak. And this is going to continue until, let's say, the winter and also going forward. So I'd say it's happening and difficult to say whether this is going to be completely, let's say, even or maybe with some peaks, but this is already undergoing at a very good stage.

On the sales drop, well, I think we have to distinguish that. Because, I mean, on the gas sales drop in Europe, especially, this has been caused practically by the under deliveries of Gazprom. So starting from June, as you know, we have suffered a reduction of deliveries from Russia. And this actually turned out to clearly less sales to the market. And actually, a bit of a reshape of our sales activities in the sense that we have to pull gas from outside Europe in order to increase our, let's say, sales in Italy. And so you see probably some changes in the overall European landscape, but that is because we had to readjust our overall, let's say, sales footprint to take into consideration this drop in the Russian flows.

On the LNG instead, it is mostly related to under deliveries that we have suffered from few sources of our portfolio, - third-party or equity portfolio, that it is and that explains the reduction in the Q3.

**ALESSANDRO POZZI:** Okay. And just going back to Algeria, what would be the next, let's say, step up in imports for Algeria?

**CRISTIAN SIGNORETTO:** Well, the next step up actually, the first step up will start from October because I mean, we have increased our ACQ of the long-term contract. So this is the next step up. And then more will come during the winter and next spring.

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

**MARTIJN RATS, MORGAN STANLEY:** A lot of very relevant questions have already been asked, but I wanted to ask 2 additional things. The EU import embargo on Russian oil is getting closer for crude in December, for products in February. And I was wondering if you had any thoughts on how that might impact -- well, not only the global oil market, but particularly the European markets and in particular, for diesel? You're probably closer to it than almost anybody, so if you have some views that you could share, that would be greatly appreciated.

And then, secondly, very briefly on the windfall. Also a topic been discussed many, many times already. But if the second payment is in November, we're all wondering what lies sort of after that? And I would expect difficult to know that one as well. But again, you're closer to it than many of us. So I was wondering what your expectations were sort of going into 2023? And if you have a bit of an inkling what the new government might do?

**FRANCESCO GATTEI:** I will reply on the windfall, and then I will leave to Giuseppe Ricci the answer related to the diesel and to the ban of EU. Windfall, you know that clearly the tax that was conceived so far has, let's say, lacked to reach this target in terms of cash that they were supposed to raise. Many of the players decided not to pay or in many cases, they created, they have their own, let's say -- they appealed. I think that still there is some recourse ongoing. There is an appeal that is expected to be evaluated in early November. That could be a first check on the taxes.

What is now different from what happened before is that Europe has built a framework that is, let's say, a guidance for this kind of contribution. It is more balanced, I think, because it's related to profit, not to deltas of VAT flows. It is calculated on a longer period, 4 years instead of 7 months comparison. It includes an element of buffer that is a 20%, let's say, uplift on the average level of results or profit that you had in that 4 years, and therefore, is, let's say, much more transparent, clear, could be better assessed also from the market point of view and doesn't require adjustments corrections and interpretations.

So I think that is a good solution, a good proposal to start to evaluate a mechanism for this kind of contribution. I think this is the only thing that we can say for the time being and that we will see what is going on. On the EU import ban, now Giuseppe Ricci is connected.

**GIUSEPPE RICCI:** Thanks, Francesco. As you know, Russia was the first exporter to Europe for many products, mainly diesel and naphtha. Starting from the start of the war, this flow reduced dramatically, and we have seen an increase of margin, refining margin and the crack spread of diesel. We are seeing - also in the summer - a slight reduction of the margin because of the arrival of some diesel from outside Europe. But now, the crack spread of diesel is still increasing. And what we expect when officially will start the ban of Russian crudes and Russian products, this effect could increase and could sustain the refining margin also during the winter. For this reason, we have increased also our guidance, producing some sensibility with higher margin and with the expectation to arrive at the end of the year up to EUR 2.5 billion for the overall downstream.

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

**OSWALD CLINT, BERNSTEIN:** Yes. Just on the overall initiatives here to derisk Russian gas, so 20 billion cubic meters, you're telling us you're 50% de-risked now going into winter. I think the plan was to completely do that by 2025. So is that still the long stop date on that? Or can we think about derisking over a shorter time

period? But really, the question is, can you quantify maybe the cost drag that this has involved? I see LNG does come from Angola. It's reloaded on to smaller ships and Spanish terminals. And then to make it compatible coming into Liguria. So there's obviously some cost element here to taking out Russian gas. I don't know if you could speak around that perhaps.

And then, secondly, also on gas, more with your evolving relationship with ADNOC, and some of the recent commentary around worldwide gas supplies out of the Emirates. I'm just wondering with fields like Ghasha, which are quite big, are you or could you get involved with LNG exports coming out of the Emirates?

**FRANCESCO GATTEI:** Okay. On the first question, Cristian, the second one, Guido Brusco.

**CRISTIAN SIGNORETTO:** So thanks for the question. On the substitution of Russian gas, I think, as you rightly said, we are targeting to substitute 50% of it, by this winter, then 80% next one and then 100% by 2025. When it comes to, let's say, the implication on the cost side, I mean, I'd like to take maybe a different perspective. So what's going to happen actually, this reshaping of the portfolio is going to push much faster our substitution of third-party gas with equity gas because we are basically importing more of our equity gas or equity LNG actually in Italy. And this is going to actually deliver more value than we used to get from importing Russian gas just because, I mean, we are going to integrate, along the value chain, all the profits. Clearly, when I'm talking about value chain, it means that it's going to span between upstream and GGP, but in the end, it's in the pockets of Eni. So I would not be worried about that.

On the operation that you mentioned, this actually was actually accretive in terms of profit because, as you probably know, there has been huge spreads between Spanish hub and Italian hub just because, I mean, Spain is full of regas capacity and LNG is traded there at a price below what is the price in Italy. And so actually, that operation allowed us to basically use the Panigaglia terminal, which is probably one of the cheapest now in Europe because all the other terminals are actually asking for higher price in order to actually minimize cost than paying more for that. Thank you.

**FRANCESCO GATTEI:** Guido?

**GUIDO BRUSCO:** Yes. As far as concern the project of Ghasha, the gas initially produced will be devoted to the domestic market. However, the construction of this hub will enable future exploration, other discoveries done in the area to be tied in and increase the base of resources of this initial gas.

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

**BERTRAND HODEE, KEPLER CHEUVREUX:** Yes. Two, if I may. Can you update us on your hedging policy for upstream natural gas production? Can you remind us of the hedges you had in place for 2022 volumes or pricing? And did the GGP benefit from that at the expense of the upstream division? And do you have hedges in place for 2023 or any color you can give on this topic?

And my second question would be a very quick one. Just for my curiosity, does Eni has made an appeal over the - the windfall taxes - that was computed by the previous Italian government, have you made an appeal on that?

**FRANCESCO GATTEI:** Yes. About the windfall tax, yes, we appealed, and therefore, clearly, we are waiting. It takes time. But as I mentioned, there is this first milestone that could occur at the beginning of November related to the so-called TAR of Lazio assessment that is made by other players.

In terms of hedging, first of all, there is no possibility that GGP will benefit of an hedging related to upstream because it is not the counterpart of hedging. So GGP is not a financial institution that is, let's say, taking position opposite to E&P. We have, generally speaking, in terms of E&P, we have a smaller hedging sometimes. So that is what happened even this year, but it is just to stabilize the return in certain areas in terms of, let's say, cost in order to be sure that this area contributes positively. For next year, we don't have any hedge on E&P.

**BERTRAND HODEE:** And for curiosity also, I noticed that you've restated your Q2 natural gas price realization in upstream. It was previously reported last quarter at \$9.1 per BTU. And now it is just \$7.6. Any color on that? Just a technical question, and if you don't have the answer, I may reach out to Investor Relations.

**FRANCESCO GATTEI:** I think this could be, let's say, we will check with - probably Jon Rigby will give you the answer, will give you back the details in any case, nothing related to what we are referring to. The Investor Relations team will provide an answer.

In terms of just taking this opportunity to make a correction related to the working capital. In the last quarter of this year, we foresee a few hundred million of working absorption because of some upstream abandoning cost impact. The remaining part of the business is instead, let's say, recovering working capital because it's a typical seasonal activity.

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

**HENRI PATRICOT, UBS:** Two questions, please. The first one, a follow-up on GGP because your full year guidance, EUR 1.8 billion implies a negative contribution in the fourth quarter. So you could expand on what is driving that weakness in the fourth quarter?

And then second question is on Cyprus, and your recent gas discovery. Can you give us a sense of the time and the next steps for your Cyprus discoveries? And perhaps you can give us a sense of how quickly you could bring that gas to market?

**FRANCESCO GATTEI:** Cristian and then Guido.

**CRISTIAN SIGNORETTO:** So on the guidance for final year. So first of all, this guidance take into consideration vis-a-vis the previous one, actually a lower flow of Russian volumes. When we, let's say, confirmed the guidance in July, we were receiving around 30 million cubic meter per day. Now we are receiving something

in the range of 20 million cubic meter per day. So that actually has an impact clearly on the overall results. And also that guidance for final year also takes into consideration the fact that October is already - almost closed, and we have seen that the market has expressed a price environment clearly much different than what we have discussed before in Q3.

And I would say on top of that, we are also anticipating some of the headwinds coming from the force majeure, which has been called on Nigeria, which will affect also our LNG availability. So all in all, we foresee a Q4 in the range of minus 200. Clearly, as Francesco was saying during the first part of the call, if the market will prove to be much more volatile and much more sensible, clearly, we are there with our, flexibility and optionality to capture the value that will be available.

**FRANCESCO GATTEI:** Guido, on Cyprus?

**GUIDO BRUSCO:** As far as concerned, Cyprus, as you know, after the discovery well, we immediately started an appraisal, which is still ongoing. So once we have completed the assessment, we'll come up with a development concept. Of course, at the moment, we are assessing several options, which include onshore and offshore developments.

**OPERATOR:** Mr. Gattei. That was the last question, sir.

**FRANCESCO GATTEI:** Yes. No, I take an opportunity to complete the answer to the question of Bertrand related to the gas realization prices. These prices were restated because [they were taking into account affiliates results and now they are excluded]<sup>1</sup>. So if there is also a reference note in the table describing and you can see the reason for this, let's say, discrepancy or changes that we introduced.

**OPERATOR:** Thank you. Sir, at this time, there are no questions registered.

**FRANCESCO GATTEI:** Okay. Thank you for all the attendance to this conference. If you have any additional questions, please follow up with the Investor Relations team. And lastly, we expect to report our fourth quarter results in the second half of February, alongside an in-person capital market event, and more detail will be available in due course. I would like to thank you, and I wish everyone a wonderful weekend. Thank you.

**OPERATOR:** Ladies and gentlemen, thank you for participating in the Eni Conference Call. You may disconnect your telephones.

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<sup>1</sup> Edited comment.