Good morning and welcome to Eni’s Strategy Update and first half results.

In February, we communicated the strategic roadmap towards 2050 that will take our company through the energy transition.

In line with this Strategy, in June, we announced the new organization, creating two new integrated business groups:

• Natural Resources will develop the upstream oil & gas portfolio sustainably, promoting energy efficiency and carbon capture. The business group will be integrated along the gas value chain, from exploration to development to wholesale via pipeline or LNG, leveraging our technical and commercial competences. In addition this business will lead CCUS, Forestry, Sustainability and Environmental Remediation: key activities for the sustainable delivery of decarbonized products.

• The second business group, Energy Evolution, is dedicated to supporting the evolution of the company’s power generation, product transformation and marketing from fossil to bio, blue and green. Thanks to the business group’s coordination, the Company will be able to develop these activities in an integrated way, both geographically and in terms of business lines, maximizing results in terms of product development, customer service and profitability.

Alongside corporate functions, the business groups will be supported by a new Technology, R&D and Digital function.

Our organization will deliver a better balanced portfolio, reducing the exposure to the volatility of hydrocarbon prices, to become a leader in the decarbonization process.

Turning to our long term strategy, this remains unchanged and our transformation is irreversible.

The recent events related to the Covid-19 pandemic emphasize the need to accelerate along this path to deliver a more sustainable Eni.

This drove the capital allocation for the four year plan and will deliver a significant reduction in our carbon footprint where our targets imply also that Eni will be Scope 1, 2 and 3 net emissions neutral in Europe by 2050.

Let’s now turn to the actions we have taken on capex and costs for 2020 and 2021.

We reacted to the pandemic immediately; in just 1 month we declared our first set of actions and have conducted a deep analysis to further cut our costs. In the meantime we have also reviewed our scenario assuming 40 $/bbl Brent this year growing to 60 $/bbl in 2023.

The result is that today we are enhancing our targets, both for capex reduction and cost optimization. Overall in 2020 and 2021 we aim at:

- an average capex cut of over 30% and
- 2.8 bln € of overall cost optimizations, of which 25–30% are structural.

Together this represents almost 8 bln € of reductions compared to the original plan.

In our Group’s capex plan, rigorous capital discipline is key.

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In our Group’s capex plan, rigorous capital discipline is key.

With the expectation of Brent at 40 $ per barrel in 2020, we will keep capex at just over 5 billion €.

In line with our gradually rising expectations for Brent, our Capex will flexibly increase from 2021, to reach around 8 bln € in 2022, comparable to our original pre-Covid plan.

The mix inside the capex plan will change, accelerating the energy transition.

The new plan, versus the original one envisages:

• in Upstream an almost 6 bln € reduction;
• By contrast in the Green businesses, capex will grow by 0.8 bln €, mainly dedicated to Bio Refining, Renewables and an expansion in the Retail segment.

Overall in the plan, Green capex will account for 17% of the total (versus 12% in the original plan) reaching 26% in 2023 (versus 20% in the original plan). The weight of green investments will become increasingly more important as we move towards the rebalancing of our portfolio.

In Upstream, production in 2020 is confirmed at around 1.71 to 1.76 million barrels of oil equivalent per day, after the OPEC+ cuts.

The 2019 – 2023 average growth rate will be in the range of 2%, driven in 2023 by start ups and ramp ups for around 400 kboe/d and production optimization for over 200 kboe/d.

If the scenario proves to be stronger than expected in 2021, we’ll have the flexibility to reactivate some production optimization actions.

Growth in the medium to long term is a function of the Upstream capex profile. In terms of project development, the new 2020–2023 capex plan includes a number of revisions, impacting especially the first 2 years, as we postponed a number of FIDs.

Exploration will target 2 billion barrels of new discoveries in the period at a leading cost of 1.6 $ per barrel.

In exploration, no activity has been cancelled but we have rephased 50% of the investments planned for 2020. 2021 will see the drilling of part of the wells we postponed in 2020.

Turning to the mid-downstream, we confirm the development of our decarbonized businesses, further accelerated by the increase of green capex mentioned before, mainly dedicated to Bio Refining, Renewables and Retail expansion. At the next 2021 Strategy, we will give further details on the specific upgraded targets within these green businesses.

Turning now to our Shareholders’ Remuneration policy.

In light of the unprecedented changed market context characterized by an elevated volatility and a depressed level of prices expected in the next two years, and only after the radical revision of all the group’s costs and capex as just explained, Eni has decided to revise its Shareholder Remuneration Policy to give clear visibility on the future dividend and buyback programme.

The new remuneration policy is valid for a Brent price of 45 $/bbl or more. The policy includes:

• An annual dividend that has a floor value of 36 € cents in an annual Brent scenario of at least 45 $/bbl and an additional variable component that is dependent on the value of Brent above 45 $.

• A Buyback programme of 400 mln € for an annual Brent scenario between 61 and 65 $ or 800 mln € for an annual Brent scenario above 65 $.

In more detail:

The dividend floor value of 36 € cents will grow as the company realises its strategic plan and this will be evaluated each year.

The variable component of the dividend is determined by the value of our Brent forecast each year. This is calculated as a growing percentage between 30–45% of the incremental Free Cash Flow generated by a scenario between 45 $ and 60 $.

The fixed Free Cash Flow sensitivity incorporated in the remuneration policy is 900 million € for every 5 $ change in Brent.

Notwithstanding our Brent scenario at 40 $ this year, our dividend proposal for 2020 is 36 € cents per share. One third or 12 € cents will be paid at the interim in September 2020 with the remaining two thirds or 24 € cents will be paid in May 2021.

After 2020, if the Brent scenario assumption is below 45 $, Eni will evaluate the floor dividend considering the expected duration and depth of the downturn.
From 2021, the floor dividend will be paid 50% in the interim payment in September and 50% in the final payment the following May, while the variable component will be paid entirely with the interim payment. The variable component will be paid for the due amount applying the policy if the envisaged yearly Brent price in July each year is above 45 $, regardless of the progressive growth now assumed in our scenario.

To be even more clear, in the case next year of Brent being 60 $/bbl, we will pay the entire variable component of 0.34 €/share.

Applying the current Brent scenario adopted by Eni and assuming no change in the floor dividend, the new remuneration policy will deliver cash dividends of 55, 47, 56 and 70 € cents respectively in the years 2020 – 2023.

Turning now to our first half results.
In a context of unprecedented discontinuities in the hydrocarbon scenario due to the COVID-19, Eni has performed well.
Our actions have focused on two principles:
Firstly, we acted strongly to protect the health of our people, contractors and host communities.
And secondly, we continued to implement our strategy.

In terms of our businesses:
In first half we discovered almost 200 Mboe of resources in Angola, Mexico and the UAE. The recent Egyptian discovery and appraisal in Vietnam will further improve this figure.
Upstream production was 1.74 Mboed, -5% Year on Year. The reduction was mainly driven by the COVID 19 impact and OPEC+ cuts; portfolio, price effect and other positive elements were offset by lower gas demand, in particular in Egypt, and the effects of contractual triggers and force majeure in Libya.

Mid-downstream performance proved to be robust, notwithstanding the COVID 19 impact. Both G&P and R&M improved YoY thanks to asset optimizations, retail and marketing segments resilience and the growing contribution of low carbon products.

The G&P result was driven by the wholesale business and portfolio optimization, which counterbalanced the weakness in LNG demand related to COVID. Retail also performed well, even in a context of lower demand and higher default risk.

The R&M result was linked to the optimization of our industrial set up and the growth of biofuels thanks to the Gela ramp-up while Marketing performance was impacted by the lockdown.
In Renewables, we started the Badamsha wind farm in Kazakhstan, expanded in the US and made our first steps in wind generation in Italy. Installed capacity at the end of the First Semester was above 250 MW.

Versalis experienced lower demand and ensuing lower margins due to the pandemic.

Turning to financials, the company remained free cash positive with adjusted cashflow in excess of capital expenditure by 0.4 bln €.
In terms of economic results, Upstream EBIT in the first half was 0.2 billion €, down by 4.2 billion € compared to 2019.

This reduction is almost entirely explained by the scenario, accounting for 3.6 billion €, while 0.5 billion € is due to volume/mix effects.

Production in 2020 is confirmed at around 1.71 to 1.76 million barrels of oil equivalent per day, after the OPEC+ cuts that account for around 40 kboed, in line with previous guidance.

In the second half of the year we will continue the drilling of near field exploration wells mainly in Egypt and Norway. In total, we expect to discover over 300 Mboe at less than 2 $/bbl this year.

Moving to Mid-Downstream, the overall result has been very strong, improving by almost 70% compared to last year,
more than doubling excluding Scenario and Covid impacts.
In particular, G&P EBIT was robust at 650 mln €, showing the best first half result of the last 11 years, up ~70% YoY driven:

- mainly by the GLP business unit with a result of 466 mln €, more than double versus last year, thanks to contract optimization which benefited from high price volatility, and the higher contribution from the power business. This strong performance was only partially offset by the lower contribution of the LNG business;
- in retail, Eni Gas e Luce delivered a result of over 180 mln €, +10% in the period, driven by the growth of the customer base and the higher contribution from non-commodity activities which more than offset Covid and mild climate that impacted for more than 60 mln €;
- overall the impact of the scenario and Covid on G&P was around 100 mln € in the period.

The Refining and marketing result was 174 mln €, almost two-thirds higher than last year, despite the challenging scenario both in terms of margin and lower demand. In particular, refining was at breakeven, due to:

- the positive contribution of around 50 mln € from the bio business thanks to the Gela plant ramp-up and
- a resilient marketing result that helped counterbalance the demand reduction related to the lockdown measures.

Finally, the Versalis result was impacted by depressed plastics demand, in particular in the automotive sector and by lower plant availability. Versalis’ first half result was negative for 130 mln €.
Overall we expect for 2020 an EBIT contribution of around 800 mln € from these 3 businesses together, one third higher than the previous guidance.

G&P’s guidance increases by over 60% thanks to the strong performance in the first half. The 2nd half result is expected to be broadly neutral given:

- a positive retail contribution, where non-commodity business will reach 20% of EBIT;
- this will be offset by weaker results from the GLP business, impacted by reduced optimization opportunities, as these were realized in the first half.

R&M’s guidance will improve to around 350 mln € in particular thanks to the resilient result from the bio refineries.

While Versalis’ result will be impacted negatively by the depressed scenario for an additional 100 mln €.
Turning now to the cash position, in first half the adjusted cash flow from operations before working capital is at 3.3 bln €, exceeding our capex.

Excluding scenario and covid, our cash flow would have improved year on year by 0.8 bln €.
Looking at 2020 with new scenario assumptions, we expect a cash flow from operations before working capital in the range of 6.5 bln €, in line with our previous guidance. This cash flow generation will more than cover our 2020 capex.

We will maintain sizeable reserves of liquidity which are currently around 18 bln €, almost 4 times our short term debt. Our balance sheet remains robust with leverage at 37% at the end of June.

To conclude.
This year we have set out a clear Strategic framework for the New Eni to maximize value through the Energy Transition towards 2050. We have a new organisational framework and a motivated and highly-skilled team that will enable us to deliver this Strategy, with Natural Resources focused on selective and sustainable production and Energy Evolution transforming its product mix to sell more decarbonized products to more customers.
And we now have a new financial framework, that is resilient in a weaker environment and progressive as we execute our strategy and as Brent recovers.

Together, the strategic, organisational, and financial frameworks set out this year will create more sustainable value for our company and all our stakeholders.
Questions and Answers

OPERATOR: (Operator Instructions) The first question comes from Oswald Clint of Bernstein.

OSWALD C. CLINT, SENIOR RESEARCH ANALYST, SANFORD C. BERNSTEIN & CO., LLC., RESEARCH DIVISION: Good Morning. Thank you. Yes. Just two questions, please. First, I mean, I guess when you think about dividends, I imagine you’re looking at buckets like the macro environment, your own liquidity and underlying business performance, so perhaps, those are the three areas. So I just wondered, in terms of the change in the dividend today, it was one of those in particular that forced this action or all three of them that caused this change in the policy?

And then secondly, you mentioned the variable component, you’ll decide that in July, if oil is above $45. But in terms of the floor dividend and the progressive nature of that, when do you decide on the shift in the EUR 0.36, please?

CLAUDIO DESCALZI, CEO, ENI S.P.A.: Thank you. I think that as you mentioned, all those different variables clearly gave us the opportunity to create a new dividend policy. Clearly, the forecast for the next two years, the prices for the next two years and the COVID impact along with the uncertainty on the demand will create altogether the need to review our dividend.

But clearly, we didn’t just review our dividend. That is a process that we started at the end of February, when we changed and we improved our strategy looking at the long term and how to create value in the long term. And then immediately during the COVID, we reacted very rapidly, and we improved our efficiency in terms of CAPEX, in terms of OPEX, in terms of variable, fixed cost G&G, so we had the opportunity to have an overall revision of all our cost base. And only after that, considering the scenario, considering the context, considering the pandemic, we restructured this new dividend policy.

Massimo, maybe you can answer for the floor dividend – the timing for the floor?

MASSIMO MONDAZZI, CFO, ENI S.P.A.: Okay. Oswald, the timing now, we envisage is July. So as far as the variable component, the Brent price, the average Brent price, each year, we envisage in July, it will be the reference to calculate the variable component. And, as Claudio said, in his speaking notes, the variable component will be paid entirely in the year, in which it can be accrued. So if, for 2021, for example, the average Brent price we envisage in 2021 sitting in July is $60, we will pay entirely the variable component in September, the same year, so 2021.

And even the fixed component that is progressive as it was in the past in the previous version in our dividend, related mainly to the strategic progress in the implementation in our business plan will be assessed at the same time.

So to cut the long story short, in July, we will define the dividend that will be paid in the same year.

OPERATOR: The next question comes from Alastair Syme of Citi.

ALASTAIR RODERICK SYME, MD & GLOBAL HEAD OF OIL AND GAS RESEARCH, CITIGROUP INC., RESEARCH DIVISION: I just wanted to ask about the impairments and the price revisions you made. And one observation I had is that the price revision you made on gas was about 30%, whereas the price revision you made on oil was about 15%. So I just wanted to understand why the cut to gas was much deeper? And just to try and relate that back to the point you made earlier and also back in February around the business increasingly migrating the weighing towards gas? How can we sort of align this deeper gas cuts? You have more capital going into gas development?

CHRISTIAN SIGNORETTO, DIRECTOR GLOBAL GAS & LNG PORTFOLIO, ENI S.P.A: Okay. The market yields to the fact that on the Brent scenario, there is, let’s say, a sustain, which is coming from the OPEC activity, which is sustaining the Brent, and this is actually giving us confidence on the Brent scenario. On the gas, the current supply and demand dynamics, as you can appreciate are broadly indicating, at least for the next couple of years, a difficult gas scenario. And you see also that from the cut in the LNG exporting from U.S. because, I mean, the price in this
environment is such that even the lowest, I would say, cost gas producing country needs to cut back on the production in order to be sustainable.

So let’s say that is actually explaining why in the short to medium term, we have, let’s say, a lower gas price scenario.

ALASTAIR RODERICK SYME, MD & GLOBAL HEAD OF OIL AND GAS RESEARCH, CITIGROUP INC., RESEARCH DIVISION: Can I ask on the CAPEX and the four-year plan? Are the cuts on gas in the upstream not much deeper than the cuts in oil? In terms of the $6 billion cut to upstream?

CLAUDIO DESCALZI, CEO, ENI S.P.A.: Sandro Puliti will answer the question.

ALESSANDRO PULITI, CHIEF UPSTREAM OFFICER, ENI S.P.A.: Okay. Regarding the cuts on the CAPEX that have been applied in 2020, they are mainly located in our projects in Mozambique. So they are certainly related to the gas. but they affect also several other projects in most of our countries where there is a mix of gas and oil.

CLAUDIO DESCALZI, CEO, ENI S.P.A.: Just to complete the answer. Clearly, we had a mix of cuts in our capital revision. And we reduced or we postponed the giant or the big projects where we have a strong capital allocation. And if you look at our discoveries, our recent discoveries, all the big giant projects are gas. So for that reason, the postponement cover most of this. So it’s not a question of gas or not, but a question of postponing all the big capital allocation for the big projects, and that is on gas. So that is the main reason.

ALASTAIR RODERICK SYME, MD & GLOBAL HEAD OF OIL AND GAS RESEARCH, CITIGROUP INC., RESEARCH DIVISION: Yes. Sorry, just finally, if I come back to the February presentation, you suggested that by 2030, the upstream business might be sort of 60% weighted towards gas, I think that is the number you quoted. Is that still roughly the case?

CLAUDIO DESCALZI, CEO, ENI S.P.A.: Yes. That is confirmed completely. So we confirm our targets and this postponement in any case, is not a cancellation of the project. So it’s a postponement to bypass, to be able to bridge these couple of years. So then, for example, as we presented in our presentation, as we have shown in our presentation, the Indonesian project that is gas will restart in 2021. So that is an example of postponement. And then the other projects in terms of FIDs are postponed of 1 or couple of years. So we’ll deliver that production after the plan, but clearly, before 2030. And we have to consider that most of our discoveries are gas, so a gas-producing field. So that target is absolutely confirmed.

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

ALESSANDRO POZZI, BANCA DI CREDITO FINANZIARIO S.P.A., RESEARCH DIVISION – RESEARCH ANALYST, MEDIOBANCA: Yes. Good morning, thanks for taking my questions. I have one on the CAPEX. You announced actually an increase in CAPEX for green projects. I was wondering, if you can give us a bit more color on which projects you are thinking of accelerating? Also, remaining on this theme, clearly, lots of talks about hydrogen, I believe you’re involved in big blue hydrogen project in Italy, with a carbon capture in Ravenna as well. And I was wondering, how do you think how competitive blue hydrogen is going to be versus green hydrogen?

CLAUDIO DESCALZI, CEO, ENI S.P.A.: So thank you. So the first question was related to the green investments. Clearly, what we said during the presentation, is that we allocated and we gave the main categories that is bio refineries, renewables and then to increase on customers and clients. Clearly – there is a reason – first of all, because that is one of the main pillars of our strategy. But we had also the demonstration in the last 4 months with COVID, with this big discontinuities, where the biorefineries helped a lot to recover, also if the market was depressed because of the lockdown, allowing to recover the returns of the R&M.
We had a very interesting generation of return of these refineries that is about 15%. That will, we believe, increase especially with the feedstock that will be more closer to the refinery in the future and different kind of feedstock, as you know, by 2023 we will not use anymore palm oil but different kind of feedstocks and our technology allow us to use a really huge number of possible feedstocks that will reduce the logistics cost.
So this really is a key point. So clearly, the biorefineries – that are getting good results, especially in the North Europe market – will be one of the capital allocation.
Renewable, we confirm and for renewables, we want to link—as we said before and we will accelerate on that, we will be more clear in our strategy—but we want to link our Eni gas e luce, our retail Gas & Power to the renewables to be able to deliver and sell green products and increase the number of customers.

Clearly, we have already a competitive advantage with respect to the other oil and gas company because we have already more than 9 million clients and we want to reach about 11 million clients in the next plan. And then growing to more than 20 million. And that will be a key point in the new strategy, to improve the efficiency and to stay far from the fluctuation of the hydrocarbons. So that is what we can say now, then we will give more details in our strategy in 2021.

Sorry, you talked about hydrogen stuff. I was so focused on the first question that I forgot hydrogen. You know that we are one of the most important producer of hydrogen and consumer because all our refinery, our all industrial system use hydrogen. We are working on hydrogen, especially on the blue one because we have this big opportunity to have a CCS that is very, we can say, cheap. Because we have everything in place and it’s huge. And that will allow us to have a blue hydrogen at very low cost.

At the moment, I really think that the blue hydrogen is cheaper than the green one. Maybe that will not be more true in ten years. But at the moment, having all the facilities, all the CCS and the know-how on how to produce hydrogen, and we have also our internal market and future external market. I think that is something where we are putting our effort in terms of development. We are starting, and we’re going to test also hydrogen in terms of feedstock for turbine and for power plant that is part of the future. And that clearly is in the cycle of decarbonization of our gas and getting a clean energy.

OPERATOR: The next question is from Jon Rigby of UBS.

JONATHON RIGBY, MD, HEAD OF OIL RESEARCH AND LEAD ANALYST, UBS INVESTMENT BANK, RESEARCH DIVISION: Can I just ask on the dividend and the way you’re looking at the floor? I think—mechanism you’ve come up with, I mean, it’s unusual, but it has been thought about in terms of trying to move to an element of fixed and variable remuneration. But I’m interested in how you will think about calculating the improvement in the underlying business that generates a raise in the floor? And that’s always seem to be the challenge for oil companies, is trying to understand what their sort of true-cycle economic generation, value generation and the resiliency of that? So I’m just interested in that.

And also, whether there’s any, you talk about the floor, whether there’s any risk to that floor, if you’re making a decision in July? And then as is often the case of the oil market, is you get some intense volatility in the second half of the year or the first couple of months of the following year before you make a decision about your final dividend? The second question is sort of linked, I guess, is you’re obviously running at a lower CAPEX figure at the moment, but with an expectation that you’re can CAPEX back to 8, and you’ve talked about some flexibility in that CAPEX. So can you just revisit what considerations you have in terms of the annual CAPEX figure that you use, given the there’s sort of an implication that 8 is your sort of true-cycle spending, but what is it that making you decide on 6.5 or lower than 8? Especially, when you’re relatively constructive about an oil price and macro improvement over the coming years and so your any dollars spent now on CAPEX are obviously going to remunerate at a better value in two to three years, when they come on stream?

MASSIMO MONDAZZI, CFO, ENI S.P.A.: Okay. So your question about the floor and how the floor could be up or down based on the strategic improvement in our performance. So the floor—the up of this floor is we say, strictly related to the second part of your question. So about the flexibility. Because definitely, the floor has been fixed based on the current level of production, the current level of investment. And both are based on the scenario as we assume the price will be in the near future. But definitely, we are retaining some flexibility and how to use such a flexibility will depend on the scenario we can see in the next one, two years.

So for example, if the oil price will be higher than $48, that is our scenario assumption in 2021, definitely, we are retaining some flexibility to push up our CAPEX and push our production. So more or less—it’s difficult to give you now an exact figure. But the flexibility we believe we can have in order to react immediately to a better scenario would be in the range of, in terms of production, 50,000 boe per day progressively, from 2021 and 2023, investing something in the range of EUR 400 million, EUR 500 million in the next two years.

So if the price will be higher, definitely, we will do it and the cash flow contribution will be definitely positive. And this would be one of the key element to evaluate how to progress the floor in our dividend. And definitely, such an
evaluation would be taken, as we said, every year, and the first evaluation is in July 2021. So, such an assessment would be performed. We will see the scenario. We will use our flexibility in terms of investment. If positive, we will definitely take into account the additional cash flow, the industrial additional cash flow, not the scenario one. So in case of a higher scenario, the dividend will take advantage on both sides, on the scenario and performance, and we will release the annual amount of the dividend.

As far as the down, you said, but what about an oil price below $45. So certainly, such a remuneration policy, the one that we are announcing today, is based on the scenario we are assuming or higher scenario than that. In case of a Brent price lower than $45, certainly, I don’t have a clear answer right now. But definitely, we should evaluate how deep is the downturn, for how long we expect such a downturn could last. But definitely, we will use the same flexibility I mentioned for an increase in the dividend floor. Definitely, we can use the same flexibility in order to resist, if it’s the case, and to keep the floor at the same level, maybe giving up some additional investment to grow as we are anyway, envisaging in ‘22 and ‘23.

CLAUDIO DESCALZI, CEO, ENI S.P.A.: I want to add something as a comment on what you said that this is an unconventional approach when we look at the dividend because, normally, it’s very simple and its year-by-year or quarter-by-quarter. Here, we – our effort this time in this so volatile and not clear environment, was to give or is to give the maximum vision and clear vision and transparency and all the different values of our structure for the dividend to our investors.

We gave a lot of details. It seems complicated, but it’s not complicated. I think it’s very transparent because, we gave it for four years. We gave a floor, so you know how you can calculate that. And then, we gave all the different elements on the flexible or on the other component that is a variable component and the buyback. So we aim really to be transparent and be clear in a situation that is very volatile because if we create a non clear situation inside and we have no clear situation in terms of perspective outside, it’s not easy for our investor. Now you know exactly step by step.

In July when we will talk about what happened to the floor, how we can calculate the increase of the floor in relation to our strategy, plan and the implementation of our strategy. We will be very transparent. Because we will communicate, when? July. And how we are going to explain you, how? We have – you say, we have six months where we can take a risk. But as Massimo said, we have the flexibility to react, especially very rapidly, as we said, as we did in the last three, four months during a very difficult situation, so we can compensate. That is clearly a risk compared to the big effort to be clear and give you a really solid platform to understand what is going to happen to our company in the next years in terms of strategy, action, CAPEX, OPEX and capital allocation. That is one of the most important points.

JONATHON RIGBY, MD, HEAD OF OIL RESEARCH AND LEAD ANALYST, UBS INVESTMENT BANK, RESEARCH DIVISION: Yes. I think there’s been a difficulty for investors to square up progressive dividends with the volatility that we’ve seen in oil markets. So I mean, this is one of the solutions to that. Can I just ask a follow-up? I mean as you increase your investment into non-upstream, I think clearly, an increasing component of what pays the dividend will be your midstream, downstream, your renewables businesses, etc. And dividends are a signaling device. So what will you look at there? Sort of ongoing ROE, free cash flow generation? What? I mean, that’s obviously going to be an important element to the decision on your dividend floor, I would guess.

MASSIMO MONDAZZI, CFO, ENI S.P.A.: The more important element would be the cash flow. So this will be the basis to evaluate any potential increase. Certainly, each project, and the one that Claudio mentioned, so biorefineries, clients, renewables will be evaluated on a stand-alone basis, but as far as the remuneration policy, certainly, the cash profile generated in the in coming years would be the most important one.

JONATHON RIGBY, MD, HEAD OF OIL RESEARCH AND LEAD ANALYST, UBS INVESTMENT BANK, RESEARCH DIVISION: Thank you, and good luck in the new role Massimo, as well.

OPERATOR: The next question is from Irene Himona of Societe Generale.
IRENE HIMONA, EQUITY ANALYST, SOCIÉTÉ GENERALE CROSS ASSET RESEARCH: I have a couple of questions on the second quarter specifically. Upstream loss was actually deeper than anticipated. I wonder if you just could talk around the key drivers in that, splitting it between volume, price obviously, the cost I presume, were down? Then secondly, in the opposite direction, in Q2, the downstream results of EUR 70 million profit was, very, very strong. Maybe, you did mention it, but what is the full year guidance, not only for gas & power but for the three downstream businesses, please, refining, marketing, and chemicals for EBIT? And then finally, any guidance for full year, working capital and tax at your scenario? Thank you.

CLAUDIO DESCALZI, CEO, ENI S.P.A.: Sandro you can answer to the first question in the upstream losses and main point. And then for the downstream, Pino can answer and then Massimo answer for the forecast and the rest.

ALESSANDRO PULITI, CHIEF UPSTREAM OFFICER, ENI S.P.A.: Okay, regarding the losses for the upstream in the second quarter 2020, we have to account the losses for the OPEC Plus cuts, that in terms of production are affecting us around 40,000 barrels of oil equivalent per day. And then, we had also the full effect in the second quarter of the losses due to the COVID situation that are around 130,000 barrels of oil equivalent per day when compared to Q1 of this year. So those are the two main elements regarding the losses.

MASSIMO MONDAZZI, CFO, ENI S.P.A.: Okay. So Irene, just to give you some color, some additional color on the performance – the better performance we had on the Refining & Marketing, Gas & Power and the effect – the headwind we had, mainly because of the COVID – 19. So, starting from R&M, the refinery had substantially performed in line with the first semester 2019. Notwithstanding, I would say, a worse scenario in terms of margin. Compensating also more or less an EUR 80 million – EUR 100 million of negative COVID effect because of definitely the utilization of our plants that in April and May and June has been reduced even down to 60%, more or less, especially, because of the oversupply in gasoline.

While the market has been affected as well, we some way, we succeeded in keeping the margin a bit lower than it was with the loss that has been in the range of EUR 40 million versus the first semester '19. Talking about the retail Gas & Power. So the better performance has been due to the fact that first of all, we succeeded in increasing our client base. We added up something in the range of 150,000 clients in the first semester. And at the same time, we have been capable to increase the amount of services sold to our customers. Also, thanks to the subsidies that now are available mainly in Italy, for investment in energy saving. That is something that is becoming more and more an additional business in our retail. So retail would be more and more, as we said during our strategy, more and more, I would say, complemented with services that will be aside the sale of just commodities.

And the retail gas e luce recorded an increase, notwithstanding, more or less at EUR 30 million, EUR 35 million of loss because of the COVID. So without such a loss, you see the better results that would have been even more important. Maybe Cristian could give some color on the GLP in the first semester, and he can elaborate on the guidance?

CRISTIAN SIGNORETTO, DIRECTOR GLOBAL GAS & LNG PORTFOLIO, ENI S.P.A.: Sure. So as we have said before, the first semester has been very volatile environment. So just to name a few, the gas price vis-à-vis last year is 50% downwards and also the oil has been downwards and then upwards. So we have experienced an increased volatility. And so we were able, notwithstanding the negative impact of the COVID pandemic on the demand, to re-optimize the asset base, the portfolio base, especially in the Gas & Power business, and we anticipated all the, let’s say, value extraction from the flexibility in the first semester, given exactly this volatility. And so we’re able to capture this, let’s say, trading margins mainly in Europe.

To the contrary, let’s say, the LNG environment has been pretty complex. And so we were able to broadly, let’s say, be in line vis-à-vis last year in terms of results, also leveraging, notwithstanding the scenario, leveraging on the integration with our upstream production base in order to optimize the operations and to safeguard ourselves from possible losses.

MASSIMO MONDAZZI, CFO, ENI S.P.A.: Okay. So in terms of full year guidance, I’m making reference to the Slide #11. So the EUR 800 million are mainly based on the contribution from Gas & Power, EUR 650 million and EUR 350 million from Refining & Marketing. While we expect the chemical business still losing money, even if with a slower pace versus the first semester with a total loss on yearly basis of EUR 200 million. So as far as the Gas & Power,
certainly the Eni gas e luce will keep on growing on the same path, likely, even faster, if COVID will allow us to take advantage fully from the client base growth.

And at the same time, we expect that the refinery, mainly the biorefineries, the positive effect that we recorded in the first half will continue even in the second part of the year.

And then you mentioned working capital. So in terms of working capital in the full year, I can anticipate a number slightly worse than the one that I guided in the previous period. So previously, I said that we were envisaging a capital absorption in the range of a few hundred million in terms of working capital. Likely, this number would be now assume a bit higher. I would say, in the range of EUR 600 million and EUR 700 million because of the probability to have a lower pace in payment at year-end because of the crisis, mainly from our partners in upstream, including the national oil companies. While the performance in terms of payment in our retail and the other businesses is performing even better than what we assumed at the very beginning of the crisis, so in March.

And the tax rate, the last question, this year is very, I would say, it’s too volatile to measure the tax rate. So I’m afraid to say that the tax rate in 2020 would be quite unreadable. But the same exceptionality would be on the cash tax rate that has been guided in the past in the range 30%, now we’re envisaging something in the range of 20% because of such an extraordinary period. No surprise to imagine that on a more steady environment, so more or less $60 per barrel flat, the adjusted tax rate will be 60%, and as has been guided in the past the cash tax rate will be back in the range of 30%.

OPERATOR: The next question is from Lucas Herrmann of Exane.

LUCAS OLIVER HERRMANN, HEAD OF OIL AND GAS RESEARCH, EXANE BNP PARIBAS, RESEARCH DIVISION: Good afternoon, gentlemen. I mean, thank you very much for breaking out the growth in decarbonized products and giving us some timeframe around delivery in terms of absolute volume.

I wonder whether you could give us any comments on how you see cash flow from those businesses at an operating level developing over the same period, however? So try and put some financial numbers, the cash flow level, not at free cash level, around the progress that you see in decarbonized products overall?

And secondly, I wanted to ask you something on natural carbon solutions. And just as an important part of your policy of offset, it’s an important part of other’s policy, and I just wonder whether you could give us any indication of how the costs are moving as much as anything, the capturing acreage in which you plant whatever, related to effectively decarbonize in a natural way, if you all start to gravitate towards the same broad policy?

CLAUDIO DESCALZI, CEO, ENI S.P.A.: So on first question on the cash flow from our green activities I think that will be more specific during the strategy in 2021. This is an updated of the strategy. Clearly, when we run our exercise, we run an exercise for all the industrial development, but we’ll be more specific later on at the beginning of the next year. For the cost of the Forestry, I think Massimo or sorry, Alessandro Puliti can say something on the natural resources?

ALESSANDRO PULITI, CHIEF UPSTREAM OFFICER, ENI S.P.A.: Okay. So the natural capture of CO2 through Forestry preservation activity, in terms of cost, it is an activity that certainly give us a very good opportunity of lower cost for capture each tonnes of CO2 compared to the other techniques that can be applied. And we are in a region below the $10 per million tonnes of CO2 captured.

LUCAS OLIVER HERRMANN, HEAD OF OIL AND GAS RESEARCH, EXANE BNP PARIBAS, RESEARCH DIVISION: And Massimo, in terms of accessing land and forestry, how is that? Is that changing at all? How do you see things there? I know it’s a slightly abstract question, but...

CLAUDIO DESCALZI, CEO, ENI S.P.A.: So maybe Sandro then can complete. So what we did – or the work over the last couple of years, more than a couple of years – our main target was the countries or we can say, Africa, and we can say South America, but especially Africa, where we have all our operations, and we are present. We have a presence in these countries. So it’s not a problem of access I mean because, it’s not our land, it’s not a concession, it’s nothing of this kind is not like in the upstream. It’s a portion of primary forestry that we protect. So it’s a question to train people, to define standards, to give a certification, to get in connection with the UN authorities, to implement all the process of the red plus, because it’s not just forestry conservation but it’s also different other aspects, biodiversity and job creation. So, it’s a question of different components.

So we don’t have any problem to have access because it’s a different kind of process. There is a forest. We have an
agreement with the government, and we implement a process to train people, to pay people, to give back part of the credit in terms of money to develop the area. And that is the approach, and it’s working very well. Clearly, we work with developers. We already set up different agreement in the different countries. And this is something that we are developing. And our aim is to have by 2030 about 20 million tons that will be captured by forestry. And that is in progress and is working quite well.

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

MASSIMO BONISOLI, ANALYST, EQUITA SIM S.P.A., RESEARCH DIVISION: Two questions for me. One on the dividend again. Sorry, if I’m still confused about the new policy. Since there are many moving parts in the scenario not only related to Brent, but also gas prices, refining and chemical margins, production levels, euro-dollar exchange rate. Do you include these moving parts in the additional variable dividend and additional free cash flow generation? If yes, would you provide a sensitivity to each KPI, just to let us track those variables? And the second question is on green CAPEX. How much of the CAPEX related to the energy transition projects may be funded through the scheme of the European green deal? Did you already consider the access to that budget?

MASSIMO MONDAZZI, CFO, ENI S.P.A.: Okay. Starting from the second question, the answer is, yes. Definitely, we are working on the innovation fund, the recovery fund in order to get access to such a fund. So we are working to package our project and to follow-up the procedure. This is definitely a very good occasion that could be taken as an advantage in order to speed up, if possibly, this improvement and this transformation. As far as the dividend policy, to simplify, yes, the variable component is linked to the Brent only. So we are assuming that the Brent will be the more important proxy in term of cash flow variation. So the number we will look at, in order to assess the amount to be distributed as a variable component is the only Brent price. So all the rest would be some way included and matched by the company. And you made another -- just -- okay, if --- okay. So if there is something lost, so please let me know.

MASSIMO BONISOLI, ANALYST, EQUITA SIM S.P.A., RESEARCH DIVISION: No, no. It’s all okay.

MASSIMO MONDAZZI, CFO, ENI S.P.A.: The amount, sorry. And the amount you mentioned the amount of the flexibility. So we gave EUR 900 million, each $5 Brent, and this is fixed. So it’s not depending on the sensitivity we can assess each year, but the number has been set and then the number, the EUR 900 million will remain in place all along such a remuneration policy.

OPERATOR: (Operator Instructions) Mr. Descalzi, that was the last question. If you’d like to make some closing remarks, sir?

CLAUDIO DESCALZI, CEO, ENI S.P.A.: Yes. Thank you. So first of all, I want to thank you, everybody who was listening to us, but I want to thank my colleagues, because it’s the first time that I say that during this half presentation, first half presentation, that was a very tough period, and we worked on different kind of issues and topics on the revision of CAPEX, OPEX and reorganize different kind of teams worldwide. Then we worked on the organization, then we worked on the capital allocation, revision of the dividend policy that took about more than two months. I think that this exercise was very useful to test our robustness for the future in terms of team and motivation. And especially, we had the courage and the vision to start a new kind of phase in term of approaching the dividend policy. And clearly, as I said, our aim is to be transparent and give a clear reading of what we are doing because, outside, it is so confused and volatile that we want to be linear. So maybe you can think that this dividend or this policy is complicated. It’s really simple, and in any case, much simpler than the world outside. And that was our aim, and I hope that we succeeded. Thank you very much.

MASSIMO MONDAZZI, CFO, ENI S.P.A.: Okay. Just a few words to say that this is my last conference call as a CFO, as an Eni CFO. So thank you very much, everybody, for the good interaction we had all along this time. Thank you.

CLAUDIO DESCALZI, CEO, ENI S.P.A.: But you are going to continue. Okay. Thank you.