
Eni 2Q 2024 Results

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Presentation

Speakers

Claudio Descalzi, CEO

Good afternoon and welcome to Eni's 2nd Quarter and First Half 2024 results conference call.

This quarter confirms we are making significant strides forward in delivering on our strategy and the 4 Year Plan set out in March.

I will discuss our financial results in more detail, but in summary, our performance in the first half exceeded our plan in terms of financial outcomes and cash flow generation, with capital expenditures and leverage showing a positive trend.

Touching on some important milestones in the year so far:

- We are materially enhancing our Upstream portfolio. We completed the highly accretive acquisition of Neptune in January, already delivering significant value for Eni shareholders thanks to synergies in Indonesia, Norway and Algeria.
- Following the step up of our exposure on the UKCS with Neptune, we have moved quickly and are creating one of the largest independent players in the country through the combination with Ithaca Energy.
- At the same time, we are also making real progress in high-grading our Upstream portfolio, completing the sale of non-core assets in Congo and Nigeria and announcing the sale of Alaska, which we expect to close before year-end. Furthermore, we are working on some additional transactions related to our dual exploration model that will mature in the coming quarters.
- Meanwhile our Upstream business continues to focus on its core activities – we have reported production growth of 6% year on year, and have added significant oil and gas resources with notable exploration successes in Ivory Coast, Cyprus and Mexico.
- On the businesses related to energy transition we are unveiling the value that the market places on our unique integrated chains in retail consumption and sustainable mobility. In March we completed on the €600 mln equity investment into Plenitude by Energy Infrastructure Partners and this week we have announced the potential investment by KKR into Enilive in a range between €2.5-3 Bln.

- Together the deals highlight an enterprise value of around €22 bln, a remarkable improvement versus the marginal value these activities were accorded only a few years ago.
- We are also pleased with the operational progress we are making: for Enilive, the FIDs of two new biorefineries in Malaysia and South Korea and, for Plenitude, the start-up of its largest solar project to date, the Renopool solar park in Spain.

Let us put all of this in context.

The energy Transition is irreversible, but it will only be sustainable if it allows returns, attracting private capital. And this is what we are proving through our portfolio of activities that are highly valuable for the market and achieving precisely those objectives of profitability and economic sustainability.

We are also growing Upstream, with higher margins and lower emissions to be Net Zero by 2030. We will grow underlying production by 4% per year over the Plan period, reported production by 2% per year after disposals, and, crucially, we will grow CFFO per barrel by 30%.

Plenitude and Enilive will close to double EBITDA over the 4YP and double again by 2030.

This is an outstanding plan of growth that is attracting the interest of many investors and will ultimately take both businesses towards full market valorization through IPOs.

Our transformation plan has more emerging options: we are restructuring and re-orienting our Chemicals presence towards a sustainable platform based on biochemistry and the circular economy as we did and continue to do in biorefining. Furthermore, CCUS has a key role in reducing emissions in hard-to-abate sectors, and is also well suited to be an additional satellite in our system in due course.

Taken together, supported by a clear and focussed financial framework, Eni is able to offer sector leading CFFO per share growth rate - over 13% per year - and highly competitive shareholder returns.

Turning to our results pro-forma EBIT, incorporating our associate operations, was €4.1 Bln, in line with last year even without the benefit of GGP one-offs reported in 2023.

Over the first 6 months pro-forma EBIT was €8.2 Bln, more than 60% of the original annual plan.

In the Upstream we reported another excellent quarter with production up 6% year on year, and pro-forma EBIT of €3.5 Bln capturing the oil price scenario and recovering gas market with a total. Indeed, GGP with €334 mln also reported a strong result, in line year-on-year on an underlying basis, and in what is traditionally a seasonally lower quarter.

In the Transition businesses, Enilive's pro-forma EBIT was €120 mln reflecting the currently softer bio refining market conditions, offset by seasonally stronger marketing income, confirming the advantage of the integration along the value chain with the sales of products and services to retail and wholesale.

Plenitude reported pro-forma-EBIT of €149 mln, 12% higher than the second quarter last year and giving a strong first half progression.

A weaker scenario for refined products impacted our traditional Refining - offset by resilient wholesale and trading activities and supported by high plants availability - leading to a stronger result year on year. Chemicals in Versalis continues to face very challenging markets reflected in our Q2 losses.

Taxes rose in the quarter with the accounting rate at 55% primarily due to mix effects within the Upstream and across the income statement more generally.

Our CFFO in the quarter is €3.9 Bln and €7.8 Bln for the First Half, delivering a pleasing trend of efficient cash conversion, reflecting good dividend income and a cash tax rate of around 30% - consistent with the level we anticipate for the full year. Our first half CFFO means we have already generated 55% of the planned annual amount.

Organic capex is currently tracking below our gross guidance of a €9 Bln full year figure but our expectation remains unchanged.

Net portfolio activity was still cash out in the half year but in the quarter we generated proceeds of €480 Mln being primarily the sale of shares of Saipem.

After payment of the final dividend and the restart of the buyback, net debt fell from a Q1 peak.

Let's focus for a moment on our Upstream and Transition businesses, the key current components of our value chain.

This slide emphasises the resilience of the result in absence of the GGP one-offs. In E&P we have delivered excellent volume growth, backed by continuing exploration success to feed the business, and progressed portfolio high-grading. GGP continues to capture margin in our equity gas sales leveraging its excellent asset and logistics positioning.

Financial performance in our Transition businesses remains on track despite volatile and often challenging scenario conditions. This reflects the underlying resilience in these balanced and integrated businesses.

As a result, we are maintaining growth in a consistently competitive fashion and investing for value and for the long-term.

This means we are able to launch new advantaged bio-refinery projects and have a significant portfolio of new renewables capacity under construction to sustain our growth.

Confirmation of the value we are creating is evident in the financial investment we have attracted in both Plenitude and Enilive.

A strong balance sheet remains a key target in our plan, providing resilience, flexibility and strategic optionality.

In March we said gearing over the 4YP would range between 15% and 25%. The impact of the strategic acquisitions we made to support our growth platforms pushed gearing up - towards the higher end of that range by the first quarter; but as we have seen in Q2, even with limited

impact of disposal actions, leverage is already inflecting down, falling by almost 1.5 percentage points versus Q1.

We are executing our disposal plan much faster than planned: as a reminder in March we announced we would deliver €8 Bln of net portfolio inflows in the 4 Year Plan and indicated we expected that divestment activity to be front-end loaded.

In the first 6 months we have, in fact, advanced this programme faster and for better value than anticipated.

The announced deals, in Alaska and Nigeria, will reduce our leverage by around 3 percentage points, while the sale of a 20-25% of Enilive will impact our leverage by a further 5-6%.

This means by the end of the year we now expect leverage to be well below 20% and, conceivably, towards 15% on a proforma basis - awaiting the full cash-in of these deals and other planned actions.

And we are working on several additional transactions, that will further contribute to our portfolio enhancement and debt reduction.

In other words by the end of the year we expect to be able to provide visibility - either via actions completed, announced or with defined plans - over the large majority of the transactions that will be roughly split 50/50 between upstream and new transition businesses.

That brings me to our Satellite model, a crucial source of cash to fuel our growth plan, distribution and to maintain a strong balance sheet.

2024 has seen important proof points for the distinctive model we have built. The Plenitude and Enilive transactions, that will generate over €3 Bln in total, represent material deals of aligned capital at attractive multiples with valuable partners.

This is only a portion of the €11 Bln cash we generated from dividend, disposal and IPOs through our key satellites: Enilive, Plenitude, Azule and Var Energy since their creation.

This new capital supports our funding needs, and confirms the value we are creating in different businesses, and anticipates cash flow generation from these long-term opportunities.

Cash generated from our satellites has a double impact on our distribution:

- accelerating growth in our cash flow from operations, as a result of the material increase of these businesses. During the plan, Var and Azule production will grow together by 45%, while Plenitude and Enilive are almost doubling their EBITDA;
- diversifying our businesses and improving our balance sheet, allowing us to progressively enhance our distribution policy.

Finally let me elaborate on the outlook for the remainder of the year.

We now expect reported Full Year production to be at the top end of our guidance implying a growth rate of close to 4%.

Similarly, GGP has now significantly de-risked our original €800 mln proforma EBIT guidance for the year and we now expect a full year figure of around €1 Bln.

Our main Transition businesses, Plenitude and Enilive, remain on course to deliver their combined guidance of €2 Bln of pro-forma EBITDA this year.

Eni full year pro-forma adjusted EBIT and CFFO before working capital are expected to be around €15 Bln and over €14 Bln respectively at our current scenario; and in that context we confirm the buyback will be a minimum of €1.6 Bln. Thanks to the improved visibility on our divestment programme we will speed up repurchases through Q3 and Q4 versus our previous plan. Moreover, given the lower expected debt in the light of the progress of the M&A, we will be able in the third quarter, to evaluate a further raise to the distribution share up to the maximum limit of 35% of the budgeted CFFO, which corresponds to a potential buyback value of additional €500 mln.

To help with CFFO profiling for modelling purposes we can confirm that dividend cash-in from associates should closely approximate the net income, while the cash tax rate for the full year is expected to be around 31%.

Net capex is now expected to be under €6 bln, significantly below the previous guidance, in line with our updated expectation that year-end gearing will be well below 20%, and pro-forma, on deals awaiting formal closing, will be even lower than that.

Finally, with the work now underway, we have already identified savings in excess of €250 mln for 2024 and we are raising to around €2 Bln the full value of savings and simplification benefits over the Plan period that we announced in March.

To conclude, we are really pleased with the progress we are making.

Our strategy is to invest in our high-quality businesses to make Eni more profitable, fund the next phase of growth, work to highlight the full value of our assets, and to deliver a growing and competitive shareholder distribution.

The first half of 2024 has seen us making clear strides forward in terms of the operational delivery and the new projects that underpin that growth. This has translated into an excellent financial outcome.

And in addition, we are also ahead of our expectations in our divestment programme - in terms of proceeds, value realisation and timing - de-risking the business and accruing further value to shareholders.

The Eni investment proposition is clear:

1. highly competitive growth in the key segments of business related to traditional and transition energy;
2. value realisation thorough portfolio management;
3. fast deleveraging and a strict investment discipline in prioritising our significant pipeline of new projects;

4. a competitive and progressive distribution policy supported by the material growth in cash flow generation and balance sheet enhancement.

With these remarks I conclude our review of the quarter.

And now along with Eni's top management, we are ready to answer your questions.

Q&A Session

Corporate Respondents

Claudio Descalzi, CEO

Francesco Gattei, CFO

Guido Brusco, Chief Operating Officer Natural Resources

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

Adriano Alfani, CEO Versalis

Stefano Ballista, CEO Enilive

OPERATOR: Thank you, this is the chorus call conference operator, we will now begin the question-and-answer session. The first question is from Irene Himona with Bernstein. Please go ahead.

IRENE HIMONA, BERNSTEIN: Thank you and congratulations on these numbers. My first question is on biofuels. If you could perhaps share your views on what is currently a rather oversupplied biofuels market. When and how would you expect the rebalancing and for margins to start recovering? And my second question, it is quite unusual to flag a future potential buyback increase. I wonder if you can talk around the reason. I think it is the first time you're doing it. And also, would you agree that it is linked to the faster pace of asset disposals via a stronger balance sheet? Thank you.

CLAUDIO DESCALZI: Okay, thank you for the question. Stefano Ballista, CEO of Enilive can give the answer.

STEFANO BALLISTA: Yes, there is no doubt that actually this quarter has been very challenging for the biofuel business. We recorded the lowest margin ever and this is a situation actually that is going in continuity with the first quarter and let me say very, very well expected. It's driven by fundamentals - with a short-term view. So it's a transition phase, pretty much due to oversupply both in Europe and in US, and reasons are pretty much the same we discussed in previous call, like Sweden from one side and a specific step-up in terms of capacity in the US, plus some extra flows from China.

But what is really important is that this is a transition period. Obligations and mandates are strongly in place and defined. I just quote some of them like RefuelEU aviation is going to be

in place starting from next year. It is going to lead to [more] than a million tonnes of extra demand in Europe and is going to increase along the timeline. And this is a regulation, so there is no debate about when it's going to be fulfilled.

Second core element is the RED III (Renewable Energy Directive number three). It has been approved, as we know, each country has like 18 months to deploy it at country level. Targets are going to be doubled compared to current one, from 14% to 29% in terms of energy content. This is going to be in place starting, let me say, from the second half of next year, given it has been approved at the end of previous year. And it's going to push for strong extra demand.

On top I want to mention there is also States that are even now changing some key rules. I want to quote Germany, that is actually starting from next year and will consider the UER no more eligible for bio demand. And so this is going to create an additional demand. So in short, this is a transitional phase with a market rebalancing in the next future along to 2025 with a potential step-up, and this is the last comment, coming from the first evidence on the anti-dumping procedure.

We got preliminary and provisional duties that are going to, in a way, create a leveled play field with the current Chinese flow and this is going to give an improvement. It's difficult to quantify now but along the year.

CLAUDIO DESCALZI: Thank you Stefano. I just want to add something because Stefano was very clear about regulation and what is going to happen in the next months. Looking at the market, what is happening, what we are experiencing in the market, is that we have many, many, many requests from maritime operations, aviation, a lot of different kinds of entities that they want to reduce their CO2 emissions. So we are signing a huge number of contracts with these different companies.

So that is the first-hand evidence that we have in our business. Clearly, we talk about this moment, this anomaly that we forecast, but we have to say also that Enilive reacted really very positively. Why this reaction compared also to other operators? Because we are on the value chain. We are in the Upstream. So we are in the feedstock with Agri-Hub, with all the waste and residues. So, we try and we study that to stabilize our feedstock. We have our technology, we have our refineries, then we have a huge retail. So, we are not just in the biofuel and bio-refinery and that helped us a lot in the quarter, in this semester. So, I think that is very important, that is a first-hand of a company of people that every days are on the market and talk with the customers. So, the second is for Francesco.

FRANCESCO GATTEI: Yes, on the buyback, clearly what we designed since a few years is a progressive distribution that is linked mainly to cash flow from operation. But this cash flow from operation, let's say, sharing is clearly continually monitored in terms of performance, in terms of scenario, and in terms of balance sheet. So, as you have seen, the buyback is defined in two ways. We have, at the beginning of the year, the overall distribution - dividend plus buyback - that was a percentage of the budget and the cash flow from operation between 30% to 35%. We fixed our reference around the middle of that range, and we announced the buyback of €1.1 billion.

In the policy also we stated clearly that 60% of the upside related to cash flow from operation would have been shared with our investors and we announced that in the first quarter results. And now we are in a situation where we can look differently to the bottom-line of this distribution policy, the buyback that we originated, designed on the basis of the cash flow of the budget.

The idea is that substantially there is room if, in the third quarter, all the deals and progress in the various disposals are confirmed - and even enhanced - to review that percentage. So there is still 2-3% of additional share of that amount that, at the beginning of the year, if you remember, was €13.5 billion, the cash flow for operation. It means that there is a potential of €500 million, of additional buyback. I would also like to say that we have an immediate effect of today, of the improvement of our balance sheet and the visibility we have seen in the disposal plan, that is the acceleration. So, we are speeding up the pace of our buyback shares. And also in the third quarter, we will have also a review overall of the cash flow from operation, let's say analysis, and if there is an additional increase of the potential cash flow from operation, there is again the application of the rule of the 60% upside.

So we mentioned that there is a floor, at the beginning of the year, we improved this floor in the first quarter. Now we are evaluating in the third quarter a potential step-up with different mechanism. So I think that is quite, let's say, progressive, our distribution policy mechanism.

IRENE HIMONA: Thank you very much.

OPERATOR: The next question is from Josh Stone with UBS. Please go ahead.

JOSH STONE, UBS: Thanks and good afternoon. Thanks for the presentation. And congratulations on the strong results. Two questions please. Firstly, coming back on disposals. You highlighted an acceleration or you've got good visibility on a very big chunk of your four-year program. So do you think there is a chance you could actually exceed your €10 billion gross divestment target? Or in other words, as you've been reviewing your assets and portfolio, are you finding there's more things to sell or at a higher value than you first expected? Or is it just simply in line? Second question - back on Enilive - one thing that struck me with the KKR announcement was that you're willing to sell up to 25% of the business and then possibly another 10% to another investor. So you're leaving Enilive with 65%. So my question is why sell so much of Enilive now? I understand you get a good valuation, but once it is sold, it's sold. So are there particular attributes that these new partners are bringing to Enilive, beyond a particular source of financing? Anything you add there would be great. Thanks.

CLAUDIO DESCALZI: So thank you for the question about disposals. I say something then maybe Francesco wants to elaborate further. We have accelerated first of all, because we have good assets. So the nature of assets, when we talk about upstream, we said that it's at 50-50, so 50% upstream and 50% transition businesses. But we have good assets. So we have a lot of talks with different kind of entities and companies that are interested in our assets. It has been very fast because we thought to deploy this divestment in the first two years. But in the first six months, practically, we have reached the target.

We can go upwards €8 billion, maybe yes, more on the dual exploration because we found a lot of resources, not a lot of investment, we de-risk the assets and that could be a possible additional potential that we can explore in 2025. Clearly now we are focused on these projects that we announced and others that we are working on. They are mature but we will be ready in the third quarter to say more. But we have the potentiality to overcome and do better with respect to our initial expectation, so better than the €8 billion. I think, yes, we can do that.

For Enilive, clearly we try to balance, there is a lot of interest, the valuation is very good. We want to invest because we have a big component of the two companies that is growth. Biorefinery growth and renewables, and charging points are growing. So I think that we need money and that we understood we have the proof that these companies are able to finance themselves without using our capital and our debt.

So I think that is the reason: we want to progress, we want to grow and when we are able to find very strong good partners, good investors, very strong, that can help the company and that share our view, our projects, I think that is a good opportunity. I don't know if we are going to do that immediately, because we have to finalize the deal yet. But there is a clear reason to do that. We want to grow. We want to create more value in these companies that are doing very well. We reached - as a valuation through our strategic investors - €22 billion for the two companies, that is really a huge number considering that these businesses, until a few years ago, were in Eni with a very low value. So I don't know if Francesco wants to add something.

FRANCESCO GATTEI: We clarified since the beginning that the €8 billion net was a risked, let's say, amount that was clearly based on a larger assumption. In that assumption of disposal, we didn't include the outcome of this, let's say, positive feedback from the market specifically on Enilive in terms of evaluation and appetite. So there is clearly room to decide, prioritize and improve the overall guidance as it was said.

CLAUDIO DESCALZI: So, good news!

FRANCESCO GATTEI: Good news, absolutely. I think that was clear. It was good. And the other element, clearly you mentioned about the potential disposal of a second stake. First of all, this is not included in our forecast. So it is again an upside eventually to be considered. We need the first to conclude the discussion, the negotiations that are ongoing with KKR. It is a deal that has to be let's say, finalized. And after that we evaluate, due to the fact there is quite a very strong appetite by the market, if there is an opportunity to make an additional, let's say, joint deal related to that specific asset. So again, it's another positive sign that the assets are extremely, let's say, interesting for the market, and there is a lot of potential valuation coming on.

JOSH STONE, UBS: Thank you.

OPERATOR: The next question is from Biraj Borkhataria with RBC. Please go ahead.

BIRAJ BORKHATARIA, RBC: All right. Thank you for taking my questions. The first one is just on your LNG growth plan. So you continue to build up your options, but mostly through sort of the integrated approach. We haven't seen you do too many offtake deals, for example Gulf

Coast, US. Is that something that you think would be a good addition to your portfolio? Or would you rather build up in an integrated fashion?

And then secondly just going back to the last question on the financial framework. If I was to plug in the disposals in the market, which I understand you've risked in your plan, but the ones that are already there. It is possible that I could see Eni at sort of single-digit gearing by the end of 2025? So I just wanted to get some thoughts on at what point does your balance sheet not need that additional cash?

And secondly, one of the things that has happened over the last couple of years is that you very clearly created more value through building these businesses than you would have by buying back shares. So I just want to think - I wanted to get some color on how you think about the balance between paying out that capital, the excess capital, and then maybe increasing CapEx to build these businesses to more scale? Thank you.

CLAUDIO DESCALZI: Thank you. So the first question is for Guido Brusco and the second for Francesco.

GUIDO BRUSCO: Thank you, Biraj. You spotted rightly. So we are building a portfolio mainly of integrated projects which spans from the Congo project, which just started up and will increase up to 3 million tonnes per annum by the end of next year. We have Mozambique. We have Qatar. We have Indonesia which is currently delivering gas for liquefaction only from the south-hub of the Kutei Basin, but soon we'll have a second hub in the northern part, which is pretty exciting.

So as you have seen this is mostly organic, reason being our successful exploration campaign in the past year. And we see much more value in the integration rather than buy and sell gas from third party. I might not rule out some small deals we can have in the future to complement our portfolio, but the growth is essentially linked to the organic component.

FRANCESCO GATTEI: In terms of leverage, clearly you know what is our, let's say guidance, our reference is a range between 10% to 20%. We're moving fast towards the 15%, the middle of that range. There could be, as we said, upside. We have a lot of additional opportunities that has the materiality to push even lower that leverage.

It is important for us to understand that reducing leverage is a value if there is no alternative, but if you have opportunity to invest in the pipeline of projects and also clearly, there is no financial sense. We are paying 1% net financial cost in that leverage. So I can push-down the leverage to keep enough buffer for the bad times, but it is also important that I have opportunity where I can invest at much higher return. So this is a balance we want to keep. We think that 10-20% range, you could drop below in the lower part of that range, but this should be the area of comfort where we want to stay.

BIRAJ BORKHATARIA, RBC: Understood. Thank you.

OPERATOR: The next question is from Alejandro Vigil with Santander. Please go ahead.

ALEJANDRO VIGIL, SANTANDER: Yes. Thank you for taking my questions. And congratulations for the Enilive transaction. My first question is about Plenitude. If in connection with the interest you're seeing in Enilive, we could see some also additional interest on selling a stake

in Plenitude in the second half of the year. And the second question is also regarding the low carbon strategy, particularly in terms of the CCS. The CCS is an area which you are considering to invest hundreds of millions or billions in the coming years. And what kind of returns are you expecting from these investments? Thank you.

CLAUDIO DESCALZI: Thank you, Alejandro. For Plenitude I don't think second half, because we have other projects more mature but we had a lot of interest also for Plenitude, from big funds and other companies. So Plenitude is there, there is room. We have room and clearly also Plenitude is in the same situation of Enilive. They need money to invest on their growth, they have a very important plan of growth. So it is not something that we can exclude. We have to understand if these investors are serious and want to really share our projects, but we have room in Plenitude and we have also a lot of interest.

CCS is not a question how much we are going to invest. CCS is there, is becoming more and more real in terms of projects, in terms of acceptance. And in the UK, we are proceeding. In a few days or weeks, we are going to inject gas in Ravenna, so it's there. We have a lot of interest from hard-to-abate, so heavy industry, not just from Italy, but also from France, from Greece. So there is a strong interest, strong movement.

Our investment in the model that we now have in Italy and the UK, where we take care about transportation and storage. We don't talk about a lot of investments. And in any case, our model - that is based on existing facilities, depleted reservoirs - where we have everything practically because we have all the wells and platforms and compressors. So we have just to reverse the flow, maybe train some injectors, but it is not a big investment. So it's a big, big deal, big business and a lot of interest. And it doesn't need a lot of investments.

So the only heavy part that's relatively expensive is with the capture, and it's not an investment, it is the operating cost that we have to perform every time we capture the CO₂, depending on the level of percentage of CO₂. So it is not really a very capital intensive project, but it's something that can be very useful for the transition, which is going to reduce CO₂ for the hard-to-abate. And we have a quite interesting advantage, and also priority, in the system because we are the only one that is performing real projects that start production now in few months or in maximum one year.

Do you want to add something, Guido?

GUIDO BRUSCO: Just to complement what you said: not that much capital, and the capital needed will be mainly provided through project financing also, which we've seen appetite from banks and institutions to fund those kind of projects.

ALEJANDRO VIGIL, SANTANDER: Thank you.

OPERATOR: The next question is from Alessandro Pozzi with Mediobanca. Please go ahead.

ALESSANDRO POZZI: Good afternoon. Thank you for taking my questions. I have three. The first one is on GGP, the new guidance, sort of €1 billion. Can you perhaps elaborate on what allowed you to raise the guidance to the €1 billion, and how you see opportunities in the market for the second half? I'm just trying to understand whether potentially there could be further upside to the €1 billion in the second half.

Then the second question is on chemicals. Of course, you said the results are great. The only probably low point was chemicals that lost still €200 million. Can you give us an update on the restructuring plans for that division? And finally, I believe only a few weeks ago, the Constitutional Court in Italy declared part of the windfall tax unconstitutional. I was wondering whether there is any chance of recouping at least part of the taxes paid in the last couple of years? Thank you.

CLAUDIO DESCALZI: Thank you, Alessandro. So I think Cristian is going to answer the first question and then Adriano for Versalis and then Francesco.

CRISTIAN SIGNORETTO: Yes. So on the raised guidance, there are three major elements which actually allowed us to raise this guidance. One is the, I would say, still sustained trading environment. So we were able to capture value out of the volatility especially, I would say, geographical spreads especially in Italy, I would say, and oil and gas spreads. Second element is the anticipation of some renegotiations that we were expecting to close later in the year. Actually, we anticipated that in the second quarter and that helped the result of the second quarter.

The third element is linked to an accounting, let's say, readjustment that actually increased the EBIT, but without any impact on the cash flow. And when it comes to the second semester of the year, so we see still those elements kicked-in, in the guidance. And so that's why we were able to raise that guidance to €1 billion.

ADRIANO ALFANI: On Versalis thanks, Alessandro for the question. As you described, we are really grappling with a continuous negative momentum in terms of market. Raw material, let's say, all the variable costs remain pretty high for the chemical sector. There is a weak demand. On the other side, there is also strong availability of products from import, also related to a very weak demand in China that is re-routing a lot of products from the US into Europe. So really a negative momentum.

In relation to the transformation plan that we presented also in the Capital Markets Update, we are developing the plan, taking into consideration all the elements that we presented in March during the Capital Markets Update. That will enable, as we said in March, breakeven EBITDA in 2025, a breakeven EBIT in 2026 and a breakeven cash flow in 2027. Engagement with all the stakeholders is ongoing. We will continue this engagement in the second half, and we are confident that in the call for the result of third quarter, we'll be able to share more ongoing implementation by Q4.

FRANCESCO GATTEI: Okay. Instead about the ruling of the Constitutional Court clearly, the Court has recognized that, under special circumstances, there is the possibility to raise this levy or base it also on a peculiar structure, the VAT, the delta VAT basis. So it is onetime tax measure originated by special circumstances. This does not exclude the possibility for us to move further legal action, in particular related to our gas trading arm that was mainly heavily impacted by the tax. And this case was not dealt by the Constitutional Court resolution.

On the other side, we are going to pay in the next, let's say, six months, the last installment of the tax, €450 million. And also in that case we will move our appeal for, let's say, raising our

reasons about these taxes. So we will continue to provide or to ask for compensation or reduction in certain cases.

ALESSANDRO POZZI: Thank you.

OPERATOR: The next question is from Alastair Syme with Citi. Please go ahead.

ALASTAIR SYME, CITI: Hello. Can I just clarify the position on whether there might be a future IPO of Enilive? I think to the point that was made earlier, you might come down to a 65% stake. So it was a question of whether you could go lower than that? Or is now a future IPO really being held as a future exit for one of the partners like KKR?

And then secondly, it is widely known out there, there's a large industry farm-in opportunity in Namibia. I wonder if you could talk in concept. Could you see a role for Azule to be used as an acquisition vehicle? I guess more to the point, are you prepared to put capital into Azule if a good opportunity came up?

CLAUDIO DESCALZI: Thank you. For Enilive first question, Francesco can give some comments.

FRANCESCO GATTEI: Yes. Clearly, the IPO is the goal, both for Enilive and Plenitude. The structure of the IPO will require a certain mechanism also, it is important to understand which is the amount that the funds that are involved, first of all to understand which is the percentage overall of the funds, if it is one or two. Secondly, which is the kind of funds that have to be or have to exit in the liquidity event of an IPO.

And in that case, there would be, let's say, larger room for them at the beginning than for Eni, but is something that have to be structured. First of all, we have to do the deal with KKR, and eventually the second deal. So I think that is quite premature now thinking on the structure of an IPO that will occur in a number of years. In any case, there are different options.

CLAUDIO DESCALZI: Before giving the floor to Guido just to clarify something. Normally, we go through Dual Exploration Model. That means that we go through exploration, and then we sell. It is not our habit to do the vice versa. We are not really interested to buy something that has been derisked by somebody else because we have a huge number of exploration blocks, huge number of discoveries. Azule made a -- entered recently in an exploration block, the PEL 85. So our strategy - you know very well - is different. We are not really seeking derisked exploration. We produce derisked exploration.

So Guido, I think I said everything? Clear. I doubt about it.

ALASTAIR SYME, CITI: Can I just ask back to the IPO concept? Would you be prepared to fall below 50% stakeholding in either Plenitude or Enilive at some point in the future?

FRANCESCO GATTEI: In Plenitude and Enilive, we want to do an IPO at the proper time with the percent that the market will absorb. And well, there will be different steps in order to decide what will be the percentage we are going to hold. So speaking about what is our ultimate percentage in these two entities is something that is extremely premature now.

ALASTAIR SYME, CITI: Okay. Thanks very much.

OPERATOR: The next question is from Lydia Rainforth with Barclays. Please go ahead.

LYDIA RAINFORTH, BARCLAYS: Thank you and good afternoon. Actually, quite a lot of my questions have been asked, but two if I could. Just coming back to the distribution policy. The additional potential for I think, about €500 million buyback. What would actually stop you from doing that? So when you get to October, if you look at the balance sheet, in a good place. You've got Enilive coming through. What would actually stop that from happening?

And then secondly, this is just more of a big picture question Claudio. But in terms of the satellite model, how many satellites do you think is actually manageable? And by that, I'm thinking you've got different -- now you've got Ithaca up in North Sea, you've got Azule in Angola, we have Enilive, we have Plenitude. How do you see that kind of Eni itself kind of going across everything? Thanks.

CLAUDIO DESCALZI: The first question, distribution policy who is preventing us to do that now? Because we are prudent and we want to have a clear vision, everything clear. We could do now because everything is mature, but we want to be sure that all the capital allocation is done in the right way. It's a responsibility, we don't want to run. We don't need now to run. It's a question of a couple of months.

So I think that first of all, we have to understand that everything is progressing as we think as we hope and it's more -- it's likely that everything will be good but that is the main reason. On the satellite model, Francesco if you want to say something in any respect to the satellite?

FRANCESCO GATTEI: I think that it proves that with the experience that we have -- let's say matured so far, both with VAR, with the experience of Azule and now with Ithaca, that has yet to be completed, as you know. I think that we proved there is an opportunity to create this model. This is a bit hybrid versus the traditional model of an oil and gas integrated company that wants to have all the controls of everything in different units. You need to have good management, good capability to deal with the Boards, having a strong technical relationship, having the understanding of your counterpart, of the market rules. So far, I think that we have seen only benefits in what we have designed as a satellite and the capability to manage the complexity that this will imply.

CLAUDIO DESCALZI: So I'd like to add that clearly we're going through a different kind of model. I think it is a very good model, but that is a challenge for us -- which is the challenge? That we have to be useful. We have to attract our satellites. These new companies, they have to understand or they -- we have to show that we give and add value to them. So that is a challenge -- where we give added value? We give added value on technologies. All the technologies that the satellites are using, our proprietary technology.. we update, we update the software, the hardware.. So there is a relationship that is going to be -- is ready because we are experiencing a very strong relation from a technical point of view, because on this new technology we had in the past to reskill, upskill our people, and our people are going into these companies. And there is a strong link, umbilical link, because the reskills and the technical capability is something that we produce in the corporate, in the corporation. So I think that is completely different.

But clearly, we are facing a different period. We are facing the transition. We are facing a different kind of world. We cannot think that -- we cannot continue to use model that we used

30 years, 40 years ago. And that is the reason why we moved a few years ago because we understand that the future will be different. We must have different tools.

Clearly, then we have the technology -- and really, the interest that everybody can show on us because what happened in the different kind of new biorefinery projects worldwide. People call us because they are interested in our competencies, in our know-how and technologies. So I think that we have gas, we have oil, but we have also a very strong resource that is technology, know-how, R&D and skilled people.

OPERATOR: The next question is from Peter Low with Redburn Atlantic. Please go ahead.

PETER LOW, REDBURN: Thanks. The first was on upstream production. You said that is now expected to be towards the top-end of your guided range. What have you assumed in terms of the timing of disposals within that? And then can you perhaps update on some of the 2024 start-ups in the plan, specifically Cassiopea and Baleine Phase 2? How are they progressing? And then the second question was on your biorefining targets.

I think you previously targeted 3 million tonnes per year of capacity by 2026. I thought that included a contribution from Pengerang. I think in the press release today, you said that -- that might not start up until 2028. Does that 3 million tonnes target still hold? Or could that slip a bit? Thanks.

CLAUDIO DESCALZI: Well, the first question is for Guido and the second one for Stefano.

GUIDO BRUSCO: Yes. As we said, we are expecting to be at the upper bound of the guidance, and this is being reinforced by a number of things. First the good performance in the first half, driven by Ivory Coast, Indonesia, Congo and Libya. And the confidence we are growing on the startup. Cassiopea as we speak, we are at the very last stage of commissioning and first gas is coming soon, is expected in early August.

On Baleine Phase 2, we just completed the naming ceremony the day before yesterday. So the ship soon will sail, will be in country in September. And building on the experience of the Phase 1, we expect a couple of months of final integrated commissioning. So this startup will also happen at the end of the year. So the uptime was also pretty low. And all the major maintenance is factored into our budget. So I would say we are pretty confident to be in the upper side of the guidance.

STEFANO BALLISTA: Yes. On Biorefining, actually, our choices are driven by two key drivers. The first one is to ensure state-of-the-art biorefining capabilities. This means capability to process 100% waste and residues, high flexibility in order to shift from Sustainable Aviation Fuel to HVO, depending on value pool driven by market volatility and market demand evolution, very efficient and effective process. This required a detailed deep-dive in order to ensure the maximum value creation in whatever context.

And second, having a view about market evolution, the second driver has been getting the right phasing in terms of cash out. So CapEx and value creation, in order to maximize the IRR of each investment. Given these two main drivers, we rephased in a minor way capacity development, we are going to get to the 3 million tonnes per year within the 2027.

OPERATOR: The next question is from Michele Della Vigna with Goldman Sachs. Please go ahead.

MICHELE DELLA VIGNA, GOLDMAN SACHS: Thank you and congratulations again for the strong results. Two questions if I may. The first one is on your tax rate. It has been quite volatile in the last few quarters. I was wondering what you think would be the best assumption for us to use in the coming quarters? And then secondly, I wanted to come back to Egypt. It looks like they are committing to import of LNG, which effectively imply there will be short gas even potentially in winter for the next couple of years.

In the last five years, you've effectively turned that country from a net importer to a net exporter of gas. I was wondering if there was anything through exploration or development, you could do there, especially connected to your Cronos discovery in Cyprus, which seems to have very good well deliverability and whether there was effectively a political agreement to potentially get it into Egypt. Thank you.

GUIDO BRUSCO: Yes, Michele you are right. I mean it's open-source information that Egypt has awarded 20 cargoes for the summer from now to September. We don't have more visibility than what we -- I mean, the open sources can provide. Clearly things may change, import from neighbor countries or demand in the country may not rise as expected. So we cannot rule out that few cargoes may be exported next winter. But for sure, it is not very likely as it was this year.

In terms of attractiveness of Egypt as a potential hub, clearly there is this potential. Egypt has capacity in LNG, capacity of liquefaction, capacity of processing but this requires alignment between many stakeholders, private, but also government. I know that Egyptian government is working on that but -- I mean -- it is quite a long journey.

FRANCESCO GATTEI: About the tax rate, yes, it is correct that there is volatility, but volatility is driven by seasonality, by the contribution of the different segments in line with their seasonal cycles. You know very well that if the contribution of the results is driven by GGP or by the downstream, this will help to reduce the tax rate, while in the quarters where the E&P is dominating the tax rate is a bit higher.

Expectation for the year is to have a 50% tax rate in-line with what we also presented at the beginning of the year, just a bit above. But it is not material, very normal fluctuation. And we expect that this 50% will be at top-end in the coming years. So we are probably something in the range of 45% as a percentage in the next four-year plan.

MICHELE DELLA VIGNA, GOLDMAN SACHS: Thank you.

OPERATOR: The next question is from Matt Smith with Bank of America. Please go ahead.

MATT SMITH, BANK OF AMERICA: Hi there, good afternoon. Thanks for taking my questions. I have got two please. I mean lots of focus quite rightly on your net CapEx today and the progress there. I just wonder if I could come back to the gross CapEx please. I think like you alluded to the run rate if we look at the first half result is tracking closer to €8 billion rather than the €9 billion full year guidance. And so -- I just wonder if you could give us any color on

that? And what sort of activity set we are looking for the second half of the year just to conceptualize how that number might move higher throughout the year.

And then my second one would be another question to come back on the buyback, if I could. And that was really just whether you would be comfortable. You are talking about the potential for an additional €500 million of the buybacks. Would you be comfortable executing that if the disposals come through in the current macro environment, I guess is my question because I suppose I just want to clarify whether your targeting 35% of CFFO in that scenario, whatever that CFFO might be or whether you are looking to execute on €500 million of additional buybacks. And I guess I asked the question because I note your CFFO guidance still assumes Brent price a \$86 for the full year, so slightly ahead of the price on the screen at the moment. Thank you.

CLAUDIO DESCALZI: So for the first question on gross CapEx, what I said during the presentation and our expectation is to stay close, lower but close to the €9 billion that was our original target. It's true that now if we consider what we spent -- the spending in the first half -- we are a little bit more than €8 billion. So we have space.

What we have, we have activity that is linked to exploration to development. So we can save something. We can maybe reduce. But our expectation linked to the activity we have, not only in the upstream, is to stay close to our initial forecast. It is likely that we can spend a little bit less, but that at the moment is our target. For the buyback, Francesco.

FRANCESCO GATTEI: The buyback, clearly the scenario -- if we apply the scenario today, this will not make a major change to the overall cash flow from operation in the year. So we are speaking about probably a potential impact in the range of €300 million, €400 million. So this is something that is almost equivalent to a 1% leverage impact. This will not be the major -- let's say -- driver of our decision, a major driver of our decision will clearly be the capability to complete, to execute and to have visibility to the disposal plan. So the 1% is not a big effect that will change the view.

OPERATOR: The next question is from Martijn Rats with Morgan Stanley. Please go ahead.

MARTIJN RATS, MORGAN STANLEY: Hello. I don't think I've ever said this, but on this occasion, congratulations for the great quarter. It was really very impressive. A lot of questions have been already asked, but I have one left. And that is that I noticed that on Slide three of the pack that you sent around, it reiterates the €17 billion CFFO guidance targets for 2027. So it is a few years out, but it's another step up. And I was wondering if you would felt it appropriate if we were to assume the same structure of the payout on that number as you are now talking about for this year, i.e., 35% payout on the first €13.5 billion and then 60% on the increment above that. Is that sort of structure of payout also applicable to the CFFO guidance for 2027?

FRANCESCO GATTEI: You know that we have this guidance 30%-35%, and we revised every year. We announced at the Capital Market Day, taking into account of various elements, including clearly the scenario, including deleveraging, including the structure of the company, moving eventually on growing the role of the transition business also change the volatility of the results. So it is quite premature to recognize or to announce today what will be potentially the percentage. But the logic behind the distribution policy is clearly to improve even that

percentage on the basis of the enhancement of the strength of the company. So that will be a natural consequence of this evolution.

MARTIJN RATS, MORGAN STANLEY: Okay. Thank you.

OPERATOR: The next question is from Matt Lofting with JPMorgan. Please go ahead.

MATT LOFTING, JPM: Thanks for taking the questions. You've covered a lot of ground already, including a lot of the questions that I had. So I will just limit myself to one. I wanted to come back to GGP. Performance in the first half of the year looks strong and it just struck me that comes in an environment where the conditions for trading and optimization through gas markets have perhaps been less consistent than was the case over the prior couple of years.

So I wonder if you could talk a bit about what you think is differentiated GGP's performance through the first half of the year? And I ask partly because the financial results that you suggest when we look forward to 2025 plus with the €800 million baseline per year that you provided in March, perhaps increasingly looks quite conservative. Thank you.

CRISTIAN SIGNORETTO: So thanks for the question. Let's say, as we anticipated during the strategy meeting -- the market has been reducing in terms of volatility. I mean just to give you a number I mean, last year, in the first six months, the daily TTF movements were around €2.2, €2.3 per megawatt hour. This year, we are clearly down to €0.9 per megawatt hour. So this is a trend which is actually happening. Having said that, this is still a volatility, which actually gives opportunities into the market, vis-à-vis, if you want, the period before the energy crisis. And as I told you, especially on the geographical spreads, you know that we have a substantial activity in Italy, and that actually helped during the first six months.

Second, the volatility -- combined volatility between oil, Brent and hub also that actually gave us opportunities. And so those were the two elements, I'd say, in the first six months that were behind, let's say the results.

JON RIGBY: It's Jon Rigby here. I'm going to have to call it to a close. We run about 10 minutes over. But hopefully, that's a reflection of the interest in these results. So thank you very much for your questions. Anybody who has follow-up questions, please contact me or one of the team and we can arrange to help you with any questions that you have. So thank you very much. I know you've had a long week. Get some rest. Have a good weekend, and we'll speak soon.