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# Eni 3Q 2024 Results

## Friday 25 October 2024, 14:00 CEST

### Presentation

#### Speakers

Francesco Gattei, CT&FO

Good afternoon and welcome to Eni's third quarter and nine months 2024 results conference call.

Energy markets continue to be volatile and unpredictable, driven by a mixture of fundamentals, geopolitics and speculative trading flows. Our focus is on maintaining resilient and competitive operating and financial performance; reinforcing our balance sheet while funding both investment into the business and attractive distributions to shareholders; and progressing our strategy. In the third quarter we clearly continued to deliver on all those objectives.

In Q3 we indeed reported resilient results with proforma adjusted EBIT of €3.4 bln and CFFO of €2.9 bln, despite the deterioration in Scenario across most of our main businesses. We also lowered debt and leverage well ahead of our original plan. I'll speak in more detail on our results shortly.

Let me focus on strategic activities. We are executing at pace around a clearly defined portfolio of businesses. Those businesses are both Transition oriented and where Eni has clear competitive advantages and where we can generate competitive growth and returns.

Starting with the Transition satellites and Enilive specifically:

- We are delighted to have confirmed the investment by KKR into Enilive. The €2.9 bln investment for a 25% stake supports our growth and confirms the value already created. Similar to our Plenitude transaction earlier this year it accesses a new pool of aligned capital, more appropriate for the different growth and risk profile of the business.
- Furthermore, that growth is clear – in Q3 we sanctioned two bio-refineries – South Korea and Malaysia – and confirmed that construction work at Livorno will begin soon. And we will start our first bio-jet plant in Gela at the end of this year.

Upstream continues to be an area of significant distinctiveness and competitive advantage:

- In August we began gas production at Argo-Cassiopea, offshore Sicily. Production, net zero on Scope 1 & 2, will quickly ramp up into the winter contributing to gas supply for Italy.

Johan Castberg and Baleine Phase 2 will start up before the end of the year contributing to reach our production targets.

- Also in August, and only 10 months after the discovery of Geng North, Indonesian authorities approved our Plan of Development of the Northern Hub in the Kutei Basin, as well as a significant extension to the plateau at our Southern Hub centered around the existing Jangkrik FPU. Together these two hubs will account for over 400kboed and Eni's equity is over 80%. Additionally, we have identified over 30Tcf of near-field exploration potential, offering potentially very material upside. The scale of this opportunity underpins our growth potential beyond the end of the current 4YP and of course offers the opportunity for some early monetization via our proven dual exploration model.

While Plenitude and Enilive are currently our main Transition satellites, Q3 also saw important milestones in the development of a new one – CCUS. First CO<sub>2</sub> injection began at our Ravenna project here in Italy. This is the first plant able to capture more than 90% of the CO<sub>2</sub> emitted by our upstream plants. At the same time, we secured the key milestone of agreed government funding on our Hynet CCS project in the UK.

As a reminder we are looking to build over 15Mtpa of capacity before 2030 and grow that to over 40Mtpa in the 2030s and it is an ideal vehicle for a tailored satellite structure.

Turning now to our Q3 results in more detail. We reported proforma adjusted EBIT of €3.4 bln and CFFO of €2.9 bln, both down just 14% y-o-y despite a deterioration in the scenario.

Our Upstream businesses were the standout contributors to our results this quarter. Our satellites and associates made up over 1/3 of our Ebit.

Finance expense remains low even before debt begins to fall materially while the tax rate at 51% was consistent with this quarter's oil price and earnings mix.

CFFO for the quarter was €2.9 bln, giving €10.7 bln for the 9 months, a consistent conversion of profits into cash. This has served to cover a working capital build, capex, net M&A, the dividend and a portion of the buyback-to-date.

After the effect of the cash out for Neptune in Q1 net debt has fallen in Q2 and Q3 even with only modest divestment income. We will see an acceleration of this reduction in the coming quarters.

Capex for the quarter was €2.0 bln and for the 9 months was €6.1 bln, (-10% versus last year). We expect to be below €9 bln for the year, even taking into account the seasonally normal uptick in Q4.

Net capex was €1.6 bln in the quarter and should be below €6 bln, assuming the cash inflow of agreed transactions waiting to close at year-end.

In Global Natural Resources, E&P contributed €3.2 bln of pro forma EBIT, with results resilient in the face of lower crude prices and helped by production, up 2% y-o-y.

GGP delivered a strong quarter for the summer months helped by an improving price scenario and hub spreads and confirming a robust result even in a year of limited volatility.

In the two key Transition businesses, Enilive delivered strong bio-refining throughput growth and excellent utilisation. EBIT was hurt by the weak bio Scenario but marketing made a strong contribution.

Plenitude is also continuing along its planned growth trajectory. Y-o-Y EBIT was lower versus 2023, but it will beat our budget result on a yearly basis.

Net debt and leverage in the quarter were both down and we remain comfortably below the top end of the Plan 15%-25% leverage range despite closing only one major divestment in the quarter while also stepping up our share buyback and paying a portion of the remaining outstanding extra profits tax balance.

But as we discussed at Q2 that's not the full story. We have been advancing our portfolio activity faster and for greater value than we anticipated and planned for. Our expectation is that by yearend pro-forma leverage will be towards the bottom of that range.

Shareholders' distribution remains our 1st priority. In September we paid the first tranche of the annual €1 dividend +6% versus last year. Our buyback in the quarter totaled €570 mln, or 1.3% of shares in issue which are now down 12% since we restarted the programme in 2022. As we reduce shares in issue this adds further, along with the business performance and the balance sheet strength to the quality and value of our dividend.

With that balance sheet improvement in mind, and the continuing success in our portfolio programme, we also confirm today an increase in the 2024 share buyback. We now plan to repurchase €2 bln in the programme, an increase in €400 mln, delivering on our raised commitment announced at Q1 and in addition reflecting the better than Plan progress in our M&A. At today's share price our distribution yield is 11.5%.

Our effort on growing in new transition business has broader implications. It is also an opportunity to build new, highly attractive opportunities around our chemical sector. Fixing the results of this loss-making segment will be a significant contributor to the earnings and cashflow potential we see for Eni, going forward, and is a real priority for us.

Since March we have been developing a detailed plan which we now want to take the opportunity to share with you. We have also had the opportunity to share this with the Unions.

Versalis has accumulated material losses over the past years and this negative trend has continued through 2024.

Our response is one of both Restructuring and Transformation:

- The future platforms of Versalis will have a significantly different profiles – one focussed on a high value downstream portfolio of compounding and specialized polymers, one on biochemistry, and on the circular economy – a portfolio more consistent with Eni's technology-led strategy focussed on competitively advantaged businesses into the Transition.
- This transformation can leverage the resources of a highly skilled workforce but dedicate it to higher value and more sustainable activities.

- At Priolo we are evaluating constructing a bio-refinery for SAF and a chemical recycling plant employing our HOOP technology.
- At Brindisi we target to continue polymer manufacture by using cost advantaged imported raw materials and we will convert part of the site to the construction of a new factory facility for the manufacturing of stationary networked batteries.
- In the meantime, we plan to shut-down cracking at both Priolo and Brindisi. We will also look to exit or significantly reduce our exposure at Dunkirk. This is a necessary response to the structural disadvantage European basic chemicals manufacturing faces versus other regions.
- And we will reduce polymer capacity by ceasing polyethylene production at Ragusa. You will be aware we closed operations at Grangemouth earlier this year. Further initiatives to drive efficiency in polymers might also be taken.
- The European Chemicals industry has further deteriorated in 2024 and it is not expected to improve in 2025. In this context our expectation is to move to positive EBIT in 2027 and FCF breakeven in 2028.

We are comfortable on the ultimate success of this turnaround as we faced a similar issue over a decade ago in our refining operations.

The transformation path we chose then, bio-refining, evolved into Enilive, with the resulting scale of ensuing value creation we have been able to specifically highlight today.

Moving to guidance: FY upstream production is expected at around 1.70 Mboed, the middle of the original guidance reflecting the expected impact of OPEC+ quotas. GGP pro-forma EBIT is raised again to €1.1 bln, while we confirm our Transition businesses to deliver EBITDA of ~€1 bln each.

Group proforma EBIT and CFFO expectations have been reduced from Q2 on the lower Scenario assumption but reflect outperformance versus the original Plan of more than €1 bln in each case.

We can confirm gross capex below €9 bln and net capex well below €6 bln and I have already discussed the outlook for leverage; and this provides the setting for the raised BB to €2 bln from €1.6 bln and €1.1bln in the original guidance.

To summarise Q3 represents a very good quarter amid a volatile and challenging environment. We have significantly advanced strategy, developing growth in advantaged businesses and securing value. We are addressing underperforming activities with the prospect of materially improving financial performance, and we continue to pursue our cost reduction program that has already achieved the 300 mln € of saving planned for this year.

Our recently announced re-organisation reinforces our actions in each of these aspects. But critically our financial performance continues to be highly competitive and resilient. Indeed, we are now positioned in an historically strong situation, financially and strategically, and this is confirmed in our decision to raise our 2024 share buyback.

That ends my remarks and now, together with Eni top management, I am ready to answer your questions.

# Q&A Session

## Corporate Respondents

Francesco Gattei, CT&FO

Guido Brusco, DG Global Natural Resources

Giuseppe Ricci, COO Industrial Transformation

Adriano Alfani, CEO Versalis

Stefano Ballista, CEO Enilive

**OPERATOR:** Thank you. The conference operator will now begin the question-and-answer session. Joshua Stone, UBS.

**JOSHUA STONE, UBS:** Thanks. Good afternoon. Two questions, please. Firstly, on Enilive and congratulations on getting the deal over the line at a still attractive valuation. At the time of the initial agreement, you highlighted the potential of maybe sort of another 10% of that business, but given you sold the higher end at 25% to KKR, can you just update us how much of a priority is that for Eni today?

And then second question on the petrochemical restructuring, and you provided some helpful slides on that, thank you. Maybe you can just talk about the path towards profitability from here. How soon should we expect to see a benefit from some of these initiatives in particularly closing some of these less competitive crackers? And also, maybe what was the response from the Unions, or what has been the response from the Union so far on this? And is your target still to reach breakeven EBITDA in 2025, is that still valid? Thank you.

**FRANCESCO GATTEI:** Okay. Thank you, Josh. I will answer to the first question about Enilive and I will leave the floor to Adriano Alfani for the chemicals. On Enilive, clearly, you remember correctly, we had announced the exclusivity agreement to negotiate with KKR in which we had the range of 20% to 25% of disposal and from 5% to 10% of the additional potential interest or stake that could be, let's say, put on sale.

Clearly, having the 25%, we are now moving to the lower end - to a lower part of the range of the 5% to 10%. So we wanted to see if clearly, there is an opportunity to, say, eventually bring another partner with a smaller stake clearly not at 10% because we would have, let's say, a large disposal of 25% plus an additional 10% if we moved to the top end of the both options.

This is the reason we think that is more appetite to keep the lower percentage as a reference. And now I'll leave it to Adriano.

**ADRIANO ALFANI:** Thanks, Josh, for the three questions about the chemical piece. Let me start with the first one about the improvement in the results that we expect. To be honest with you, from a market point of view, we don't expect a significant improvement. We still see a grim

outlook. There is no meaningful economic recovery this time for the 2025 and also for the end of 2024.

So the improvements that we expect in the economics of Versalis are mainly coming in this context of scenario from actions that we are going to put in place. That means restructuring the base chemical portfolio and on the other side, developing and growing the new platforms that Francesco was referring in his speech.

How fast the improvement will come? Clearly gradually and depending on the speed that we are going to execute all the interventions from a restructuring point of view that we see over the next 4-5 years gradually improving. Of course, an improvement in the scenario in terms of possible recovery will help in order to have a bolster in execution plan.

But at this moment, we would like to be a little more, let's say, precautionary in the outlook from a demand point of view for the reason that I was explaining based on some development in the market, automotive sector in Europe, construction and so on.

In terms of response from Union, every time that, of course, you present an aggressive plan, and this was a pretty aggressive plan in terms of restructuring, there are many questions. Fundamentally, they understand that the time for the base chemical situation in Europe is extremely challenging. And of course, the company cannot continue in losing cash. And so something must be done. And so they are fundamentally onboard in order to do many different actions in order to improve and to create the sustainability for the future, not only in terms of economic sustainability but also in terms of, of course, people sustainability in terms of employment and so on.

From an EBITDA point of view, that was the third question, at this moment, it is unlikely that we will be breakeven EBITDA in 2025 in the context of this scenario. But of course, in case of improvement, I mean, we can target to be significantly better than 2024 in the performance of EBITDA for 2025.

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

**ALESSANDRO POZZI, MEDIOBANCA:** Thank you for taking my questions. I have two. And the first one is on disposals. So this year, we have €3 billion of cash in. You've done - you've announced a lot of transactions. But based on what we read in the press, there's a lot more that potentially is going to come through maybe in 2025.

And I was wondering if you can help us to understand how much of the cash in could be next year. If we use, again, €3 billion, is it a good assumption? If you can maybe give us a bit more color on what you have maybe at the moment, the opportunities that are more mature compared to others in terms of disposals, if you can.

The second question is on Indonesia. You mentioned in the opening remarks that you received approval for new development plans. And I was wondering what sort of activities we could see in Indonesia next year. You mentioned 400,000 barrels per day potentially could be achieved by the end of the plan.

I was wondering what is the shape of the production growth that we could see from Indonesia in the next few years?

**FRANCESCO GATTEI:** Okay. I will answer to the first question about the disposals, and then I will leave the answer to Guido Brusco for the Indonesian activity. About disposals, you know that we have a net M&A cash in expected in this 2024 of €3.6 bln. We raised it versus the original assumption. This includes not only the cash incoming from the disposals, but also the cash out that was mainly concentrated at the beginning of the year once we paid the acquisition of Neptune and a smaller acquisition in the renewable segment.

For next year, the expectation is to have additional disposals that are maturing, and these are the origin of the expectation we have on leverage pro forma, and the range of cash in that we can expect next year is around €2.5 billion. So, these are the two figures to keep in mind. This is clearly coming from the disposals. There could be some smaller additional disposals and acquisitions that we consider, let's say, covering or offsetting each other.

And now I leave for Guido the second answer.

**GUIDO BRUSCO:** thank you first of all, thank you for the question. And let me start with providing some more background on the scale of the asset in Indonesia. So first of all, this year, we've completed our evaluation of the discovery of Geng North that is confirming a potential of 5 Tcf of gas. And of course, the scale of this discovery is creating a critical mass also for the development of some resources discovered and acquired as a part of the transaction we did last year with Chevron. The discovered resource of that transaction accounts for a number close to another 5 Tcf, which, of course, will be complementing the Geng North discovery.

So if we consider both the plan of development for the North hub, which is Geng North and those discoveries, plus the additional resources that will bring in into the south hub, we envisage a combined production at regime of over than 400,000 barrels of oil equivalent per day, which is, give or take, 2 Bcf of gas per day and 80,000 barrels of condensate per day. On top of that, we have an exploration potential, which we estimated in the region – of course unrisks – of 30 Tcf of gas, which we have significantly de-risked by the nearby discoveries.

The discovery of Geng North has allowed a more detailed reconstruction of the geological model. And now we think that this potential is well and better de-risked. And so we are targeting also quite a significant number of exploration wells in the basin in the next four years. So that's in a nutshell what will look like the Indonesia asset in the forthcoming years.

To come to your question of course, we can leverage on the existing facilities and the excess capacity of the liquefaction plant of Bontang, which is nearby, and which has a total capacity of more than 20 million tonnes per annum, with only three trains operational of 10 million tons per annum and utilization of less than 60% last year. So we can leverage on that. And as you know, we are in the premium market.

To come to your question, which is the activity we are doing. We are now in the front-end engineering design of the facilities. We have already started the drilling activity in August to develop some fields discovered close to the South Hub, namely Merakes East. And the rig, of course, will continue the activity in the South Hub in 2025 and 2026. While we will take very likely by the end of the year or beginning of the next year an FID on the North Hub.

**ALESSANDRO POZZI, MEDIOBANCA:** Just on the 400,000 barrels, how much will it be for domestic, let's say, sales? And how much do you think you can export through Bontang?

**GUIDO BRUSCO:** This is a number which evolves over time. But on the entire life of the field, the domestic component will be in the region of 25%-30%.

**OPERATOR:** Giacomo Romeo, Jefferies.

**GIACOMO ROMEO, JEFFERIES:** Two questions for me. The first one, Francesco, is on distributions. Your €2 billion that you got to today, that's ahead of your CFFO distribution range. Just trying to understand how to think about this in the context of your lower level of leverage. Do you think that this upper level is what is effectively sustainable in the context of the current pro forma leverage?

The second is on chemicals. I'm just trying to reconcile the €1 billion capex that you announced at the CMD that was for the 2024-27 period, with the €2 billion that you now have for the five years. Do you think that you're just going to need more investment to get to that free cash flow breakeven level? Is it a timing issue? And when do you think is the right time to bring in a partner in these assets?

**FRANCESCO GATTEI:** Okay. On the distribution, yes, it's correct that we are above the 35% limit. If you remember, we came through this number through different steps. So the first step was in the first quarter when there was an expectation, a revision in particular on scenario that raised the amount of cash flow we were expecting for this year, and we shared accordingly what we had already announced in our distribution policy, the 60%. The 60% of, let's say, upside.

And this has brought the buyback part of the distribution from €1.1 billion to €1.6 billion. Then in July, we announced that taking into account the high acceleration and the materiality of the disposal plan, we were able to consider to bring that percentage [32%] of distribution of the cash flow generated with the scenario we were assuming in the second forecast up to the limit of 35%.

This has, let's say, brought the potential additional distribution to an additional €500 million. So the €1.6 billion could have been raised up to €2.1 billion in July.

We decided to distribute to reach the €2 billion that we announced today, that is equivalent now to revise the cash flow from operations because of the scenario to something in the range of 37%-38%.

This percentage could be, let's say, sustainable in the future. Clearly, it's part of a discussion we will see next year with the new plan. So taking into account all the various elements that will, let's say, characterize the new plan, the scenario, the capex, the activity, the portfolio, et cetera, et cetera. But on a general rule, the idea is that we want to reinforce the company.

The company will be reinforced by growing, diversifying its business, maturing new business lines and enhancing or bringing back to profitability other negative lines. And all this will help to have a larger distribution, a progressive distribution.

So I cannot answer you specifically on figures, but I can answer you on a qualitative terms and the principle that will drive our distribution policy.

And now Adriano for the other question on Chemicals.



**ADRIANO ALFANI:** Thanks, Giacomo, again for the question. So let me go back to March when we announced the preliminary plan in terms of restructuring of the chemical portfolio. At that time, we had an outlook for the market and based on the outlook for the market, we estimated that over the four year plan, we were in needs of roughly €1 billion of investment for the chemical sector in order to transform, to restructure some piece of the chemical sector and in order to develop the new platforms that are still the same platforms that we are talking today.

As Francesco was mentioning during his speech over since March, we spent a lot of time based on the fact that some markets have changed, in some cases, we see more growth compared in some market application than what we saw before, in some case, like, I don't want to talk always about automotive, but of course, automotive is another piece that, in terms of exposure of the chemical sector is also important because in the car production goes many different chemical products. So we reviewed completely the entire portfolio in terms of the market and opportunity to grow in the market eventually reducing participation.

And we increased, in some shape or form, the area of restructuring of the base chemical portfolio because we strongly believe that the base chemical portfolio in Europe is in a very irreversible situation in terms of economics. So we decided to broad the scope in terms of growth of the 3 platforms, but also to develop new platforms like the stationary storage battery that we are talking about.

And including this new activity, new platforms and also the biorefinery in Priolo, we arrived to estimate €2 billion. We are not in the position today to do the breakdown of this €2 billion, but this is how we moved from the €1 billion to the €2 billion today.

**OPERATOR:** Kim Fustier with HSBC.

**KIM FUSTIER, HSBC:** I have got two, please. Firstly, could you discuss the significance of the new business structure announced last month? Basically, what does it allow you to achieve or achieve differently compared to the previous structure?

Secondly, could you give us an update on your plans for the UK North Sea now that the combination with Ithaca has been completed? Thank you.

**FRANCESCO GATTEI:** Yes. About the new structure. The new structure is substantially an evolution of the previous one. You remember that whilst there was the previous, it was based on the Natural Resources and Energy Evolution which had the scope of creating the platforms that substantially helped to generate I would say, almost €4 billion of cash coming from Enilive and Plenitude through the reduction or disposal of a minority stake. And, that was the opportunity to transform from the point of view of the biorefinery certain sites, and therefore, having a structure of businesses that could have, let's say, captured the interest of new investors.

So the new structure that is coming is an evolution of that Energy Evolution original model. It has matured specifically in Enilive and Plenitude that now is moving to have a partner that is a financial partner and has as a main goal, the road towards an IPO. For this reason, the decision was to bring this inside the CFO structure.

On Natural Resources, it was decided to improve even further the centrality of the technical capability and the trading capability. For this reason, all the engineering activities have been

centralized under that structure that is now called Global Natural Resources and with the trading activity that is entirely inside that responsibility.

Finally, transformation, industrial transformation, is now focused on the key dossier of transforming the chemical, creating a similar positive evolution that we saw in the traditional refining system and continuing to transform the refining system that has other activities deployed in order to add additional biorefining capacity and in particular in certain sites, to reinforce further our Enilive future business.

This is the scope, and we think the advantage of having three structures focalized in different segments of business.

About our completion of the Ithaca deal. Ithaca is another opportunity. We had a portfolio that was cash generative but was, let's say, short in terms of opportunity of new projects. We think there are synergies from the operational point of view, but also clearly from the financial and fiscal point of view.

And we believe there will be also, in this difficult environment, still some, let's say, opportunities to grow our oil and gas presence in UK. For us, UK is becoming a country where we are not just focused on oil and gas, but where we are a major player in CCS and in the renewable space.

So, for us, this is a strategic position on a broader span of business.

**OPERATOR:** Biraj Borkhataria, RBC.

**BIRAJ BORKHATARIA, RBC:** Hi, thanks for taking my questions. First was just a follow-up on the UK again. There's obviously some uncertainty around the tax and the capital allowances in the UK. So could you just remind us what the expected capex budget for that entity is next year? And whether you can talk to any sort of flexibility that you have if the rules are more harsh than expected?

And then the second question is just on going through the statements, it looks like you issued another hybrid, which doesn't look like a re-tender, I think it's a new one. And the commentary suggests that it's for FLNG vessels. So just wanted a bit of color on what exactly that was for, and why you chose that route of financing?

**FRANCESCO GATTEI:** On the first question, it's very easy. I suggest you direct these questions directly to the Ithaca management. They will present the results and also the plan for the next year. This is something that is their responsibility and the disclosure - we cannot anticipate a disclosure. It's difficult for us to present our plan and speaking about someone else that is doing his job, it's even more difficult.

About the hybrid you are referring, this is relating to the floaters LNG. This is the Congo LNG project. Remember, that there were two floating LNG. One was, let's say, the smaller scale and the other the larger scale, one was bought the other is under construction. And substantially this hybrid was a sort of synthetic financial tool to replicate a leasing model.

Originally, the idea for us was to have a floating LNG, so a ship that was under lease. It was the plan that we had once we sanctioned the project in 2022, at the beginning of 2022, then conditions in the market have changed. Remember, 2022 was the year where the invasion of Ukraine changed a lot of things, and therefore, we had to accelerate and to buy that ship.

In order to have a model that substantially replicates from the financial point of view, an installment of payment of, let's say, a number of years to cover the cost of that ship or the capex related to that ship. The Hybrid bond is a solution that is substantially reproducing also from the financial point of view, in a better way, in a much more optimal solution, what we designed as the original plan for that ship.

**OPERATOR:** Irene Himona, Bernstein.

**IRENE HIMONA, BERNSTEIN:** Good afternoon, congratulations, first of all, on the strategic delivery. I have two questions specific to Q3. First of all, on cash flows. The cash tax rate increased more than 10% this quarter. I presume this includes more windfall tax installments. Can you say what remains to be paid in Q4, please? And whether that completes the bill or if there is more payable next year?

And then secondly, your upstream equity affiliates EBIT increased about 4% sequentially despite the weaker oil price. Can you say what is happening there? What drove that strength between Q2 and Q3, please?

**FRANCESCO GATTEI:** Yes. On the payment related to the windfall tax, we have the last installment of €240 million in November. So that should end the number of payments we did, and it will substantially reach the level of €2 billion that we paid between 2022- 2024. So that is the last step.

About the EBIT contribution, I think this is mainly related to some of our upstream entities, and we can provide you more details with the Investor Relations team.

**OPERATOR:** Matthew Smith, Bank of America.

**MATTHEW SMITH, BANK OF AMERICA:** Good afternoon, thanks for taking my questions, I have two, please. Just firstly, I wanted to come back to the buyback. You've increased it twice this year quite substantially each time. I mean, given you've built a lot of visibility on balance sheet improvement, I wondered if increased visibility and stability might be an outcome for the buyback as well and perhaps certainly one way to reduce the complexity in the buyback mechanism might be to offer a recurring stable buyback in euro million terms.

I just wanted to test whether that's something that you would see any advantage to? Or conversely, are you keen to retain the flexibility that a payout ratio gives you? So that would be my first question.

And then my second question actually I just wanted to turn on to European refining, if I could. I appreciate this isn't comparable to Versalis from an Eni financial perspective, but it does seem to be an industry that's facing some structural headwinds as well as cyclical ones at the moment.

Just wondered if you'd be willing to comment your thoughts on the market and whether you think rationalization might also be required in this sector to see any sort of tangible improvement in the outlook from here? Thank you.

**FRANCESCO GATTEI:** Okay. On buyback, by definition buyback is a flexible tool. I think that there is not a fixed route for buyback. What we think is a relatively simple model that we declare a certain percentage of distribution or a range of distribution in cash flow from operation that is, let's say, clearly split between dividend and buyback.

And we say that buyback will improve following additional upside coming from execution or from scenario, 60% upside.

And on the other side, there is still a possibility as we did this year to evaluate with the Board the opportunity to evaluate this percentage in a different way than we did in the original plan, because there is an improvement. And we have the floor once we announce the distribution policy or we upgrade the distribution policy during the year, and so then it is a decision that will be protected from practically all the scenario through the balance sheet. So this is the model. I think that this is a quite attractive model, and we cannot be so deterministic because the life unfortunately cannot be predicted at 100% and the volatility of the oil market is extremely high.

I leave now to Giuseppe Ricci for the answer about the downstream refining.

**GIUSEPPE RICCI:** Thank you, Francesco. What we have done on refining in the last 10 years was to reduce the exposure of refining on European market through the creation of the biorefining one side and the diversification in the Middle East with Ruwais.

This strategy allow us not only to create Enilive with the high value that we have seen today, but also to maintain the positive result in the third quarter of this year with a margin very, very low because today, our SERM was 1.7\$/bbl in third quarter, \$10 less than the same quarter of last year. And notwithstanding this, we are in a positive region with refining.

What we expect in the next months and years for refining margins in Europe, of course, is a slightly little better situation than this quarter, but in any case, not so bullish and that means, that confirms that our strategy is very correct and the recent shutdown of Livorno for the transformation into biorefinery helps us to have further reduction in this exposure.

So at this point, we are at the minimum capacity of refining just able to cover the request of the marketing of Enilive and we are in equilibrium. In the next years, we will see further transformation. But the most important thing is that this is a successful story that we have to repeat in the chemistry.

**OPERATOR:** Michele Della Vigna, Goldman Sachs.

**MICHELE DELLA VIGNA, GOLDMAN SACHS:** Congratulations on the strong results and progress on disposals. Two questions, if I may. The first one is on Egypt. The country clearly is in a deep energy crisis. They are now importing LNG pretty much all year around. I was wondering if there is a lot you can do in terms of extra drilling and exploration to continue to supply more gas as you have consistently done over the last few years?

And then secondly, I wanted to come back to biofuels, clearly a very successful business you've created there. This year has been tougher in terms of margins. One of the drivers that could tighten the market over the next two to three years, could be the implementation of Red 3 country by country in Europe. I was wondering if you could give us any visibility on when you think Italy may actually apply the tighter Red 3 standard and therefore raise the renewable diesel demand in Italy?

**FRANCESCO GATTEI:** Okay. First question is for Guido and the second one for Stefano Ballista.

**GUIDO BRUSCO:** Thanks for the question. First, let me give you some more color on what is the domestic economic situation in Egypt, which, of course, we constantly monitor. So we see positive signals. There have been material investment deals done recently and financial support packages have been provided mainly by UAE, \$35 billion, but also IMF and EU for \$15 billion in total. So it's a package of \$50 billion, which has improved significantly the financial position of the country. But there have been also economic reforms made.

In March, Egypt has allowed the local currency to freely float. This has provided some stabilization on particularly the hard currency reserves of the country. But more importantly, starting from August, subsidies on electricity have been progressively reduced and also subsidies on automotive fuel have been reduced, enhancing further the financial position of the country.

And recently, the new cabinet announced further structural reforms to provide a better perspective to the country.

Coming to Zohr and the gas production, clearly, the overall situation of the country wasn't good till 6-9 months ago. So most of the international operators reduced activity, and this resulted in a severe drop in the production.

Now, with this improved situation with the country providing more reliable payment, paying for the material used, and recovering the outstanding payment, activity is restarting. And as far as Eni is concerned, we have several production optimization activities being foreseen and being implemented in most of our fields, onshore and offshore. And particularly for Zohr, we are envisaging to start activity beginning of next year to restore some production over there.

**STEFANO BALLISTA:** Yes Michele, thank you for the question. As you said, the third quarter experienced the lowest margin ever seen before. Reason is the supply/demand imbalance. But actually, as you mentioned, there are clear mandates and regulation coming into place with decisions already taken. RED 3, the renewable energy directive number three, is one of those. And you have to look at that in a wider context of other supporting mandates.

Focusing on the RED 3, the growing path is going to be defined in terms of GHG reduction starting from the middle of next year. What I would expect is to set a new target starting from 2026. And this is going to be true for Italy and for other countries.

Then the path in order to get from - just to remind you some numbers - 14%, that is the current renewable energy directive, up to 29% is going to be probably a quite linear phase-in along the years. Another element that I want to highlight in any case is that, even now we already know that next year, focusing on Italy, the target - the energy content target - has been already increased by about 1%.

This year it is 10.8%, next year it is going to be 11.7%. This is coming from the current renewable energy directive that is keeping its own path. So it's going to be an add-on to the increasing target we already are experiencing. On top, we have an already defined mandate on pure HVO, so 100% HVO. That one is going to increase by 100,000 tonnes next year in Italy. And there is an already defined and approved path in order to reach 1 million tonnes with a step up by 100,000 tonnes per year in the following years. So actually, an increased demand path is already in place.

**OPERATOR:** Peter Low, Redburn Atlantic.

**PETER LOW, REDBURN ATLANTIC:** Yes, another one on the KKR deal for the stake in Enilive. The valuation you achieved was really quite impressive given what's going on in the market. Can you perhaps talk a bit about what makes Enilive unique or particularly well positioned in the biofuel market? And clarify why KKR was willing to kind of pay such a level?

And then just separately, on organic capex, you're now saying that's going to be kind of below €9 billion this year. What are the moving parts there that means that's coming in lower than you had initially expected?

**FRANCESCO GATTEI:** About the evaluation of Enilive. I think that the competitive advantage or the structure that we designed substantially gives Enilive a quite compelling investment case rational because it gives you exposure to the growth business of biofuels with the tightening of regulation, the opening of the SAF markets and all the changes that could emerge from a demand point of view, in particular with more and more request of HVO also for shipping or other uses than the traditional activity.

What is the advantage? To mix this growth opportunity together with the stabilizing quality of our retail. So you are substantially able to travel in this difficult transformation of the transportation model, but you are granted by the fact that there are 1.5 million clients that are coming to our 5,000 service stations buying fuels and goods, looking for additional services, et cetera.

And this is the reason you see the result of Enilive much more stable even in a difficult market environment than other competitors.

So I think that this is where the difference is. And the fact that substantially, you can grow, let's say, with a protection that allows you, in any case, to have other elements that generate cash. So another factor is that you have not only a sort of hedging through this retail contribution, but also a cash availability that will help you to have capability to fund your investment and also to have a certain distribution potential in your hands.

I believe this is the real, let's say, reason for having such valuation level.

About capex, the fact that we are improving on a yearly basis the expectation, there is a step-up in the last quarter that is generally a natural process following the evaluation of FIDs during the year, and you have made payment once you take FID.

I think this is a normal and historical trend that you could see. We said that we will be at around €9 bln – below €9 bln. It could be something that shows, in any case, an improvement versus the expectation that we had once we announced it at the Capital Markets Day.

**OPERATOR:** Massimo Bonisoli, Equita.

**MASSIMO BONISOLI, EQUITA:** Two questions, please. One on Versalis. To better understand the capital discipline, can you provide at least some qualitative indication on the €2 billion spending for the restructuring of Versalis? Roughly how much is related to all plants and how much is driven by growth projects? And if you can be also more specific on new volumes coming from biochemistry and circular economy.

And the second question on disposals. Could you please provide more details on the progress of the eventual disposal of a minority stake of new satellites like CCS as well as biogas?

**FRANCESCO GATTEI:** Adriano, if you want to answer...

**ADRIANO ALFANI:** Sure. Massimo, as I said before, we don't give the split of the €2 billion in terms of investments, how much it is for one compared to another one. But let me give some flavor about how it's going to change our portfolio, just to give you an idea, okay? So if you look historically in terms of traditional business, what you define traditional business or, let's say, the first-state business, we used to spend more than 50% of our capex, on a yearly basis, for traditional business, so let's say it for base chemical and for commodity polymer, okay?

And if you look to projection in terms of portfolio shifting, what we are going to invest in terms of percentage for base chemicals and standard polymers is in the range of 10%, while 90% of the future investment on capex base will be for the new platforms, okay, the chemical platform.

If you look in terms of the second part of your question, how much are we going to grow? Today, the portfolio of Versalis, based on average 2023-2024, is 30% on specialties, where this specialty includes the compounding business, the biochemistry, circularity and so on. And the other 70% is base chemicals and standard polymers.

After the transformation, so in five years from now, based on our transformation program - so restructuring program and development of new platforms - we expect to go to 65% of the specialty business. And in this 65% is, of course, included the bio-business.

**FRANCESCO GATTEI:** Okay. About the disposals plan, you know we have already announced that we are currently in a tendering activity. We've received interest from 5-6 potential investors for the CCS. This is a process that will also require some time, and fine-tuning. But, there is an interest from different operators to join us in a portfolio that is, let's say, spreading from UK, Italy, Netherlands, Norway and other countries, and that will become one of the major leader for the decarbonization of hard-to-abate industries.

We are continually working on the dual exploration model. So there is some assets that are under negotiation because, we are in a more advanced stage for that specific field. So clearly, we are referring to some of the last most relevant discoveries.

And we are also working on certain additional activity of valorizing again some stakes in Plenitude and also potential in Novamont, this could take more time. So as you've seen in the past months, we have a very active portfolio activity. And I think that we are able to deliver on a very fast way and very effective in terms of valuation of our disposals plan. This is what I can tell you for the time being.

**OPERATOR:** Lydia Rainforth, Barclays.

**LYDIA RAINFORTH, BARCLAYS:** Two questions, please. The first one, just coming back to the satellite, I think there was some talking about the idea of carbon capture on the CCS side going into that satellite model. Can you just talk us through what you're seeing on CCS at the moment?

And then secondly, on Azule. Can you just remind us when the drilling in Namibia - when we should actually think about that coming through as well?

**FRANCESCO GATTEI:** On CCS, what is now evident is that, after a number of years where there were some, let's say, skepticism about the potentiality of this industry that is a quite traditional

industry, nothing particularly new. What is new is to link together emitters and storage potential. This is the chain that was never tested, but injecting CO2 into a reservoir is a quite traditional and well-established activity.

We see there is a huge interest. There is a huge interest because there are targets from a lot of industries to decarbonize their production line, and we have the storage potential so we can deploy our expertise, our know-how. We can keep the cost of that activity as cheap as possible because we are using existing facilities. We are injecting into depleted reservoirs and not in aquifer so the energy cost related to that activity is lighter. And in the countries where there is a regulatory framework already defined, there is a potential to take FID in a relatively short term. You've seen that the UK has allocated a budget for this activity to support the players that will be involved, so the emitters and on the other side the injectors.

And we have already, as we mentioned also during the presentation, completed the first part of our project in Ravenna, with a capture ratio of more than 90%, or up to 96% as a peak, of CO2 that is less than 3% in terms of concentration, so it's more difficult to capture. So it proves that this technology could be extremely effective in minimizing emissions, and therefore, this is a business with a great potential.

We just have to be, let's say, patient in understanding that not only the players but also the government have to be ready for having this business as an option in the table. The other question is about Azule, on Namibia, I think, Guido.

**GUIDO BRUSCO:** Thank you. On Namibia, Azule is planning to spud two wells in the PEL 85 block, which is close to some of the largest discoveries made in Namibia. We are quite optimistic on those wells.

And the rig is planned to move by the end of the year. So we'll likely spud the first well in December. The timing for those wells – in terms of duration – is 1.5-2 months maximum. So we'll have first result of the first well by Q1, and the second well either by late Q1 or early Q2.

**OPERATOR:** Henry Tarr, Berenberg.

**HENRY TARR, BERENBERG:** Two, if I may. One, just on capex the run rate clearly is sort of well below now the €9 billion that you indicated. I just wonder, has anything been deferred? Or have you sort of shuffled out? Just how is this capex number moved?

And then secondly, just coming back to the sort of bio-refining outlook, you're clearly sort of building new facilities, three new facilities now, I think. The market today is oversupplied. I mean, how confident sort of are you - I know there's RED 3 et cetera - but as you look out, when do you think this market comes back into balance? Because I guess we're already seeing some projects get canceled or delayed due to the current challenges.

**FRANCESCO GATTEI:** Okay. On capex, there is no, let's say, delayed investment. It's just a matter of maturation of FID that comes at the end of the year. You mentioned that also the fact that clearly that we take FID in biorefineries. We will have some FID also in upstream.

Additional activity also sometimes in the exploration activity. So a lot of things that normally occur in the last quarter.



On the biorefining outlook I will leave back to Stefano Ballista.

**STEFANO BALLISTA:** Yes. Thank you for the question. You're absolutely right. The short-term current scenario, as I said before, we have never seen this kind of level. But actually, on the other side, it's definitely clear that the medium scenario is well defined. Regulations are in place as I said before. So there is no debate on that. The RED 3 is going to double current growth path. And it's not yet in place, it will get in place starting from 2026.

SAF – with ReFuelEU Aviation – is going to be more than 1 million tonnes, and this is going to get in place in the following year. Another example, looking at current decision at country level, we got Germany, that actually banned the UER, and it has levered to comply with mandatory blending mandates. And at the same time, they stop the carryover of certificates from 2024 to the following years. This is expected to provide, starting from next year, an upside of above 600,000 tonnes.

For the same reason we could do this in the US. The LCFS for California, expected by the end of this year or beginning of the following, is going to do an increase from 20% to 30% in terms of GhG reduction with a current estimate of about 7% as a step-up starting from the following year.

And then we are starting to see a lot of tax credit support on SAF. This year SAF, of course, in Europe is just a voluntary demand. In the US we are starting to see some demand driven also by supporting incentives in terms of tax credit. I want to mention Washington where you're going to get a specific tax credit on SAF. And that's why we are seeing some demand over there.

Given this kind of trajectory, we see in 2030 above 50 million tons of demand, and this is absolutely overtaking supply.

**OPERATOR:** Martijn Rats, Morgan Stanley.

**FRANCESCO GATTEI:** Let's move to the next one.

**OPERATOR:** Paul Redman, BNP Paribas.

**PAUL REDMAN, EXANE BNP PARIBAS:** Just a quick question on IPOs. You mentioned, I think, €2.5 billion of cash inflow next year from divestments possibly. Does that include a Plenitude IPO? And then when we think about IPOs for Enilive, KKR seems to be paying a significantly higher multiple for Enilive than maybe where some of your listed peers trade. Why would that not mean that you just focus on increasing partner base?

I think you've said before that Eni would like to hold, say, a 60% stake in the Enilive, so there's a lot more room to go for partner sales. And then just quickly following Enilive I have a question on voluntary demand for SAF next year? What are you guys expecting?

**FRANCESCO GATTEI:** Thank you. On the IPOs in the amount that I mentioned, I was mainly referring to the negotiations that are still ongoing and that we expect to close within the end of the year. So the €2.4 billion is substantially, let's say, a bunch of assets and do not include any IPO. IPO, it's difficult to be predicted. It's related to a lot of things, mainly on financial stability and market condition.

You know very well that in Europe this year still, after 2022 and 2023, is a year of a very, let's say, limited number of IPOs.

You are right that there is a very attractive multiple in the valuation that we received so far. In selling down our stake, the logic for us is to have a balance between expectation of an IPO, in the mid and long term, and the valorization upfront – with a valuation which is high but is based also on the expectation of businesses that will double their EBITDA, with Plenitude to reach it within the four-year plan and Enilive just a bit longer. But substantially, this is the time period that could derisk an IPO, taking into account of the multiple that you are seeing in the market.

So this is substantially what we believe, and we do not think that the solution towards an IPO is to have a continuous sell-down of a stake, because at the end of the day you are doing an IPO by the hand of someone else, then you will not control them when you will be able to do an IPO if you continue to reduce your stake, while we wanted to keep this decision in our hands.

About the SAF demand, Stefano Ballista will answer, please.

**STEFANO BALLISTA:** Yeah, Thanks for the question. On SAF demand, in Europe next year, we expect above 1 million tonnes. This is not voluntary demand. This is a mandatory demand. So there is no option, but to be compliant with that. So this is a given.

We see voluntary demand in the US, we expect doubling this year voluntary demand. It's voluntary, but as I said, linked to tax credit dedicated to SAF, and we expect about 1 million tonnes twice as much current year. So overall, above 2 million tonnes.

**FRANCESCO GATTEI:** We take the last question, please.

**OPERATOR:** The last question is from Matt Lofting, JPMorgan.

**MATT LOFTING, JPMORGAN:** Two, please. First, I just wanted to come back on the distribution policy. Francesco, you talked earlier through the sort of the steps that Eni has taken through this year and ending up at sort of the €2 billion buyback, which is a very strong and welcome number. It just lacks me that in the end, the cash flow expectation for 2024 now is very similar to what you expected in March and yet the buyback is nearly double from €1.1 to €2 billion.

So could you perhaps just talk more conceptually about how we should think about that? Is 2024, to some degree, exceptional or specific in the context of the progress and the momentum around the strategy and deleveraging the balance sheet? Or when we think forward to 2025 and beyond, should we systematically expect that you begin the year by setting a sort of a floor in terms of the buyback, which inherently is in a more conservative level and then looking to grow it as you move through the year dependent on macro and dependent on performance?

And then the second quick question was Italy taxes, there have been various different reports of moving parts since the summer. And perhaps you could just update us on your understanding there.

**FRANCESCO GATTEI:** Okay. On the taxes, the windfall tax, now it is clear what is the announcement. So I think that it's not involving the energy system. It is involving different sectors, so I think there is no other speculation around the potential taxes.

About the buyback, the doubling of the buyback is exactly the point that you were referring. At the beginning of the year, we expected to have a leverage between 20% to 25%, and we are doing much better.

The number of disposals, the amount of disposals that we are assuming this year - including what we expect to announce or to close in terms of negotiations in the coming quarter - are much above our expectation. Completing almost 80-90% of your disposal plan in 12 months, clearly not cashing everything in 12 months but having this activity substantially de-risked entirely, makes a lot of difference in the perception of your distribution policy and your balance sheet strength.

This is a model that potentially could happen in the coming years. I believe, in the logic of the buyback that we presented, the answer should be yes. What we set – once we announced the buyback or the distribution policy – was substantially a floor.

So by definition, you will see an improvement. It depends if there is an improvement during the year and if you are able to show that from a point of view of price scenario, execution of your strategy, our portfolio, and if you see that the quarters come better than what you expected in February or March - once you started your yearly performance.

This is, let's say, by definition, what is happening this year, and, I think, also what happened one or two years ago, when we did the same.

I think this completes today's session. I believe that was a quite dense day with a lot of questions, and thank you all for the attendance.

Our team of Investor Relations clearly is always available also during the weekend. Jon has said that he's completely free. So we can ask you to call him and the IR team to have all the data or information that we have not covered during this call. Thank you.

**OPERATOR:** Ladies and gentlemen, thank you for joining. The conference is now over.