
Eni First Half 2023 Results

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Presentation

Speaker: Claudio Descalzi, CEO

Welcome to the Eni Second Quarter and First Half 2023 Results conference call.

In the first half 2023 Eni has delivered excellent operating and financial result with significant steps forward in progressing the execution of strategy across all the businesses.

The Quarter and the Half Year were strong ones for Eni with clear and valuable strategic transformation, maintaining our financial resilience and a transparent and attractive policy to reward investors.

In 2023:

- We outperformed in terms of both underlying EBIT and CFFO versus expectations, and, even as the scenario has weakened, we have been able to fund our capex, begin our share buyback alongside paying our quarterly dividend, and complete Algeria M&A and the Biorefinery purchase in the US.
- In this quarter we have agreed the purchase of the remaining 64% of Novamont, a leading player in circular and sustainable bioplastics aligned with our strategy for Versalis. Closing of this deal is expected before the year end following antitrust authorisations.
- Our acquisition of Neptune Energy, announced in June, adds a portfolio of complementary high-quality, and, crucially, low emission assets that contribute towards our shift to gas. The deal is immediately accretive and has significant synergy benefits of at least \$500m in value with further upside. It also adds materiality to our integrated GGP activities and is a major step in ensuring long-term supply to our European gas customers. Completion of the deal is planned for the 1st quarter of 2024.
- Our agreement to buy additional interests in Indonesia from Chevron, announced this week, deepens our position in the region further, synergistically supporting our targeted growth in LNG in the Asia Pacific region.

At the same time we continue to re-balance our portfolio, simplifying the business and optimising our capital. We completed the sale of a minority stake in the TransMed pipeline in January and announced the sale of mature production in the Congo with additional transactions in the coming months.

During the transition it is critical to be fast in delivery and efficient in spending: these elements are part of our strategic approach that already have had a fundamental impact over the past decade.

For instance, in Natural Resources we have shifted E&P towards a focus on time to market and the efficient use of capital through our dual exploration model and fast track development.

The shift in profitability of GGP became evident in late 2021 as we leveraged our upstream equity positions. The Russian invasion of Ukraine accelerated a plan that was already in place, with the asset positions we had built, leveraging on our distinctive approach in all the Countries where we operate, based on the promotion of local economic and social development. This is delivering material results in 2023 but also in the years to come.

Plenitude has leveraged its large customer basis to increase Renewable generating capacity by over 10 times in 3 years by the end of 2023 - and we expect to more than double this again by 2026. In a single year we will have also doubled our EV charging points.

In the Downstream with biorefineries we are at the centre of the transition: we can capture new growth opportunities and incorporate de-carbonisation, proprietary technology and integration. It is also a valuable means to transform traditional assets. With the two existing refineries, Venice and Gela, and now with the Chalmette plant in Louisiana we are a leading player in the market - focussing our products on HVO and SAF for hard to abate transportation demand. With further planned projects at Livorno in Italy and Pengerang in Malaysia plus additional growth options we have good visibility on our target of over 3 million tonnes capacity by 2025 and over 5 million tonnes by 2030.

With Sustainable Mobility, we combine bio-refining with our marketing activities to provide decarbonisation solutions for our mobile customers.

On the financial side, furthermore, the satellite structure is an organisational approach that complements our operational initiatives and responds to the unique capital requirements of our new businesses and the different drivers in their value.

Our strategic initiatives have translated into a financially more profitable and resilient company with the capacity to:

- invest to address the Trilemma, and
- generate the future returns to ensure that this is sustainable.

Hence if we look at our CFFO, we have grown it over time, meaning we are generating significantly more value at a given oil price than we were a decade ago. This momentum will continue across the current 4 Year Plan where we see strong per share CAGR in a constant scenario. The story is similar with our return on capital employed, benefiting from a streamlined cost structure, stronger focus on investment quality and capital productivity. We therefore expect to generate much improved average ROACE across our Plan period. Higher resulting free cashflow has meant we have significantly reduced net debt and leverage to around half of the levels of a few years ago, making the company both more resilient but also able to respond to opportunity where we see it. Finally, but crucially, the strength of our

financial model and the greater diversity of strong businesses has allowed our shift to a CFFO based distribution policy with a well underpinned dividend and buyback that sees investors participate in the upside. 2022 and 2023 will represent significantly the best per share distributions by the company in its history.

Focussing now on the financials.

Second quarter's economic conditions were more challenging - Brent averaged under \$80/bbl, marginally lower than 1st quarter and well down on 2022. European hub natgas was \$15/Mbtu close to half of last year, and 30% lower than first quarter. The SERM refining margin was around 60% less than second quarter 22 and 40% below Q1.

Considering this worse scenario in 2023 with respect to 2022, Eni has delivered strong, resilient results in the first half of the year.

- EBIT in the first half was €8.0 billion, with €3.4 billion in the second quarter providing clear evidence of the business resisting a weaker macro scenario, as I have laid out.
- In addition, our satellites and associates such as Var, Azule and ADNOC are important contributors with around €0.9bn in adjusted profit in the first half.
- Net profit before tax and CFFO over the half amounted to €8.7 billion and €9.5 billion respectively, with €3.7 billion and €4.2 billion coming in second quarter.
- Leverage pre IFRS is only marginally growing at 1% over each quarter and is now 15%.

Let's move on to the business segments in more detail:

- Upstream production averaged 1.61 million boe/d in the quarter, up 2% year-on-year and above our guidance of 1.60 million b/d helped by growth in Mozambique and Mexico and production recovery in Kazakhstan. We are making good progress on our full year guidance that we confirm remains 1.63-1.67 million boe/d, or around 2.5% up at the mid-point, implying, as expected, an acceleration in the second half of 2023, thanks to the new start up/ramp up's.
- Above plan volumes plus a continued focus on cost management helped to part offset the impact of the fall in oil and natural gas prices and the effect of higher exploration charge. Pre-tax earnings were aided by significant contributions from our key satellites, Var and Azule.
- GGP had another excellent quarter generating over €1bn of EBIT in second quarter and €2.5bn for the half year. This is well ahead of the first half 2022 and second quarter 2022 despite a significantly lower gas price. Results substantially benefited from renegotiations and settlements related to prior periods but also continued asset optimisation. In response to the cut in supply from Russia we have significantly re-worked the portfolio to ensure security of supply. After such a strong 1H we are raising our GGP guidance for Full Year EBIT to €2.7-€3.0bn from €2.0 - €2.2 billion, previously, assuming a more normal and less volatile second half of 2023.

- Our traditional refining results have been impacted by the fall in the refining margin and negative crude grade differentials and crack spreads not captured in the SERM benchmark while utilisation has also been lower.
- However, our marketing result was good helping Sustainable Mobility, and reflecting healthy demand for transportation fuels. After closing the transaction with PBF to form our 50:50 St. Bernard JV in June we expect the plant in Louisiana to make a positive contribution to Sustainable Mobility net income this year, well in advance of the original plan.
- Despite highly volatile and challenging conditions over the past 2-3 years Plenitude has delivered on both its operating and financial targets. This is testimony to the quality of the integrated, customer-based model. With 2.5GW installed at the half year, Plenitude is on course to have over 3GW of renewable capacity by the end 2023, almost 50% up year over year.
- In the semester Plenitude generated €470 million of EBITDA, well over half of the previous Full Year target of €0.7 billion and we are now raising target to €0.8 billion.

Our tax rate ticked up in second quarter 23 to 47% mainly through mix effects and a higher E&P rate that reflects the UK windfall tax impact we include in adjusted results and lower prices.

Cash conversion was excellent with strong CFFO able to fund most of the capex, portfolio activity, the dividend, the buyback programme of €400 million and our extra profit obligation that amounted to around €400 million in the quarter.

Quarterly capex of €2.6 billion reflects work completing Phase 1 of Baleine as we expected. In any case we will reduce full year capex to below €9 billion - down from €9.2 billion previously estimated and €9.5 billion initially guided, reflecting continuing optimization and efficiency work.

Business outperformance, capex efficiency and timing flexibility provided us with confidence around our €2.2 billion share buyback.

In summary, second quarter 2023 was a strong quarter for Eni and one with clear and valuable strategic transformation.

The scenario was not a tailwind for us and yet we delivered one of our best ever quarters. We have raised EBIT guidance for both GGP and Plenitude and we see underlying improvement in E&P and Sustainable Mobility as well. We estimate that this will amount to around €2bn of additional underlying EBIT and €1.3bn of additional underlying cashflow in 2023 – equivalent to around 2 percentage points on return.

At the same time, the acquisition of Neptune Energy and the continuous advance of Plenitude and Sustainable Mobility demonstrate our commitment to rapid, effective and value-

enhancing management of the opportunities and challenges presented by the Energy Trilemma.

That concludes my remarks and along with Eni top Top Management I welcome your questions.

Q&A Session

Corporate Respondents

Claudio Descalzi, CEO

Francesco Gattei, CFO

Guido Brusco, Chief Operating Officer Natural Resources

Giuseppe Ricci, Chief Operating Officer Energy Evolution

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

Adriano Alfani, CEO Versalis

Stefano Goberti, CEO Plenitude

OPERATOR: (Operator Instructions). The first question comes from Biraj Borkhataria of RBC.

BIRAJ BORKHATARIA, RBC: The first one is on your cash generation in the quarter. It looks like it was supported by the various dividends from affiliates. I know you had the ADNOC dividend, and you get the Var regularly. Just a question on Azule. Could you quantify the dividend received from Azule and confirm if that's the sort of sustainable level going forward or if that was a one-off payment there?

And then the second question is on GGP. Obviously, that was the big driver of the beat this quarter. The team cited some EUR 800 million-or-so of renegotiations. I just wondered if you could help me in layman's term understand what exactly is going on here? Because that business is effectively buying gas and then selling back gas on to customers in Europe and then GGP is taking the margin in the middle. But presumably, if you sign a contract with someone to buy or sell, you'd expect that to honor it. But obviously, you have these regular renegotiations. So why -- what exactly is going on there? And why is the other side of the party effectively paying assessments at this point?

CLAUDIO DESCALZI: Thank you for all the questions. The first question is very, very short. Yes, Azule is at sustainable level of dividend because it's a growing company with a lot of assets, a lot of cash flow returns and potentially in terms of reserves and resources that we discovered. Otherwise, we were not able to define this business combination. So yes, it's not one shot, it's a long-term shot, Azule. And we are the first company now as a business combination in Angola.

Second, GGP, I just say a few words about GGP then Cristian and maybe Francesco can complete. I think that we just want to talk about our business model. We're not just -- we're not a company that buy gas from a third party and sell gas to a third party, that's not our model.

All the work we have done in the last 10 years was to be able to stay along the value chain. For that reason, we put together the GGP, the gas component with the E&P because we source ourselves, we are selling our gas, pipe and LNG, and that is the new structure that we built in the last years. So we are not in the model we buy gas from Russia, we sell gas to somebody else. So we are along the value chain, and that is the upside and that is also one of the reasons of the good results. So now I give the floor to Cristian to complete the answer.

CRISTIAN SIGNORETTO: Yes. So in specific, I mean, related to the -- this renegotiation and contractual triggers effects. You have to bear in mind that in these long-term supply contracts, there are contractual clauses, that provide for parties if they cannot find a solution in terms of commercial settlement to provide space for arbitration and eventually settlement of those legal proceedings. So what happened actually in this quarter is that we found, with some of our suppliers, a settlement of previous period which were accrued since a few years back or we had contractual triggers in the supply contracts that allowed us to retake some of the cash flows that we actually were paid to the counterparty again, back a few years back. So I think those are, if you want, a specific feature of the long-term contracts that we simply managed to the benefit of our company.

BIRAJ BORKHATARIA, RBC: And sorry, just 1 follow-up. But are you expecting -- do you have - - are these coming up on a regular basis or are they -- is there any visibility on that going forward in the rest of the year and into '24? How should we think about it?

CRISTIAN SIGNORETTO: Well, look, yes, as I told you, these are a big part of the business. So I can already anticipate to you that, for example, the range in the guidance for the second semester is also linked to the fact that we have still a couple of those renegotiations pending, ongoing that we think that we are going to settle in the next 6 months.

And this will clearly have an impact to our results. And also, that's why there is this range between EUR 2.7 and 3 billion guidance for the end of the year.

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

OSWALD C. CLINT, BERNSTEIN: Yes, the first question I wanted to ask about the Capex. Now second quarter revising it back down again, probably 6% or 7%. I remember at the Capital Markets Day, you took it up 15% for the plan, and obviously, the market didn't take that particularly well. So perhaps you could just talk a little bit more about what's happening here and the possibility of that continuing also into 2024 in terms of potentially being revised down in terms of CapEx? That's the first question.

The second question, just to Claudio, around your comments there on best share distributions in the company's history last year and this year. But as we look forward and we think about the balance sheet, 15% leverage and the potential to really push that number even lower and sustain this attractive distribution. And what I'm thinking is here, you've been buying a lot, but

you haven't really been selling a lot, then you're on track to find another 700 million barrels this year. We've just seen a little deal with Congo. But what's the potential to start selling more perhaps less accretive barrels through time?

CLAUDIO DESCALZI: Thank you. No, first of all, about CapEx, just give me the opportunity to give some -- our view about the company, then we can go into the details. Clearly, when we start the work on CapEx, and we presented to our strategy presentation, the CapEx, we were still analyzing all the embedded consequences of increasing CapEx and finalize some projects.

So that was a figure representing the situation at that time that we continued to work on. So all E&P, and the team continue, and also Pino, continues to work to create efficiency to fine-tuning. So, it's not that we are cutting CapEx or reducing activity, it's really inside the same project, inside the same activity that we have -- they have been able, they did a really great job, to work out a different profile reducing. So, we passed from 9.5 and then the first revision 9.2 and now below or around 9.

Additional space for this year I don't think so, because I think that we performed a very good reduction. For 2024 is something that the team is working on. Clearly, we want to extract the maximum value. We want to reduce our cash neutrality. We want to grow because we are growing in production as we demonstrated without -- but with the optimization of CapEx, so that is a continued exercise that our people are doing on a daily basis.

So I'm not surprised that in a volatile situation with inflection and volatile situation from any point of view, you can give a number, then you try to get a better number. That is our work, and that's what we are continuing to do.

On M&A. M&A, I said last time, that is true, we made a strategic M&A. So with a sense along our strategy in terms of gas, energy, security, transformation of our business, so each M&A step was really linked to a piece of our -- parcel of our strategy that we are more -- we are following more an organic growth than an M&A approach.

But this time, we really acquired something that was really synergic and in line with our strategy and with our assets, creating a lot of value. From the sell side what we are doing, okay, we did Congo a small one is the first.

But we are -- I said last time, we have other assets, marginal assets, tail assets that we are, in the next month, ready to farm out and to sell. So the M&A is continuing to be consistent with what we said during the strategy that in the 4-year plan we're going to have EUR 1 billion positive overall from our M&A activity. Though I don't know if Guido from one side - E&P - and Francesco - from M&A - want to add something.

FRANCESCO GATTEI: On the M&A, just to confirm that clearly, M&A in terms of both of acquisitions and disposals is a matter of lengthy negotiation and they occur once the window is possible, is favorable. So you cannot expect a simultaneous management of the 2 sides of the M&A, but we can confirm that we are in a several number of processes of disposal. And

these are maturing. You will see how these will be material and will reduce the overall net debt and the leverage you are referring to.

GUIDO BRUSCO: And just, I mean, echoing what Claudio was saying on CapEx, a good part of the capital expenses have been already made in the first half of the year. The second half is lighter, although we are still continuing that work of optimization, and we are very confident to stay within the guided, if not better.

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

ALESSANDRO POZZI, MEDIOBANCA: I just wanted to go back to the GGP and whether you can clarify how much of the contract renegotiations are embedded in the 2023 guidance? And once also, you exclude that, what was the main reason for the upgrade in the guidance if we just look at the optimization part of GGP?

And also within this theme, what we are seeing now is very wide time spreads in the future market at the present. And I was wondering whether that could be an opportunity that could be monetized and can generate potentially additional EBIT for the division? That's the first question.

The second question is on Indonesia. You announced a new acquisition there. My understanding is that the consideration was rather limited, but potentially, in terms of volumes, this could be a sizable acquisition that could bring 100,000 or maybe more barrels in the next few years. And I was wondering if you can give us a bit more color on the potential, on the CapEx required that you see there and where there are obligations as well to drill more wells there? That's all for me.

CLAUDIO DESCALZI: Okay. Thank you. So the first question is for Cristian.

CRISTIAN SIGNORETTO: Thank you. So in terms of the upgrade of the guidance, you can think of it by -- 50% of that upgrade has been triggered by these contractual, let's say, triggers and renegotiations that were actually better than expected. And the other 50% instead is linked to the better, I would say, trading and optimization environment and margins.

Yes, when it comes to the time spread that you are referring to, I assume that you're referring to the fact that between summer and winter now, there is a spread which is in the range of EUR 20 per MWh. Yes, clearly, we are working on trying to capture that opportunity in the market, given that the spread is surely interesting and sizable, clearly managing also the capital allocation that we do on that kind of opportunities because, as you can imagine, storage also attract a lot of cash flow.

CLAUDIO DESCALZI: Thank you. Guido can answer about Indonesia, please.

GUIDO BRUSCO: Yes. On Indonesia, clearly, it's a very synergic acquisition. We leverage on the presence of our facilities. There is a tieback and so being a tieback and being very close to our facilities, it will place the development cost per barrel to the lower range and we may say that we are in the 1-digit region of the CapEx per barrel developed, maybe less.

CLAUDIO DESCALZI: And we have also to add that we have Bontang, that increases the value of this acquisition. It's not just an upstream acquisition, as I said before, is really the integration is the model. We have the -- we start from the resources, we develop -- we develop and then we can market it. So it's really -- there are a lot of upside potential in this acquisition.

ALESSANDRO POZZI: In terms of volumes, can you maybe give us an indication of when it could -- we could see the first gas from those developments?

GUIDO BRUSCO: It will be at the beginning of 2027.

ALESSANDRO POZZI: Around 100,000 gross, is that the potential target?

GUIDO BRUSCO: It will extend the plateau of our Jangkrik FPU for many more years than what is planned now, of course.

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

ALASTAIR SYME, CITI: I wanted to ask about Italian...

OPERATOR: Mr. Syme, I apologize, we cut off your first part of your question. Please repeat.

ALASTAIR SYME, CITI: Sorry, I'll start again. I just wanted to ask about Italian gas demand which, of course, remains well below where it was 2 years ago. Can you give a picture of what you think your customers are doing, particularly on the industrial side, given Italy has some big energy-intensive industries -- I'm thinking things like ceramics, their prices are still high, but I guess a lot that's higher than there were. So is there any sign that customers are thinking of picking up back on consumption?

CRISTIAN SIGNORETTO: Yes. Look, the -- when it comes to the industrial, let's say, behavior, as you can imagine, we have seen -- starting from last summer -- when the prices actually were very high, a reduction of industrial activity, mainly linked to the energy-intensive industries that either reduce the shift or reduce the orders to be managed.

And the hit to the consumption was around, on average, around 15% reduction, even 20%, depending on the sector-specific activity. So -- and this has been there since last summer. Now in the last couple of months, we have seen some timid, very timid recovery in terms of

consumption, which in turn means that there is also a recovery in the industrial activity, but it's still very timid. And also bear in mind that some of these industries were actually reducing the impact of the gas by switching to other fuels.

ALASTAIR SYME, CITI: Do you have a view whether any of these has been permanently taken off-line? Like would it all come back at the right price, do you think?

CRISTIAN SIGNORETTO: Sorry, I didn't get your question...

FRANCESCO GATTEI: How much is structural? How much it will...

CLAUDIO DESCALZI: How much is structural or if you -- we can come back to the past?

CRISTIAN SIGNORETTO: Well, we haven't seen actually closures if you intend closures. We have seen a reduction of activity. So, in principle, if the environment will get back, I think this demand could come back.

CLAUDIO DESCALZI: As in the past.

OPERATOR: We have Henry Tarr from Berenberg for the next question.

HENRY TARR, BERENBERG: Two, please. One, just back on the GGP side again, is Damietta a meaningful part of the GGP beat here? And then I just wondered whether you could name some of the counterparties you're renegotiating with on the supply side or not?

And then the second question, I just wonder whether you see a change to sort of downstream competitive positioning with the power and gas prices in Europe the way they are now? Do you think it's a kind of a structural shift into higher gas and power prices in Europe and whether that might change the strategy for Versalis and for some of the downstream business?

CRISTIAN SIGNORETTO: No. Look, Damietta is clearly a crucial part of our activity, especially in the LNG, and it's an important addition to our overall energy portfolio. So clearly, it's part of our results and the performance is clearly also part linked to Damietta's operations, both clearly on the plant side and also on the LNG side. In terms of renegotiation in counterparts, I mean, given that those are confidential discussions, I would rather not mention any of them.

GIUSEPPE RICCI: About the downstream strategy. Of course, we didn't change the downstream strategy that -- because of the cost of energy. First at all. because last year, when the cost of energy was 10x more than the normal situation, we have been in condition to shift from gas to other energy vectors, reducing dramatically the cost of gas. And now we are maintaining more or less the same effect, but we are not in the trouble for this.

ADRIANO ALFANI: Yes. Let me make a few comments about the industrial sector specific about chemistry. We think that over the last 2 years, European chemistry is driving to high-end application because, of course, today, Europe is already facing some challenge in terms of competitiveness compared to other regions, especially in North America, in Asia for the high cost of gas or let's say, higher cost of gas. So what happened over the last 5 years is speeding up in Europe in terms of specialization of the market, and this is what we announced already 3 years ago for Versalis. And so we are continuing our journey.

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

HENRI PATRICOT, UBS: I have 2 questions, please, on some of the changes you made to the guidance for 2023 and there are implications for late years. So starting with Plenitude, which you raised in slightly the EBITDA guidance. Is that particularly just delivering a little bit faster than we expected or should we think that maybe the 2025 guidance is looking more conservative now?

And similarly, for the downstream side where you actually cut the guidance for EBIT for this year, does it make the longer-term '26 target more challenging to achieve or is it really a problem specific to this year?

STEFANO GOBERTI: Henri, regarding Plenitude guidance, this year, the market was stabilizing a little bit in terms of volatility and level of prices. So we have been able to be very effective in our commercial strategy and make good results on the retail activity, both in Italy and also abroad in Europe, where the emergency measures taken last year to defend the most vulnerable clients have been taken out. So now the condition in the market are a little bit better, and we can compete with other operators very well. So it is a better result of this year. We maintain our level of result also for the next year.

FRANCESCO GATTEI: About the guidance related to the downstream you were referring to. Clearly, this is impacted by more than from the nominal value that you can see on the SERM, the margin that you calculate on the basis of benchmark by a weakening environment, in particular related to the crack spread, to the differential between crudes and also by the reduction of the gas pricing that was not clearly -- didn't impact -- our performance as we had, already last year, switched to a different source of energy.

Therefore, that reference has reduced the overall performance of the downstream as you've seen in this quarter, but we were substantially able to compensate this effect on a like-for-like basis, so reassuming a similar level of differential, etc. And therefore, that is a confirmation of a guidance in a lower environment at the end.

GIUSEPPE RICCI: Yes. Additionally, it's important to say that in the second half with the drop of the margin -- of the SERM -- we performed all the maintenances in the plants. So, we are ready to gain from the fact that starting from July, the spread and the cracks of gasoline and

gasoil are increasing a lot, and we are really in the full driving season. So we expect to have summer quite bullish in terms of margin.

OPERATOR: The next question is from Irene Himona of Societe Generale.

IRENE HIMONA, SOCIETE GENERALE: My first question is going back to CapEx, if I may. It's quite admirable that you're continuing to optimize CapEx and to find meaningful efficiencies despite what is clearly a high external inflation environment.

And I just wanted to ask what average inflation rates do you see in the, let's say, the main procurement categories in your upstream?

And then my second question, if we think about investor distribution, the balance sheet, the weakening macro and your increasing efficiencies, I mean if the macro were to continue to weaken into '24, would you then be prepared to use the balance sheet for a period and re-leverage from what is a low level currently to sustain distributions even if they were above your targeted range of CFFO?

GUIDO BRUSCO: Okay. So thanks for the question. For the CapEx -- for the cost inflation, we have seen 10% from '21 to '22, and we are seeing a 7% year-on-year from '22 to '23 and onwards, which is already factored in our CapEx guidance of the year and of the following years.

CLAUDIO DESCALZI: For the second question related to the distribution. Clearly, as we stated in our distribution policy at the beginning of the year, and we changed it and we gave a priority to it and to our investors. So the answer is yes. We can -- I don't believe in a low level for a long time in any case because -- I talk about demand, supply and all the different dynamics because the demand is increasing. And it's not just a question of increasing cost but is that we need supply.

So I think that there is a good dynamics. But in the case we have some bad periods, we cope with it. So it's not -- I think that the priority, as I said, is the remuneration than the leverage and the debt are good. For that reason, we try to keep this leverage very low, and that is important for us. To be flexible, flexible means we can continue to give the right level of remuneration to our investors and have the flexibility in our business, in our CapEx, in our debt to continue and to be stable as a company and also foreseeable and a company that doesn't give a surprise. So the answer is yes, we can do that.

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

MARTIJN RATS, MORGAN STANLEY: Quite a few questions have already been asked, but I wanted to ask you 2 gas-related questions. The updated guidance for GGP, the 2.7 to 3.0 figure, can you say a few words about how sensitive that is for to TTF prices? The context is, of course, that inventories are high and they continue to fill and we may or may not hit full

storage and then funny things can happen to the TTF price possibly. So I was wondering how robust that guidance is or whether it can still swing around with European gas prices?

And sort of following up on the earlier question on the cotango and the TTF curve, the EUR 20 MWh that you mentioned. I was wondering if that now pays for floating LNG storage given where current LNG tanker rates are? A little bit difficult to sort of figure out in a seat like ours, but you're probably a bit closer to it. So I wanted to ask.

CRISTIAN SIGNORETTO: Yes. Thank you. So the guidance is robust to the TTF flat price. I mean we have a very very limited exposure to the flat price this year. So this would not impact. Clearly, if you want, the impact could be on the spreads. So I mean, a lower spread [...] could have an impact, but it's a different level. When it comes to the floating storage, yes, sure, the economics today are robust for a floating storage opportunity.

The fact is that given the boil off, you can, build this activity for a range of up to 1 or 2 months maximum. So let's say, in order to take advantage of that price in October-November, you will see ships floating probably around August-September, not before.

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

MASSIMO BONISOLI, EQUITA: The first 2 questions are around the Italian National Recovery and Resilience Plan. If I understood correctly, Ravenna CCS project was just excluded from the plan, what are the implications, if any, for the project? And the second question is still on the NRRP (National Recovery and Resilience Plan) what could be instead of the support for the conversion to biorefineries, for example, for Livorno.

And the third question, just for our models, if you can please provide an indication on expected upstream tax rate in the second half?

CLAUDIO DESCALZI: So for the first 2 questions, honestly, I don't have an answer because it just has been issued yesterday. And we don't know exactly what is inside, what is not inside, just speculation on the newspapers. Now we are going -- we have to go through.

I don't consider, honestly, in any case, any impact in the sense that we are going to do what is economic. What -- can create a profit and that is for the transition - and not just for the transition - but when we talk about trilemma, we need something that must be sustainable for the environment, sustainable from an economic point of view, sustainable, affordable for the competitiveness.

So it's not an issue. Clearly, if there is a support is welcome, if there is no, something that we have to discover. So I don't have an answer for the 2 points yet. Maybe we can -- Francesco can respond to the third point.

FRANCESCO GATTEI: Yes, the one related to the tax rate. It will not be particularly different from what you have seen in this quarter, so something the range between 45% to 47%. That

clearly will depend on the different contribution of the various businesses and also clearly, the scenario. And as we were mentioning before, an improvement, for example, in refining, this will help to keep it lower and clearly, even an higher crude price of Brent, it will help too. So there will be a lot of moving parts about this range.

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

BERTRAND HODEE, KEPLER CHEUVREUX: Yes. A question around GGP again. In -- at the last Capital Markets Day, you guided -- if we exclude initial 2023 -- you were guiding for a recurring, I would say, GGP contribution of around EUR 600 million to EUR 700 million EBIT level.

Are recent development and volatility in gas market or recent, we say, portfolio actions you've done could make you raise that guidance? Any color on that will be very helpful.

CRISTIAN SIGNORETTO: Sure. So you remember well. I mean, we were guiding last year around 600 to 700 for 2024-27. We have to acknowledge the fact that the market is still keeping a supporting trading environment. So I would say, I mean, from the time being, I would have an upward bias, so to speak, in terms of guidance for the next year.

BERTRAND HODEE, KEPLER CHEUVREUX: And maybe can I ask also a follow-up on Indonesia. I mean those fields you' acquired have been on the drawing board for probably 15 years and has been back and forth delayed and finally not launched. And now you've -- so you bought those assets, you have a different plan. It would not be, I would say, a greenfield development, but more tieback. And then you say it's going to be fast-track and you only see the production by 2027. So can you help me reconcile those comments?

CLAUDIO DESCALZI: Yes. Yes. We try to help you. So first of all we go back to what Guido said and what you said. Clearly, 15 years ago, we didn't have these infrastructure that we built with Jangkrik. So we can consider that kind of resources as stranded resources, without infrastructure.

Then we discovered Jangkrik and other fields, other gas fields. We developed our platform. We added space in Bontang, because 20 years ago we didn't have enough space in Bontang because the gas was depleted --, so less production. So now there are the conditions. So the situation is that the stranded assets are not stranded assets forever if there are different conditions. So that is a point -- first point.

Second, Guido didn't say a fast-track. They asked him the date and he said 2026-2027, and that is in the sense the priority and the space that we find in our facilities because we say we don't want to invest in a new facilities, new trains, we have a facility with a lot of gas. So now we're going to develop and then we put gas inside. I hope that I help you to reconcile this information.

BERTRAND HODEE, KEPLER CHEUVREUX: Yes. Perfect. So what you implied is that, in fact, you don't have a lot of room on your existing Jangkrik facility yet, but it's probably in 2 years, you would have room to have those tieback gas fields being connected to the facilities.

CLAUDIO DESCALZI: You are correct. You are correct.

OPERATOR: The next question is from Kim Fustier of HSBC.

KIM FUSTIER, HSBC: Firstly, could you comment on the recent performance at Zohr and your Egyptian gas portfolio more broadly? There are media reports of production issues at Zohr, your Egypt gas production is down 8% year-on-year and Egyptian LNG exports have dried up. So any color around that would be helpful.

And then secondly, could you provide any updates around the Plenitude spin-off, please?

GUIDO BRUSCO: We don't have issues of production in Egypt. Zohr is ranging between 2.2 and 2.4. We are managing the production. Clearly, there is a seasonal effect in Egypt summer season. The domestic demand is much much higher than the winter demand. And so this is reflected in the export and, of course, in the domestic production.

FRANCESCO GATTEI: About the spin-off, it is a partial disposal to a strategic partner of a minority stake of Plenitude . We are in a well-advanced stage of negotiation. Clearly, negotiation will take time also because there are a lot of details that have to be agreed, clearly in terms of value, in terms of governance. So I think that this is a program that is going according to the plan and clearly we will disclose once all the details will be fixed.

OPERATOR: Gentlemen, that was the final question.

CLAUDIO DESCALZI: Thank you. Thank you. Thank you. I want to thank you, everybody, to attend this conference call. I think that we covered all the topics. So thank you, and good vacation.

OPERATOR: Ladies and gentlemen, thank you for participating in the Eni conference call. You may now disconnect your telephones.