
Eni 1Q 2024 Results

Wednesday 24 April 2024, 14:00 CEST

Presentation

Speakers

Francesco Gattei, CFO

Good afternoon and welcome to Eni's Quarter One 2024 results conference call.

Our first quarter 2024 is an excellent result – we have reported proforma EBIT of €4.1 Bln and CFFO of €3.9Bln. Production growth in our Upstream of 5% and excellent contributions from our Transition businesses of Enilive and Plenitude - meant we substantially resisted the overall deterioration in the Scenario.

The continued excellent cash conversion and capex discipline also meant that balance gearing remained comfortably within our range despite completing on Neptune and the 2023 share buyback programme in the quarter.

I will analyse our results in more detail shortly but this slide also emphasises how busy we continue to be in actions to invest to high-grade and transform our company. I wanted to highlight a few items in the year-to-date because they provide helpful context for our strategic progress:

- In January we completed the purchase of Neptune. The transaction is highly synergistic and it has already delivered very material value to Eni, with significant upside in Indonesia, and new optionality in UK, as we will see later. With the Neptune deal, following on from Chalmette and Novamont last year, we have concluded the phase of inorganic positioning in new platforms for growth, and we enter into a different cycle characterized by the valorisation of these new business lines and by the dilution of exploration discoveries. As a first step in this new phase, in March we completed the €0.6Bln equity investment by Energy Infrastructure Partners into Plenitude. This is an important proof point for our Satellite Strategy - introducing aligned capital from a valuable partner, supporting the future growth of the business and confirming the value created.
- At the same time we are organically expanding our growth opportunities: in March we announced the Calao discovery, offshore Ivory Coast. This is another major, high equity, discovery with a potential resources of between 1 to 1.5 Bln barrels of oil equivalent. It follows our discovery of Baleine in the country in 2022 and the discovery of over 16Bln barrels of oil equivalent over the past 15 years, translating to organic

production growth plus over \$10Bln of cash in via Dual Exploration actions over the past 10 years.

- We strongly believe in value created via the drillbit and we continue to reinforce our technical competencies, paired with the most advanced technological solutions. In this regard in January we began the construction of the HPC6 supercomputer, that will raise Eni back to the top 5 computing systems in the world with a computing power of over 600 Petaflops (9x bigger than our current one).
- Finally, we have just announced the agreement to combine our UK E&P activities with those of Ithaca Energy creating a new satellite inside the Eni universe. We believe that the hydrocarbon potential of the UKCS remains relevant and we have immediately leveraged on our enhanced UK portfolio after the acquisition of Neptune to further reinforce our long-term positioning in the country. It is a well understood model, based on complementary portfolio and technical capabilities, and one successfully followed at Var and Azure where the right combination generates significant top line, operating, financial and fiscal synergies.

Just before going into the Q1 numbers in more detail here is a recap of the key industrial message from our Capital Markets Update in March.

We now have a complementary portfolio of high-quality businesses that align with the Transition and the Trilemma; ones that integrate across the company; that leverage Eni's strengths in technology focus and early mover status; and which, crucially, together offer the prospect of sustained growth - we see 13% CAGR in CFFO per share in a flat scenario, among the highest in our peer group- and a progressive diversification and improved quality in our sources of cash.

Our strategy will make Eni a larger and more profitable company at the end of our current Plan and beyond. Our distinctive industrial approach is supported by a robust financial framework that balances the use of cashflows for shareholder returns with reinvestment for growth and the balance sheet. Our satellite model helps to appropriately align capital allocation and provides investors with visibility on the performance and valuation of activities with very different financial profiles.

Ultimately, Transition will only be real if it creates material and sustainable returns and profitable business.

Moving to the quarter the next three slides provide analysis of today's results:

We recorded an excellent quarter for production with impact of the Neptune acquisition the ramp up of Ivory Coast and Norway and good performance in Libya. This production performance helped to mitigate the weaker gas price.

GGP results are down y/y versus an exceptional quarter for trading and optimisation in 1Q23 and also down versus the Q4 23 result which saw the benefit of the arbitration procedure. However, the Q1 result is in line with our expectation given seasonal strength but low market volatility.

You will have seen we have re-segmented EniLive and Plenitude together to highlight their importance, together, as material growth businesses for Eni in the changing energy market.

An important theme of this quarter is growth. I mentioned hydrocarbon production up 5% y/y, but in these Transition businesses it is really significant - bio throughputs have more than doubled, renewable energy generation is up 12% and quarter-end capacity up 30% y/y, while charging points are up 33%. And we are also progressing the regulatory framework for our CCS program.

Our more traditional downstream businesses are now grouped together with refining showing improved utilisation and capturing the q/q improvement in the SERM. Versalis was again loss-making albeit an improvement over Q4 but recall we set out our plans at the Capital Market Update in March to restructure and transform our Chemicals operations and you should expect more on this as we go through the year.

We have demonstrated good cash conversion, once again and this will drive a higher distribution, as indicated it would in March.

With the strong Q1 delivery and the prospect of improved macro conditions versus Plan we are raising our guidance for CFFO. We are now see CFFO for the Full Year 2024 in excess of €14Bln. Incidentally, marking-to-market based on a snapshot of the market this week would generate a higher figure.

As we set out in March our distribution commitment is to share up to 60% of additional cashflows above Plan with investors via the buyback. Therefore, we are raising the 2024 buyback by 45%, to €1.6Bln from €1.1Bln, with the continuing commitment to revisit in each of the remaining quarters to update on expected financial performance and the associated distribution. Our aim is that at a minimum we deliver the underlying business performance we target and ensure we capture the available upside from the Scenario.

Our Shareholder meeting on 15 May will consider the proposal to authorise our new Buyback programme up to a maximum of €3.5Bln. Our normal practice would be to begin repurchases shortly after that authorisation. If authorised our 2024 dividend on €1/share, paid quarterly, will start in September.

Our capex in the first quarter of €2Bln was in line with a FY figure of around €9Bln taking into account this period is historically lighter on spending. Similarly, we confirm that our major strategic inorganic acquisitions have been completed and we are making good progress in our target of a front-end loaded net €8Bln cash in over the 4 Year Plan Period which will result in net capex of €7-€8Bln in 2024. In the Annex you will also find the bridge to net debt, with leverage at 23% at the end of March which remains well within our guided range despite the portfolio cash out and the completion of the 2023 buyback.

Turning back to the proposed combination of our UK E&P operations with Ithaca Energy, let's take a more detailed view.

You are familiar with our use of Satellite structures at Var Energi and Azule. In the Upstream we use the satellite structure to build scale, realise synergies, increasing near field exploration and development potential and matching complementary cashflow profiles and efficiently access capital markets.

With Ithaca we tick all of the boxes. With the addition of Neptune and now Ithaca we are moving from a mature and quite marginal position in the UK to a leading status in terms of production of over 100kboed and resources. Quite clearly, the UK has its challenges but we are confident we are now in a position to access considerable operating and cost synergies critical for business success in a mature basin, give ourselves significant optionality, and helping to provide additional supply while addressing emissions. Together with our existing activities in CCS, which were also boosted with the Neptune purchase, and our participation in the giant Dogger Bank windfarm development, we are establishing ourselves as a significant participant in the UK energy industry, as it grows and decarbonises.

Reviewing our guidance versus March, we have increased confidence in Upstream production; underlying profitability at GGP, Enilive and Plenitude are all confirmed confirmed; so with a more positive Scenario we have raised 2024 guidance for both group pro-forma EBIT and CFFO to > €14 Bln.

With that in mind we can also confirm our gearing guidance and raise the expected Buyback for the year by 45% to €1.6Bln evidencing our commitment to share upside with our shareholders by means of a clear, attractive distribution policy.

Finally, I can provide some guidance for Q2. We expect production to be lower sequentially reflecting seasonal maintenance impacts and any divestments we conclude. In line with typical seasonal pattern and reflecting current trading environment, we expect Q2 results from GGP to be lower than Q1. For Plenitude we expect a solid Q2 performance in Retail - albeit with lower seasonal volumes, as well as a Renewables contribution that continues to reflect recent capacity growth. We anticipate utilisation rates in our conventional refineries to be down sequentially because of planned maintenance, while biorefinery availability is expected to remain steady at around 90%, with scope to capture higher seasonal demand in Marketing.

To conclude we are very pleased with our progress at the outset of 2024, demonstrating evidence of delivering against all our key objectives and we can see continued positive momentum across the remainder of 2024. We are also pleased to be able to materially raise the shareholder distribution for the year while continuing to grow a larger and more profitable Eni.

This concludes my review of the quarter. Along with Eni's top management I'm ready to answer your questions.

Q&A Session

Corporate Respondents

Francesco Gattei, CFO

Guido Brusco, Chief Operating Officer Natural Resources

Giuseppe Ricci, Chief Operating Officer Energy Evolution

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

Aldo Napolitano, Director Exploration (Natural Resources)

Adriano Alfani, CEO Versalis

Stefano Ballista, CEO Enilive

Stefano Goberti, CEO Plenitude

OPERATOR: The first question is from Josh Stone with UBS.

JOSHUA STONE, UBS: Two questions, please. Firstly, your net debt was up sharply in the quarter, and you've given a helpful chart on that. Looking forward, it clearly will come down. You've got some disposals to get away, probably working capital releases. But a question more about timing. When do you expect to see the benefits of these things to come down? Will it be this year, later this year? Will it start next year? Just help us understand the progression of net debt, that would be great.

Secondly, on Ithaca. Congratulations on agreeing the merger. We got another satellite soon to go up into orbit. The question is, at what point do we think you reach critical mass on the satellites? We acknowledge and we've still got Plenitude, Enilive, many other potentially to come. Will you continue to be active in this strategy elsewhere in the portfolio? Are there other things you're looking at, as potential satellites?

FRANCESCO GATTEI: Okay. On the timing of the net debt reduction, clearly, this quarter is the quarter where we are summing up the 2 major elements of raising the net debt for the year. These 2 major elements clearly are related to the acquisition of Neptune that is, between the amount we cashed out and the debt acquired, is around EUR 2.5 billion.

On the other side, this quarter, as you have seen, is also seasonally and traditionally impacted by working capital effect. So these 2 elements together are in excess of 5 percentage point of impact. And clearly, by having disposal, having a progression in the timing of cash in, we will be able to return to the range that we would like to be after a phase of, let's say, a number of acquisitions. Just to give you a flavor, in the last 15 months with the acquisition, as mentioned, of Neptune, the one of Chalmette, Novamont and also some renewables, the overall amount that we have, let's say, spent was in excess of EUR 5 billion. So that is around the 10% point of leverage.

Now we are entering the following phase, the following phase of valorization, it is a phase of dual exploration model application and therefore, let's say, benefiting and it's clearly also we will collect additional sources from the tail assets that we are going to sell.

So this is, I would say, a progress that you will see during the coming quarters, already starting from the second quarter and clearly speeding up during the rest of the year. This is something that is completely in line and also we have good evidence even at the start of this year of the quality of this portfolio that we are putting for valorization in the market.

About the Ithaca and the satellites - clearly, satellites have already proved to be material. If you look at what was our position in Var before - in Norway, sorry - before the start of Var, and even the situation or the position that we have both in Plenitude and Enilive and in Angola, you see that is a materiality. There is a strong growth. So the satellites help you to focus to cash in, to fuel your growth and to collect more tools to use, as we did for example with Var, this currency, if you're speaking about listed entities, eventually also for doing M&A opportunity or capturing M&A opportunity.

So the materiality of the satellite is evident, we will continue to grow in all these four. Clearly, Ithaca is adding to this list. We are thinking to few other, but clearly, still early stage to speak about. But clearly, this is a model that will have still some additional bullet to be shot.

OPERATOR: The next question is from Giacomo Romeo with Jefferies.

GIACOMO ROMEO, JEFFERIES: The first question is on GGP. What you reported, based about 40% of the target you have for the year. It's - at the time of the CMD, you clearly said that the guidance was based on market conditions that you were seeing back then. Just wondering, it seems that these conditions have somewhat improved, not just the flat price, but also in general volatility around spreads. Can you confirm that you're actually seeing these improvements? And do you expect PSV to be at healthy premium during the summer on the back of the trend of Italian gas storage?

Second question is still relatively close to GGP. And just thinking about what we heard from the Egyptian government about the outlook of importing LNG this summer, 8 to 10 cargoes. Just wondering what this means in your mind for the overall outlook for LNG exports out of Egypt for the year?

FRANCESCO GATTEI: I will leave the answers to Cristian Signoretto, Head of GGP.

CRISTIAN SIGNORETTO: Yes. So, thanks for the question. When it comes to the target, so yes, in the first quarter, we have realized 40% of the base case target that we have set during the Capital Markets update. I think this is a bit usual in the sense that usually, for a seasonal reason, I mean, the Q1 is always the strongest quarter of GGP, also in the past.

So I'd say in terms of volatility, well, the first quarter actually was pretty much in line with what we expected during the CMU. So that means that we are still looking forward for the next 9 months to see more volatility and more opportunities to be spread and captured in the market. And also, the upper part of the guidance is also linked to some renegotiations that we

have ongoing. And so in the next 9 months, we will be trying to close them down and get the upside that we were looking for.

When it comes to Egypt yes, clearly, the first quarter of this year, we have seen a steep reduction of export capacity from Egypt due to the supply and demand imbalance and the Middle East situation. December, the country expects to bring LNG from outside. We think that the next winter season could be another window of opportunity for export some LNG cargoes. Clearly not many, vis-a-vis the past, but given the strong seasonal demand and supply balance of Egypt, we still think that there is a window of opportunity for the next winter to be exporting some cargoes.

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

MATTHEW SMITH, BOFA: A couple from me. I think the first one, going back to sort of net debt and also timing, I guess there's - thank you for the gross CapEx guidance for the year. And I suppose, like you've alluded to, there's a bit of a gap that still remains between the net CapEx guidance and the gross CapEx guidance for 2024.

So I suppose my question is, how confident are you on delivering these disposal proceeds in the year? And I suppose, the question is really how important is that completing and that timing to you in terms of hitting the net CapEx guidance in 2024 versus the wider 4-year plan and against a backdrop of, I'm sure, looking to maximize value. So a question on confidence over timing on the disposals.

And then the second question, back to GGP, but less on volatility, more so your opinions on the fundamentals of the European gas market. I think some investors have been surprised by how well prices have held up in Europe. So just your reflections? And also if you had any thoughts on how European gas demand has evolved, that might be useful, please.

FRANCESCO GATTEI: In terms of the confidence of the deals, of the disposals, we are extremely confident. We are working with - already in a number of dossiers that are in advanced stage. We have already, let's say we are in many cases or in a few cases already, substantial in final discussions and therefore, we are very, very close. We are working on different, let's say, terms with other dossiers, but for us, in any case, everything is related to the proper value. So we are not, let's say, rushing and we are forced to sell because we target a reduction specifically.

We want to do good deals. I think that we proved in the past years to be extremely effective. And we were also extremely effective in, let's say, concluding the real closing, the actual closing of the deal after the announcement, and this also will be the case for the coming deals.

About the situation of the European fundamental of gas, I'll give back the floor to Cristian.

CRISTIAN SIGNORETTO: Yes. So thanks for the questions. If you remember, I mean, during our CMU, we have commented about the fact that we see still a very finely balanced market for

Europe, and actually for the world, in the next - at least - 12 to 18 months. And this actually is the case because, I mean, we are seeing in Asia and especially in China, a pickup in the demand. In the first 3 months, we have seen 17% of LNG growth in that area, in China. And it's true that demand in Europe has not been very robust because of the weather. But if you look at the fundamentals, we are seeing some pickup in the industrial demand recovery. We have seen also countries like Egypt, as we said before, flipping from being exporter to being importer, and that actually give another, let's say, stone into the balance of the LNG market. Freeport is actually - they have 2 trains out for maintenance.

So let's say, a few million ton of LNG can change, really can change the balance of the market. We, again, think that the summer will be still volatile because of this situation. Clearly, also the geopolitical situation can add on to that. We know also that there is uncertainty about the end of the Russian transit in Ukraine by the end of this year. So, we feel that the next 12 months could be still interesting and volatile from a market perspective.

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

ALESSANDRO POZZI, MEDIOBANCA: Two questions for me. On Enilive, I noticed that the biorefining throughput has increased materially, well above 90%. And I'm not sure whether that was driven by a redetermination of the effective capacity. But I was wondering if you can maybe give us some color on the increase in throughput there.

The second question is on the tax rate and income from associates in the E&P. Clearly, the E&P is having more equity accounting volumes. And I was wondering whether that will have an effect on the group tax rate? And also overall, whether the income from investments in E&P will be lumpy going forward, whether there will be more quarters or quarters where dividends are going to be richer compared to other quarters? That's all for me.

FRANCESCO GATTEI: I'll leave the first question to Stefano Ballista that should be on the phone.

STEFANO BALLISTA: Yes, Francesco. The utilization rate got a significant step-up. We are around 94%, with Gela, and Venice even a little bit higher. Main reasons are twofold. First, we didn't get any maintenance, any planned maintenance in this period. And actually, second, we are getting in place our operational excellence program that is step-by-step improving overall operating performance.

So this quarter, we got, I would say, the full results of this effort with pretty much no issue at all. And that's the level of utilization rate we have in place.

ALESSANDRO POZZI, MEDIOBANCA: What throughput? Or what do you expect for the year in terms of utilization rates?

STEFANO BALLISTA: Let's say, average utilization rate, including planned maintenance, it's about 85-90%. Next quarter is expected to be around 90%, a little bit higher, given a low number of planned maintenances.

FRANCESCO GATTEI: About the tax rate, the main difference on the tax rate is related to the mix of production countries, gas pricing - because this is versus last year, a major factor of difference more than the contribution from associates - so that this margin is not explaining the tax rate change.

In terms of distribution and dividend, we have different distribution policy in the various associates, and these are spread relatively steady during the quarters.

ALESSANDRO POZZI, MEDIOBANCA: And in terms of tax rate, at the group level for 24, should we assume a little bit below 50%?

FRANCESCO GATTEI: Yes, clearly related to the price assumption that we are showing.

OPERATOR: The next question is from Biraj Borkhataria with Royal Bank of Canada.

BIRAJ BORKHATARIA, RBC CAPITAL MARKETS: The first one is just a follow-up on Egypt. I was wondering if you could just give a bit broader perspective on your activities in the country. Obviously, it's an important one for Eni. It doesn't look like the receivable balance has moved this quarter. But could you just talk about whether you are looking to shift your activity levels up or down given the situations ongoing?

And then the second question is on divestments and the gross and net CapEx. You've talked to the net CapEx figure at the CMD. And I guess there's 2 parts of that as the upstream, which arguably is a bit more straightforward, and then there's a satellite portion with the various transactions that are going on. But when you farm down things like Plenitude, where the new partners are recapitalizing the entity, do you count that as in your divestment targets? Because I guess from the outside, you don't actually receive the cash on that front. So I'm trying to understand how you're accounting for the various different things that are going on because there's a lot of corporate transactions you're planning to do.

FRANCESCO GATTEI: First of all, I answer on this. Clearly, once I receive the cash from outside partner in Plenitude and Enilive, I consolidated the cash, exactly and fully consolidated the debt of the company. So that is a reduction in our, let's say, cash imbalance. So by definition, I will take into account of that. I'm surprised by this kind of comment.

In terms of Egypt, I can confirm that the overdue is in line, it was substantially not, let's say, impacted in the quarter. And I leave the floor to Guido Brusco, the Head of Natural Resources, for the description or the feedback related to the activity in the country.

GUIDO BRUSCO: Given the the size of operation in activity, of course, we still have some limited in-field activity and production optimization projects. We have clearly slowed down a little bit the exploration, but I mean, overall, we are running our activity as per the plan and as we expected to carry out over this year. So no big changes other than some slowdown on exploration activity.

OPERATOR: The next question is from Henry Tarr with Berenberg.

HENRY TARR, BERENBERG: Two. One is just on the share buyback uplift. I guess the increase comes from the higher scenario and so the lift to your cash flow estimates. But if you could just sort of talk through how you got to the EUR 1.6 billion, that would be great.

And then I guess, the current guidance is, if cash flow is better than the EUR 14 billion, is it an incremental 60% of the incremental that will come through into the buyback? That's the first question.

And then just on the second question. You mentioned that the supercomputer that you're investing in. What sort of an edge do you think it gives you through the reservoir modeling and exploration side?

FRANCESCO GATTEI: Okay. In terms of the updated guidance of the buyback, clearly, this is a mix of 2 elements. One is the strategic execution. If you have seen production performance, the growth in the renewables and Enilive, the downtime of the biorefineries, even the performance clearly that we've already accumulated in the traditional refineries, all these are facts that are behind the past month, the last quarter. So we have already cashed this advantage in the past month.

The other element, clearly, is the scenario. The scenario that we designed at the beginning of the year was a scenario where the price of oil was \$80. The price of oil today year-to-date as a practically 4 months already occurred is \$85, almost \$85. The gas in Europe, as we discussed before, is much stronger than expected. SERM proved to be extremely resilient.

So I think that proves that the energy environment is more supportive. There is also a geopolitical risk that had, with the Iranian events of the past weeks, some additional factors to be bullish. And clearly, we are quite confident that the performance that we have seen so far is continuing. So I will say that there is a contribution of internal and external factors.

On the supercomputer, I will leave to Guido Brusco for the comment.

GUIDO BRUSCO: I mean the supercomputer is just one element of our competitive advantage, together with, of course, the technology, which I mean, is our proprietary algorithm, which helps our staff to better understand the geological and reservoir modeling and, of course, the skill set of our people.

We have teams, we always trusted in the exploration as an engine for growth of the company. We never dismissed through-the-cycle people, and we maintained knowledge capability in the company. So the supercomputer is a big enabler of course, but I mean, the high computational capacity without the right skill set and without the algorithm which would drive this computational capacity towards something meaningful, wouldn't explain completely our competitive edge.

HENRY TARR, BERENBERG: Okay. Is there a CapEx number that you've given for the computer itself? Is it material or not really?

FRANCESCO GATTEI: Sorry, EUR 140 million, EUR 140 million.

HENRY TARR, BERENBERG: EUR 140 million. Great.

OPERATOR: The next question is from Irene Himona with Bernstein.

IRENE HIMONA, BERNSTEIN SG: My first question on Enilive, if you can talk a little bit about the performance of marketing within that in the quarter? And also as you step up your biorefining throughput, are you seeing a corresponding step-up in the agri feedstocks where I think you aim to be sort of 30-35% integrated?

And then the second question, if we go back to the asset disposal plan, the EUR 8 billion over 4 years, which really to take you back to pre-Neptune, I guess we add Neptune, so it's really EUR 10 billion over 4 years. You said at the beginning in your prepared remarks that the dual exploration model has delivered EUR 10 billion in 15 years, I think. So how confident are you in EUR 10 billion over 4 years, basically?

FRANCESCO GATTEI: First of all, and then I will let them answer related to the marketing and to the agri feedstocks to other people. About the disposal, that EUR 10 billion actually were accumulated in less than 5 years because were in 2013 and 2018, if you remember, we clearly - we showed that this overall disposal plan over the last 10 years, because we associated to the amount of discovery that we did over the 10 years. But if you remember, the Mozambique deal and the Zohr deals were substantially concluded between 2013 and 2018 or there was just a small, let's say, portion at the end of 2019. So in 4 or 5 years.

Clearly, now we are even more confident because at the end of the day, we are working on a larger set of opportunities that are coming from the traditional upstream but also through the new satellites. So I believe that 4-5 years in order to execute a plan of disposals, as the one that we mentioned in the CMD is absolutely achievable.

I then leave the floor to Stefano Ballista for the marketing, and then to Guido for the agri feedstock.

STEFANO BALLISTA: Yes, thank you, Francesco. Yes, marketing, we got a very good performance in this first quarter. Twofold main reasons. The first one is related to very good contribution from the wholesale business. This is coming from a revised strategy focused on the optimal trade-off between volume and margins. Contribution got fully realized this quarter as well.

And second point on retail performance, it's good. We managed, in a very peculiar way, let's say, the optimal pricing strategy per cluster. And then we start to get increased results from non-oil activities.

GUIDO BRUSCO: On the integration and the feedstock, I mean, the 30% is, of course, at regime. So when we mentioned this level of integration was at the back end of the plan. As you know, we have quite an exciting ramp-up of production over time. Just 2 years ago, we were producing a few thousands of tons of oil, vegetable oil. Last year, we produced around 40,000 [tons] and this year 100,000 [tons]. So you can see the scale of the ramp-up.

We have currently projects in 9 countries, Kenya, Congo, Ivory Coast, Mozambique, Angola, Rwanda, Kazakhstan, Vietnam, Italy and we are adding more countries over time, which

provides us a kind of diversification by geography and by kind of feedstock, which makes us more confident on our ability to deliver those volumes at the end of the plan.

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

PETER LOW, REDBURN: The first question was on the Plenitude results. Pro forma EBITDA, we did double Q-on-Q. And you're already a third of the way to the full year guidance of EUR 1 billion. Can you perhaps give a bit more color on what's driving that improvement and whether there are any seasonal or one-off effects in there? I was just trying to gauge whether you're kind of running ahead of plan there.

And then another question on the biorefining business. How do you see margins evolving for the rest of this year? In the US, it looks like they're still quite weak, but we have less visibility as to what's happening in Europe.

FRANCESCO GATTEI: Yes, the first question of Plenitude to Stefano Goberti, that is the Head of Plenitude, and then again to Stefano Ballista.

STEFANO GOBERTI: Peter, the first quarter 2024 was a good quarter for us, but we are taking advantage of what we have done so far also last year. So putting in production our renewable capacity. And also, we see good result in our retail activity, both in Italy where we maintain good marginality, and also abroad, where we are recovering marginality because the market conditions are better off - compared to prior period where the regulator put in place a measure to protect the vulnerable clients. So now better prices, better market condition, we could do our job clearly better. So there is no, let's say, one-off element in our result, it's just putting together our activity and then getting the results.

STEFANO BALLISTA: Yes. On margin, 2024 is a transitional year, both in Europe and in US. This is well known. It's given from, let's say, macro dynamics, supply and demand. Main reason is Sweden change of mandate. We expect, in any case, increasing margin in the second half of the year, in Europe for 2 main reasons. First, we got the approval from Holland of the new mandates, it gets to around 30% in terms of energy content. This means an upside of about 400,000 tons per year. And given current market size, this is pretty much 10% of increase. That's the first comment.

The second one, there is ongoing an antidumping procedure related to, let's say, flows from Far East. And this could revise the market dynamics and market competition with a significant effect on margin.

Looking forward on the following year, of course, we have a big change related to the ReFuelEU Aviation and to the deployment of the RED III that has been approved, but each state will have 18 months to get it deployed. So it's going to be effective from the following years.

The last comment on US again, let's say, similar expectation and more focus on 2025. We are waiting for the final approval of the revised target from the CARB related to the GHG reduction for California. Rumors are talking of an increased step-up already in 2025, that initially was

expected 5% increase. Now there is a chance to have between even 7% and 9%. This will drive a significant step up in terms of demand and in terms of market dynamics.

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

MICHELE DELLA VIGNA, GOLDMAN SACHS: Congratulations on the higher buyback. Two questions, if I may. The first one is on LNG. You're probably negotiating some long-term contracts for some of your new projects, including Congo, the second floating LNG in Mozambique, and I was wondering how you're finding the appetite to sign long-term contracts at this time? And if the shape still looks more or less 12% to 13% of Brent prices?

And then second, I wanted to come back a little bit to your buyback framework. It's very clear how you're distributing to shareholders 60% of the extra cash flow from the initial forecast you made at the CMD. But I was wondering if perhaps, it wouldn't be worth also considering some of the value from the proceeds you're getting from some of your high-margin businesses as part of something that you may want to share with investors in the formal buyback?

FRANCESCO GATTEI: The first on the buyback, and then I leave to Guido or Cristian the answer related to the LNG market.

On the buyback, we prefer to associate or to link our distribution policy to the strategic evolution of the company, in terms of cash flow distribution, higher distribution in case of upside, etc. It's clear that once you proceed with the overall rebalance from the point of view of leverage, from the point of view of the portfolio activity, then you have a different configuration of your assets, of your setup. And therefore, you could think to a policy that will, let's say, support a distribution in terms of cash flow from operation with different percentages.

But we don't want to consider some one-off element of distribution related to the portfolio. Portfolio is an element that is used, was used for designing Eni setup of today, it will be, again, an element to fine-tune the value or exiting certain mature assets or extracting the anticipated cash flow from exploration. But this is clearly a part of a broader strategic view where the distribution is an element connected to the cash flow from operation.

And then I leave to Guido for the LNG.

GUIDO BRUSCO: Michele, following my comments when we were discussing the fourth quarter results. We still see appetite and I mean, at that time, we were commenting some results of some of our bids. We have now more data indicating that there is appetite, particularly in the Far East where there is, interest to sign long-term contracts. Clearly, this is based on the view of those players on the growth of the economies and also the pace of the phaseout of coal in the energy mix of that part of the world.

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

ALASTAIR SYME, CITIGROUP: Francesco, apologies if I missed this at the CMD, but can you explain on Plenitude, what was behind the reduction in equity that was sold to EIP from 9% to 7.6% at close? Is it something to do with the amount of debt that was put into the business?

And then my second question was, press reports having you sold down a little bit of gas share in Abu Dhabi, was that a little bit, you've gone from 25% to 10%. Can you just explain what's driving this change? And you haven't disclosed the price, but maybe you can give us some sort of broad context as we look at the deleverage question?

FRANCESCO GATTEI: Yes. About the Plenitude deal, if you remember, EIP, let's say, presented an initial offer with an option to increase and raised that option for a certain amount that is not covering the overall full option. Clearly, it has nothing to do with us. It's a decision by the potential buyer. Discussions are going on and still continuing on potential upside of this stake, but it's something that is related to the funding capability of the buyer and from their point of view of the willingness to proceed with a higher stake.

About the gas in Abu Dhabi, I leave it to Guido.

GUIDO BRUSCO: I mean about the reduction on the participating interest in the project Hail and Ghasha, let me start from the very beginning. So this project started in, I mean, 2018-19, we started to look at this project. Then there was the COVID, we relooked into the project. And by then, our pipeline of projects, thanks to - I mean - the discoveries made and other opportunities that came across, basically expanded quite significantly. At the moment, we have a few of them running. We have a projects in Ivory Coast, we have a project in Congo LNG, we have a project in Libya and coming projects in Indonesia, in Mozambique.

So we had to, I mean, relook at our capital allocation in the upstream projects and rebalance allocation, both geographically and also by the type of commodity. That was the reason of the rebalancing of the participating interest in the Hail and Ghasha project.

ALASTAIR SYME: And can you say if there's much value? Or is it more about the forward CapEx allocation?

GUIDO BRUSCO: It was more about the CapEx allocation that was driving us to to be, I would say, more balanced.

OPERATOR: Next question is from Lydia Rainforth with Barclays.

LYDIA RAINFORTH, BARCLAYS: Two questions, if I could, please. On Versalis, can you just walk us through what steps get taken over the course of 2024? I know you're looking at sort of EBITDA neutral by sort of 2025, but obviously, there's quite a lot of work to do there. So I just wanted to work through what steps we might see in 2024?

And then secondly, if I could come back to the Ithaca transaction. Just kind of going through the details, maybe talk about the \$500 million potential dividend payout for this year. I'm going to say, is that a cash flow accretive event for Eni on the Ithaca transaction?

FRANCESCO GATTEI: I leave the floor to Adriano, and then I will return back for the answer on Ithaca.

ADRIANO ALFANI: Thanks, Lydia, for the question. As we communicated in the CMD in March, the transformation of Versalis journey is not a 1-quarter journey, but it's a 4-year journey, and probably will take a few more as we said.

Quarter-over-quarter, I mean, we are constantly increasing our efficiency in terms of cost reduction. And this is something that we've been able to do already in part in Q1, but it's not all coming in a quarter. We continue to accelerate the transformation of the company in order to build a platform. And this is the reason why, although it was not in Q1 but in April, we announced the acquisition of another compounding company, the Tecnofilm, that will enable to specialize in the end-user market.

Of course, we have a strong discipline like we always have done in the past, but we are accelerating the CapEx reduction, especially not at all the reduction on HSE and asset integrity, that remain our first priority, but on business that generate less margin. So we are perfectly on trajectory with what we announced in CMD, but the progress are quarter-on-quarter, not in one single quarter.

FRANCESCO GATTEI: About the Ithaca, the distribution policy that was designed with this target of EUR 500 million, is partially accretive versus our stand-alone case. We have already included this in our plan. So I would say the answer is yes.

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

KIM FUSTIER, HSBC: Just another follow-up, please, on the Ithaca combination. I guess the implied consideration paid by Ithaca seems to imply quite a large discount to the fair value in NAV of your U.K. assets. And I'm also a little surprised that there was no adjustment to the initial 38-39% range, despite quite a big slide that we've seen in Ithaca share price in the past 4 weeks. So maybe could you talk a little bit about how the final valuation was derived in that context?

And secondly, could you talk a little bit about the potential impact of the reimposition of US sanctions in Venezuela on your activities?

FRANCESCO GATTEI: On the Ithaca deal, clearly, we negotiated the deal over a number of months. I think that is, let's say, the reference of a price level that is, on a daily basis, shifting and moving, is not the proper way to assess a long-term strategic deal that is based on cash flow expectation, on rerating expectation, on synergies and upside. So the 38.5% is the result of all these assumptions and not the effect of daily trading.

I would like also to add that we have a 200 million or more improvement in terms of, let's say, value, net book value. So the deal is generating - let's say rerating - in the range of 200 million versus what we have in our accounting.

For Venezuela, I leave to Guido.

GUIDO BRUSCO: Well, on Venezuela, we are recording an increasing trend of lift in equity over time in the last quarter. And despite the GL44 being removed, we still expect to continue this positive trend of cargo assignment. I mean the GL44 has not been renewed, but is still in place, the so-called Ad Hoc Comfort procedure that the US authorities could provide to recover credit, which, in our case, being the gas production very necessary for the country, has always been granted in the past.

OPERATOR: Next question is from Alejandro Vigil with Santander.

ALEJANDRO VIGIL, SANTANDER: Just one question about the CCS, your CCS strategy. When are you expecting the first FID of the projects and the potential size of the investment?

FRANCESCO GATTEI: Guido?

GUIDO BRUSCO: On the CCS, our broad strategy is - I mean - we consider CCS as one of the lever of the decarbonization and the global net zero. We are currently running a project in Italy, in Ravenna, the Phase 1 of a bigger project, which we expect to start up within the quarter 2.

Then we have a Phase 2. The size of this Phase 2 is 4 million ton per annum. We expect to make an FID in 2025 and start up the injection before 2030.

Equally in U.K., we have a project in the Liverpool Bay area called HyNet. We have already negotiated – recently – a Heads of Agreement for the economic license, and we expect to receive the full economic license by the Q3 and make a cluster FID - together with a group of emitters - by the end of the year and start reinjection also before 2030.

We also have another project in U.K. – Bacton – in the Northeast of London.

And the size of the investment for this project, I'm talking about the Phase 2 of Ravenna and HyNet, in the transport and storage segment only, is between EUR 1.7 to 1.8 billion, gross.

OPERATOR: Next question is from Massimo Bonisoli with Equita.

MASSIMO BONISOLI, EQUITA: Two follow-up questions remaining. The first one on Plenitude, given the very strong performance in first quarter, the implied guidance for the remaining 9 months would be down year-on-year, if I calculated it correctly, since your renewable generation should be up year-on-year. Could you shed some light on the assumptions behind the guidance? Maybe you kept a good level of contingencies there.

The second follow-up on the buyback. Could you comment on the speed of the buyback that should be executed on a monthly basis?

STEFANO GOBERTI: Thank you, Massimo. The guidance is confirmed, EUR 1 billion of EBITDA. Of course, we are going ahead well with our progress in the strategy. So you're right, we have

3 GW of installed capacity and we are working on 2 GW of installation in 36 different projects across our operation areas.

And also in retail, we are doing good progress in our strategy and performance, especially in Europe. So for the time being, everything has been doing well, and we promised EUR 1 billion. We target this EUR 1 billion.

FRANCESCO GATTEI: On the buyback, you know that we start the buyback as soon as we receive the approval by the AGM. It can last up to the following year, up to the month of the same year, so March and April of the next year. That is the period we are looking at. And clearly, it will depend on the evolution of the business, of the scenario. But you have to consider as a preliminary estimate this, let's say, 10-months period as a reference.

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

BERTRAND HODEE, KEPLER CHEUVREUX: Yes. One question left. It's on Ivory Coast. Can you give us a bit more color on the Calao discovery and the optionality behind that discovery? It was on a different block from Baleine. So, what's the next step on Calao or more broadly on Ivory Coast exploration program going forward?

FRANCESCO GATTEI: Aldo Napolitano will do exploration, and then Guido will give the broader view on Ivory Coast.

ALDO NAPOLITANO: Yes, the Calao discovery is a new discovery. It's a discovery in a different play than Baleine. So, we think we have demonstrated that there are many options actually in Ivory Coast in terms of exploration. So new plays like the one of Baleine or the traditional play, if you like, in the case of - play means geologic theme - in the case of Calao that is coming from the experience that we have done also in neighboring basins. So, we have exported the experience that we had there.

We believe there are opportunities. So, you have seen, I guess, in the case of Baleine, we have got also acreage in addition to the discovery itself. We have some more acreage also around Calao. We will work on defining new opportunities.

For what concerns Calao itself, it's quite a large hydrocarbon accumulation that will require some appraisal activity. We are working on different scenarios for development, depending on what will be the final results from the data that we will acquire. I leave to Guido to complete.

GUIDO BRUSCO: Yes. So, this is Calao and the new discovery. And on Baleine, we are running full steam now with the Phase 2 of the project, which would come on stream by the end of the year with an additional production of about 40,000 barrels of oil, which would add to the 22,000-23,000 barrels which is the current production of the Phase 1, which is largely exceeding the initial expectation. So once the Phase 2 will come on stream, we'll have an overall production for oil between 60,000-70,000 barrels of oil per day and gas production of about 70 million standard cubic feet per day.

While we are executing the Phase 2, we are in the feed procurement phase for the Phase 3, where we expect, I would say, by beginning of 2025 to make a decision on an investment. This will be an FPSO, a stand-alone FPSO, and would bring the total production of oil to 150,000-plus barrel per day and gas to 200 million standard cubic feet per day.

FRANCESCO GATTEI: I think that we have completed the call. I would like to thank you for all the questions. And clearly, we will leave you, if you have any additional request, to be in contact with our Investor Relations team for all the additional information that you look for. Bye. Thank you.