

ENI S.p.A

Q1 2021 Results

30 April 2021

Presentation

Speaker:

Francesco Gattei – CFO

Good afternoon and welcome to Eni's Q1 2021 Results.

2021 is still a year of transition and the first quarter has demonstrated a different pace of recovery for our businesses.

The quarter was positive for oil with a 11% growth of Brent price in euro vs 1Q2020.

We have recorded a partial rebound of demand, now at around 95 million barrels per day, and a more materially disciplined supply, mainly thanks to the OPEC+ cut and natural decline of tight oil production.

Likewise, Chemicals rebounded strongly benefitting from industry-wide disruption due to winter weather in the US and higher demand in Asia.

On the other hand, other sectors are still facing a weak environment.

Downstream was impacted by negative refining margins, and lower volumes due to the lockdowns mainly across Europe.

Finally, notwithstanding the increase of gas prices, in Q1 spreads between PSV and TTF showed very low differential due to new supply sources in Italy and increased demand in Europe and Far East.

Notwithstanding this mixed market conditions, we are steadily making progress in our recovery. Eni EBIT adj at 1.3 Bln € was flat versus 1Q 2020, and 2.7 times higher than the previous quarter. Net profit adjusted at 0.27 Bln € was also 5 times higher than the first quarter 2020.

In detail:

in Upstream, our production of 1.7 million barrels per day is in line with our yearly guidance. Production was 5% lower than last year, with a steady gas profile and -9% in oil production due to OPEC+ cut and lower investments in production optimizations because of the pandemic.

In Exploration, within our infrastructure lead strategy, we discovered 120 Mboe mainly in Norway and in Angola, creating synergies with existing hubs and facilities. The Cuica discovery in Angola, is close to our existing FPSO in block 15/06 and will be connected to the production within 6 months.

Global Gas & LNG EBIT was slightly negative, due to the low spread between European hubs and due to reduced optimization opportunities with respect to last year. We expect the coming months remain challenging for this business.

With regards to Energy Evolution, we are rapidly progressing to expand the value of our Retail and Renewable businesses.

We entered the Spanish market this quarter, acquiring both Retail and Renewables assets, as well completing the acquisition of a 20% stake in Dogger Bank, our first wind offshore project in UK. The merger of the Retail and Renewable businesses is progressing and further on in the presentation I will outline the next steps to reach our goal to maximize value.

In Refining, a negative margin of -0.6 \$/bbl in the quarter and weaker retail sales in Europe, -10% year on year, impacted our results. Lockdowns and the limited air traffic demand weighted on the consumption of the most valuable products.

In Bio refining, where weak demand has also put pressure on margins, we have now started up a new Biomass Treatment Unit in Gela that will enable us to receive up to 100% waste and residue feedstock, in line with our palm-oil free target by 2023. Moreover, we made a material move in this promising sector this quarter with the acquisition of Fri-El, a leader in the Italian Biogas production.

Versalis, our chemical company, delivered its best result since 2018.

Coming on to Financials, with a CFFO of €1.96 Bln and Capex of € 1.4 Bln, we were able to generate a robust cashflow. Even taking into account a portfolio net acquisition of 400 mln €, we kept leverage flat at 31%.

Let's move on now to Natural Resources.

Upstream EBIT in the first quarter 2021 was 1.4 billion €, an increase of around 350€ mln compared to Q1 2020, thanks to the improved market conditions and notwithstanding the lower level of the production, around 90,000 barrels per day year-on-year.

In line with our yearly guidance, Production in 2021 is confirmed at around 1.7 million barrels of oil equivalent per day, considering OPEC+ cuts of 35 barrels per day. In the second quarter we expect a production to be at around 1.6 million barrels due to maintenance originally planned for 2020 and we postponed to 2021 due to Covid. We plan therefore a progressive rebound in the following quarters.

In 2021 with capex kept below € 4.5 billion we will be able to fully capture the benefit of a higher scenario. Assuming an average Brent price of 55\$ our organic FCF post working capital would be around € 3 billion growing to € 3.8 billion in a 60\$ scenario.

Regarding GGP, on 21st Feb 2021 the first LNG cargo was successfully loaded from Damietta Plant. To date a total of 9 cargoes have been loaded and we expect to maintain stable production during the rest

of the year for a total of around 40 cargoes across 2021 contributing to sustain our gas equity production in Egypt.

In terms of GGP EBIT, first quarter 2021 was slightly negative, down by 260 million € compared to the previous year. The result was mainly driven by the very low spread between the hubs- European hubs, minus 84% YoY, that lead to limited trading opportunities especially in Italy impacting around one third of the losses. The additional negative impact is mostly linked to the lack of positive one off optimizations that occurred in 1Q2020.

If the current scenario is confirmed for the rest of the year, we expect GGP 2021 EBIT to be almost at breakeven in terms of EBIT, whilst delivering a positive FCF of around 200 million also thanks to the contribution of the deal that led to Damietta start up.

Before moving to Energy evolution I want to focus briefly on the startup of Merakes field in Indonesia that we announced early this week.

Merakes is a concrete step in our strategy focused on increasing gas production, leveraging our infrastructure led exploration, and fast time to market.

Indeed, excluding the 6 months of temporary suspension due to Covid (March-September 2020), Merakes has been developed in less than two years from the FID, as a tie-in to the existing Jangkrik FPU.

The field is estimated to hold about 2 trillion cubic feet of lean gas in place and will contribute with an equity production of about 30,000 barrels per day in 2021 and of 50,000 barrels per day in 2022.

Merakes gas will be partially sold to the domestic market and will support the extension of the life of the Bontang LNG facility.

Moving on to Energy evolution,

Eni Gas and Luce and Renewables is growing rapidly: EBITDA in the first quarter 2021 was 220 million €, 17% higher than last year thanks to the strong performance of EGL which benefitted from a growing customers and service basis.

The combined entity Retail and Renewable will reach a 2021 Ebitda of 600 M€ growing almost 17% Year on Year.

Downstream EBIT in the quarter was slightly negative:

In R&M weak demand, in particular for jet fuel, due to widespread lockdown measures, put pressure on oil and bio-refining margins. We expect a gradual recovery over the course of the year with the easing of Covid measures.

Versalis posted a positive result for the first time since the second quarter of 2018, driven by polyethylene and styrenics demand and a good margins environment. We expect this positive environment gradually reduce in the coming quarters, but the result of the chemical segment is forecasted to remain positive.

For the full year, the lower than expected refining scenario will be almost compensated through a remediation action plan, as well as the positive chemical scenario. The overall Ebit Adj Proforma for Downstream R&M & Chemical will be in the range of 400M€.

Turning now to cash, in the first quarter of 2021, the adjusted cash flow from operations before working capital was at 1.96 bln €, exceeding our capex of 1.4 bln €.

Looking at 2021, we expect a cash flow from operations before working capital at replacement costs higher than 9 Bln € at Brent prices of around 60\$/bbl and assuming a refining margin just above zero. This cash flow generation will more than cover our 2021 capex of almost 6 bln €.

Before turning to the Q&A I would like to spend few minutes on our plan for the Retail & Renewables businesses.

Today, the Board of Eni has approved the launch of a strategic project to evaluate the best industrial and financial plan for the new entity resulting from the integration between Retail and Renewable activities.

This operation is part of Eni's wider commitment to delivering value through the energy transition and represents a material step in reducing the Scope 3 emissions of our domestic clients.

A journey that started few years ago.

On Renewables, in 2015 we created Energy Solutions, a business unit that has progressively expanded its span of technologies and geographies and it is now managing more than 1 GW of capacity installed or under construction in more than 10 countries. During this period, we have built different joint ventures to create growth opportunities in the US, with Falck Renewables, in Norway with Hitec and in Italy with CDP. In 2020 we also joined the world's largest offshore wind project with the acquisition of a 20% stake in Dogger Bank in the UK.

These JVs, together with other standalone initiatives, will be the sources of our organic growth.

In the meantime, we expanded our retail offer: in 2017 Eni Gas e Luce, the historical unit of Gas & Power dedicated to the final market, was established as a dedicated company for the sale of innovative energy services to final costumers.

EGL expanded its international footprint setting up a new company in Greece in 2018 and entering the Spanish market this year. Furthermore, EGL has enhanced its offer with additional services including energy management, electric mobility and building's energy upgrading, providing products and services to almost 10 million clients.

Looking to the future, we expect Retail G&P customers to grow to 15 million within this decade, with an increasing supply of renewable power and bio-methane.

Renewables capacity will reach more than 1 GW by the end of 2021, including projects under construction, reaching 5 GW of installed capacity by 2025 and 15 GW by 2030.

Through this new entity we are creating a unique proposition both for our customers and investors:

in an increasingly competitive market, Renewables will benefit from a captive customer base representing a stabilizing factor for revenues, giving more optionality in the use of the market opportunities and contracts;

at the same time, Retail will be able to sell green energy produced by proprietary plants. We believe that this will be a key marketing differentiation factor enhancing commercial attractiveness.

Finally, additional services, including distributed solar and energy management will complete our distinctive approach.

Overall, EBITDA of the new entity is expected to almost double from 600 million € in 2021 to around 1 billion € by the end of the plan. Operating Cash Flow Generation will double as well thanks to a resilient and free cash flow positive Retail business, accompanied by the Renewables business growing cash contribution.

Eni has formed an internal team, supported by strategic and financial advisors, to lead the project that will evaluate multiple options to extrapolate the maximum value from this new entity.

Options under consideration include a stock exchange listing through an initial public offering (IPO), or the sale or exchange of a minority stake in the new entity, during the course of 2022, subject to market conditions.

The market valorization will unlock value capturing the better enterprise value EBITDA multiples that today the market recognizes to Renewable and Retail companies.

Now together with Eni top management, we are ready to answer to your questions.

Q&A Session

CORPORATE RESPONDANTS

Francesco Gattei, CFO

Alessandro Puliti, Chief Operating Officer Natural Resources

Giuseppe Ricci, Chief Operating Officer Energy Evolution

Adriano Alfani, CEO Versalis

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

Alessandro Della Zoppa, Director Energy Solutions (Energy Evolution)

Umberto Carrara, Director Green/Traditional Refining and Marketing (Energy Evolution)

MICHELE DELLA VIGNA, GOLDMAN SACHS: Francesco, thank you very much for the presentation. I have 2 questions, if I may. The first one is on Eni gas e Luce. I was wondering, do you see this as your global vehicle for power, which includes all of the renewable work that you're doing in your upstream heartland plant in the Caspian, in Africa, in Southeast Asia or more as a European-focused company? And then secondly, your ongoing exploration success continues to provide you with a large funnel of short-cycle development opportunities. At the time when the macro recovery is finally coming through, do you see an opportunity to accelerate the development of these projects? And what do you see as the most interesting investment decisions?

FRANCESCO GATTEI: Okay. Thank you, Michele. About EGL, and then I will leave to Alessandro Puliti, the answer about the exploration and then FID.

Now in terms of EGL, what I can tell you is that this is a vehicle that for us – is a vehicle to decarbonize our domestic clients. So that is the main scope of this vehicle. This vehicle is substantially a new entity,

there is no such kind of players in the market. The market is now specialized or is building and generating capacity or on the other side is selling power to the clients.

We are generating now. We are creating this new machine that put together, these 2 streams, and in the middle, there is value. Because in the middle, there is energy management, there is a capability to absorb the fluctuation of renewables. And so gaining value from that. And there is clearly value in the 2 side of this proposition because, as we said, there is stabilizing the renewable sales to a captive client, and there is a green marketing proposal that is attractive for the domestic customers.

In term of the boundaries of this vehicle, this vehicle will be clearly mainly an OECD player because clearly, in this area, there is the full chain covered, but there is no an exclusive -- let's say, for example, we have opportunity in certain countries that we believe are quite promising. For example, we think in Kazakhstan, countries of E&P, original historical positioning. In this country, we could just be exposed to the generation side. In the future, we don't know. In the future, we will see what's going on. But the generation side will remain attractive. So where there is a market that is, let's say, more mature, advance, there is an opportunity to sell directly to the final customer. Otherwise, we will sell to the grid, for example, also in Australia, where we have activity already existing. What will not be included is that kind of generation capacity that is, let's say, embedded and the strictly connected to our upstream plans, in that case, this capacity is just a facilities of our upstream activity.

Now I leave the second answer to Alessandro.

ALESSANDRO PULITI: Okay. Good afternoon. Regarding ability to transform recent exploration success and accelerate development program to capture the oil pricing upside. I would say that this is exactly - the strategy was set because our exploration is mainly devoted to the, so-called, infrastructure led exploration. So means targeting prospects nearby existing infrastructure and facilities to accelerate time to market and bring new production to the market.

Also, we have a strong input in what is called the near field exploration. So directly close to fields already in production. I would like just to give you an example on this recently in the Western desert of Egypt, Arcadia Discovery led in few months, really, in a few months, so the original 3, 4 months, from zero to an addition of 50,000 barrels of oil to our Agiba operating company in the western desert of Egypt and this was immediately put into production right after 4 successful exploration wells.

MEHDI ENNEBATI, BANK OF AMERICA: So 2 questions, please. The first one regarding the upstream. If we apply the sensitivity to the oil that you provided us a few months ago? Your first quarter upstream EBIT would have been much higher than what you posted. Can you please tell us why there was such a difference between what you posted and the figures based on the sensitivity? Is there any one-off or anything like that, which negatively impact you on your actual EBIT?

And the second question, please, on Versalis. You posted positive EBIT for the first time in 2018 as you said. This is good but if I look at the utilization rate of your chemical plants, it remained at around 70%. Does it mean that you are able to take advantage of the strong macroeconomic environment that

the local demand doesn't allow you to increase the production? Or should we expect a higher utilization rate in the coming quarters for the division as you forecast margins to remain good?

FRANCESCO GATTEI: I will answer to the first and then I will leave to Adriano Alfani, the answer about the chemical performance. Actually, once you apply the sensitivity, there are 2 elements to be taken into account, then I will describe also the specific case. The 2 elements that you have to take into account, that on a quarterly basis, I think that there are various moving parts, so it is capturing a shift quarter-by-quarter, It is, let's say, relatively not precise.

Another factor that we have to take into account is that in the sensitivity, clearly, there is – we said that this kind of sensitivity are designed with a movement of prices that are relatively small. So in the sense of 5–7 \$ because what's going on is that if you have a \$17 change, if you compare, for example, the last quarter 2020, with the first quarter 2021, first of all, you have 50% of that gas. In that gas, there is – just to give you an idea, a 20% that is spot, so it is collecting the dynamic of that quarter. Then there is another 30% that is oil linked. And once it is oil linked, it doesn't mean that it's oil linked of that quarter. Generally speaking, it's a 9-month average of the previous 9 months. So there will be, let's say, a sort of lag time changes in the price of that 30%. And then there is a 50% of gas that is related to fixed price. So formula price that are completely, let's say, not referred, not linked to variation of scenario or very marginal link to that. So that is the first element that we have to take into account. So a linear approach of sensitivity in a quarter, it is in such a size of changes, it is not correct. Then there is also some PSA impact that could also affect. Specifically, for the quarter 2020 and the early quarter 2021, there were 2 factors. At the end of the year generally you have also one-off. For example, at the end of last year, we had an insurance benefit. We have a settlement in West Africa. So there were some changes that impact the positive that quarter in the EBIT – at the EBIT level. And then there was also a change of mix.

The change on mix, for example, was just to give you a figure, a larger figure was a large increase in the gas of Zohr that has a fixed formula. And there was, for example, a lower contribution in Indonesia for Jangkrik that is more related to the spot market or the JKM. And then there were also changes, for example, in Karachaganak or Nigeria. So even if you have some absolute gas trend or absolute volume trends that seem similar, there are a lot of moving parts. Another element then justifies that once you have this larger variation, it is more appropriate to apply a certain degree of discount. It is not large, this discount, but it is, let's say, reflecting all the factors that I mentioned now. Then I leave it to Adriano for the answer about chemicals.

ADRIANO ALFANI: Sure. Thanks, Francesco. Can you hear me well? As you described, the situation in Q1 was extremely positive because we have seen a global recovery in demand and mainly in Asia and North America, but also in Europe, a strong recovery and a rebound that was significantly faster and bigger than what we expected at the beginning. This was also complemented with additional problem on the supply side.

Why I say additional because already at the end of 2020 with the hurricane season in the U.S., we started to see some limitation imported products from North America and saw some shortage in Europe. And this shortage has been increased in Q1 due to a very bad – very bad weather in Texas [...] that probably Texas hasn't seen for I don't know how many years. And also some unplanned event in Asia

and in Europe.

As you said, our asset utilization was in the range of 70–72%. Why we could not run more? Mainly for 2 reasons. One reason is related to internal effects because we have some unplanned event, very minor unplanned event that limit us a little bit in terms of producing more. But also because in some stream of business, we also buy product in the market. So like benzene, like [...] and few other chemicals that being very short in the market, we also face some challenge in order to secure. And so this is the reason why in Q1, we run as much as possible, but asset utilization was in the range of 72%, which was anyway very much in line with the Q4 2020.

In the second quarter, our asset utilization will be impacted by few planning events that we have already announced. I'm talking about events like the turnaround in Brindisi – the big cracking in Brindisi, some activity that we also announced this week in Mantova. So we are going to have limited capacity driven by the turnaround season.

MEHDI ENNEBATI: Thank you very much.

JON RIGBY, UBS: Thank you. Hi, everybody. I just have a quick question on the transaction [...] or the proposed transaction. The first is, is the transaction in of itself all or that you plan to do? Or is there some second wave that will emphasize the value extraction? So what I mean is, clearly, this will raise cash for Eni corporate, is there a plan for what you would do with the cash from any transaction that you're proposing to do, enhance a buyback or something just to actually physically demonstrate and highlight the differential in valuations?

And then the second question is we sort of wrestle with this issue of the paradox of trying to maintain the advantage of – competitive advantage that integrated oil companies have in entering some of these markets with the skills that they have against the sort of integrated discount on operational side. So is there a way of structure, a management and legal arrangement that you can set up that maintains the sort of independence of this new entity, but is also able to ensure that you share the skill set that existed in the Eni Group?

FRANCESCO GATTEI: Okay. Jon, clearly, about the first question, you touched on an important point. I would like just to recap what are the 3 main rationale about this transaction and this merger and the potential IPO disposal the next year. I think that the first element, it is an industrial rationale. The industrial rationale is what I mentioned. This integrated value chain that will stabilize value, that will add the value at the end and that will create value in the middle. So I think this is something that could be done only by an integrated player.

The second element is that to create a vehicle that is working in this new area of growth, in these new businesses with the right and proper metrics. When I speak about metric, I'm speaking about the multiple for value, but I also speak about the cost of capital and speak about the dividend policy of this vehicle and I'm speaking about the leverage level. So we will, let's say, create a runner for this growth area of businesses.

In the current world, if you enter and play this game, you buy immediately with certain multiple. And

once this new opportunity enters your portfolio, they will be immediately discounted as you are an integrated oil and gas company. So we wanted to have the right currency to play this game.

So the third element instead is what you mentioned. The fact that this opportunity is an opportunity to free cash to stabilize and improve the distribution policy of Eni and reinforce substantially both the capability to growth of the new entity. So accelerating Capex, thanks to the benefit of this new equity, let's say, inflows, but also on the leverage that we will be able to attract and substantially relieving Eni from the cash – let's say, cash impact to invest in these new businesses.

So I think that it is too early now to design a use of the proceeds. But what I can tell you what is visible is that there is a win-win opportunity, both for the new entity and for the mother company. Clearly, we want to keep – and this is coming to the second question. We want to keep the control of this entity because we believe that we want to highlight the value, and I mentioned this one before, but we want also to prove that this is just one of the lag of our decarbonization plan. And Eni will be an energy company, fully decarbonized in all segments, in all sectors, in processes and products.

In this way, we are, let's say, creating the tool to, let's say, decarbonize our domestic clients. But clearly, we are decarbonizing our upstream with a net zero target in 2030, the downstream, you know that we have the target at 2040. And overall, we have a Scope 3 target. So we have then to touch the additional element of our emission flows. So there will be other clients, the mobility clients that have to be decarbonized. And there will be also the clients that we don't touch directly. So the clients that are just user of our oil and gas production.

So I think that we want to keep this link because and this is the reason we are thinking to a minority stake disposal because I think that this is an early phase of this journey, and it is a process that will touch overall the company. And we believe that this kind of discount will be progressively reduced because of the overall effort that you will see in all segments.

ALESSANDRO POZZI, MEDIOBANCA: I have a few questions. The first one on the tax rate. I think there are a couple of surprises there. At the group level, 75% is probably a bit higher than what I had expected. So if can maybe give us some additional color there. But then at the same time, I think the upstream was quite low despite increase in volumes from North Africa and Egypt. So maybe can you tell us how we should model the tax rate in the upstream and at the group level going forward in 2021?

And also, maybe an update on the renewable pipeline. Can you give us maybe some color on the next key projects coming on stream? And also, obviously, you signed a new JV with CDP and GreenIT, I was wondering what type of opportunities do you see? And also the type of permitting that Italy is quite slow to get permits for new projects. So then you have quite an ambitious target of 1 gigawatt of new capacity. Yes, only that.

FRANCESCO GATTEI: Okay. Thank you. Then I will answer to the tax, and then I will leave it to Alessandro Della Zoppa, the answer about renewables. About the tax rate, it is right. It was even 73%. That is a bit higher than our original estimate. I think that the overall, let's say, group tax rate have to be read taken into account that we have a very negative performance in this quarter of R&M and the

GGP. So the segments that are substantially with a very low tax rate.

And we have to take also into account that we didn't recognize certain deferred tax assets in Italy due to this -- to the potential, let's say, future recoverability. So there is one factor that substantially impacted this effect. Without this one-off element, we would have been to the same level of the guidance, so a 60% tax rate at around \$60.

About E&P, the E&P tax rate is 50%. That is quite low. It is quite low because in a world of \$60, you will have benefit from many countries and not only, let's say, the higher tax rate typical countries that are Libya, Egypt, Middle East, etc. But you benefit also for results from other regions, OECD countries, etc, Italy. So the overall E&P is benefiting off of this mix of different contributors.

In term of the expectation of the tax rate, in the full year, again, I can confirm that we return to the overall 60%, 65% because this one-off element that you have seen in this quarter is expected substantially to be minimized and reabsorbed. So I think that the guidance, again, on a quarterly basis has a value, but cannot be taken in absolute terms so have to be a bit corrected. In a yearly basis, it is confirmed.

And then, Alessandro, if you are able, if you can, please answer to the question of renewables growth?

ALESSADRO DELLA ZOPPA: Yes. In renewables, as we said, we expect to have -- to exceed 1 gigawatt of capacity at the end of this year, installed or under construction. And coming to your question specifically on the pipeline, we are also working to reinforce our pipeline towards the target of 4 gigawatt in 2024. We are doing this along a number of lines of development, I would mention a few. One is our JV in the US together with Falck renewables that is now -- the JV is now fully operational and is taking advantage of an improving framework generated by the new administration.

In Southern Europe, we are working on a number of targets, especially in co-developments as the one that we announced just 1 month ago with the Spanish company, X-Elio, by which we will acquire 3 photovoltaic plants in the south of Spain. We are targeting, particularly those countries because these are the countries where we expect to be able to explore to exploit the more synergies with our retail business, that also entered Spain, for example, in the last month.

And last, but I would say, also very important is what we are doing in Italy. Our joint venture with Cassa Depositi e Prestiti is also now fully operational. And it's working in order to reinforce our pipeline of greenfield projects, including through the announcement of real estate assets, that we own or GDP owns or the public administration owns and are now unutilized. This is, we think, a field of development that is very interesting from an economic point of view and also very much in line with the development of this sector in our country.

ALESSANDRO POZZI: Okay. Did you expect a bit more favorable environment in Italy from the new government? Do you think permitting will be accelerating the process?

ALESSADRO DELLA ZOPPA: Certainly, we see the conditions now for the environment to improve, especially in the authorization processes that are, let me say, the weak point -- the weak element that

has slowed down the development of renewables in the last few years. There are certainly a number of good announcements in this respect by the government.

ALESSANDRO POZZI: Perfect. So maybe if I can squeeze the final one. It's probably not a clear finding the right comparable for the renewable and the retail business together, what sort of valuation do you have? What sort of multiples we should think about for that business?

FRANCESCO GATTEI: Alessandro, I think that clearly, it is too early because we have -- we are selling this concept, that is clearly a new concept, but just to give you some elements coming from the market. An E&P measure is now valued 4 to 5 times EBITDA, Retail I think is valued between 7 to 8x of EBITDA and the renewable players is valued clearly based on the growth assumption, et cetera, between 10 to 15x EBITDA. There are also exceptions above that. So the structure or the highlight of this vehicle outside has already immediately a value proposition. The combination of these 2 entities clearly could move the potential mixed vehicle in the range of a double-digit multiple.

IRENE HIMONA, SOCIETE GENERALE: Two questions, please. First, a question on Mexico, if I may. They have just passed this new hydrocarbon law, rolling back the energy liberalization of recent years. You have quite a presence there, obviously. I wonder how we should think about the risks to Eni, in particular, to the full development of Area 1? Or indeed in terms of potentially higher tax and royalty levels in Mexico?

And my second question is on the global gas and LNG business. I mean, it seems you're making sort of -- you're delivering profit in quarters when you had some contractual renegotiation. So if we remove that, we're left with essentially a trading business. How should we think of this business because, clearly, we cannot model or predict contractual settlements -- How should we think of this going forward, please?

FRANCESCO GATTEI: Thank you. Thank you, Irene. I leave the answer on Mexico to Alessandro Puliti and on the LNG business to Cristian Signoretto.

ALESSANDRO PULITI: Okay. Regarding Mexico and our project and new laws. So our project is progressing. As you know, we are in the early production phase nowadays, and we are constantly producing above 20,000 barrels of oil per day. In the next year, it is foreseen the installation of the FPSO, and then we will ramp up to its maximum production. So we are not envisaging impact on our project due to the new law. Because as far as we understand, it won't affect this project but would affect other, let's say, oil trading business but not development, this kind of development. So for the time being, we don't have any doubt on our project delivery in Mexico. And I will leave the floor to Cristian for the LNG.

CRISTIAN SIGNORETTO: So let me elaborate maybe the answer on 2 pillars. So on the gas business, which is mostly clearly geared into Europe and in Italy, as you pointed out, this is clearly affected by the renegotiation that we have with our long-term supplier as it used to be in the past. As you can imagine, this quarter was affected by the negative impact of the spread between the Italian market and the European market, which in turn clearly affects our long-term supply agreements. And clearly, so

this has triggered a renegotiation that will bear its fruit in the future.

When it comes to the LNG instead, as you know, we are planning to grow substantially our portfolio in sync with our upstream activities. In the first quarter, we sold 1.5 million tonnes of LNG. But in that quarter, we don't see any contribution to Damietta, the startup. And in the future quarters, you will see that clearly also contributing. And in the future, I mean, also thanks to other equity project, this will be increased even further. And -- but as you can imagine now that activity is linked to the midstream part of the value chain. So the -- say, the movement of the flat price of the LNG and of the gas is captured to the upstream. Here, we are taking care of the, let's say, trading margin, as you call it, which comes from the differential between the price at which we buy, the LNG at the price at which we sell it into the global market.

OSWALD C. CLINT, BERNSTEIN: Francesco, just I wonder if you could help think about the cash flows from some of your other start ups. You spoke about Merakes, but in terms of Algeria and Angola and Sharjah recently, the ramping up there, what is a little bit opaque, I guess, on pricing and tax. Just some indication or color around or maybe the cash flow per barrel that those projects are really delivering, please, that would be helpful. And then could you talk around any feedstock pricing pressures as it relates to your biorefineries? Obviously, Gela has the locally sourced biomass, but what about the palm oil as it relates to? Has there been pressure there in the first quarter? And how do you think it plays out through the rest of the year?

FRANCESCO GATTEI: Thank you, Oswald. I leave this second question to Pino Ricci and Umberto Carrara and then I will return to you about the project that you described in terms of contribution. Clearly, we are not providing details at the project level. What I can -- I can tell you, I will describe later. Pino, please?

UMBERTO CARRARA: Okay. Umberto speaking. Yes, about the pricing of the feedstock in our biorefinery. Yes, the first quarter was -- we had quite a pressure from the palm oil, which was the main component of our feedstock for the biorefinery. But we do expect a significant variation in the course of the year, because we have put in operation, our BTU that will allow us to change significantly the slate of the feedstock for the biorefinery.

FRANCESCO GATTEI: About the cash flow, clearly, each comp -- each project has its own cash also because is characterized by completely different products. The project in Sharjah is a project of gas with condensate. So wet gas, it is quite attractive in terms of cash flow. The one of Algeria that you are referring to the, Berkine, is made of 2 different streams. One is a gas production and the other one is an oil production that we started a year earlier. What I can tell you is that substantially in terms of cash generation, we are perfectly in line with our expectations. So I think that you have seen from the cash assumption in terms of cash flow from operation that we are presenting in a \$60 world. Actually, we are capturing the full benefit of the scenario. You have to consider that this is on a yearly basis. We will be able to capture both the oil, but also the gas that is growing, as we mentioned before, because of the time line in particular, in the oil linked contracts, clearly not in the fixed domestic sales.

But just to give you a measure, we presented our plan in February with a \$50 assumption of oil, with a

cash flow from operation that was close to EUR 8 billion, just below EUR 8 billion. Adding up, this \$10 changes assumption of a \$60 Brent, we will gain practically 1.5 in terms of oil of Brent effect. But you have also to take into account of Serm that we are presenting with an assumption in that sensitivity close to 0. So we are losing an additional 300 million. You could add something on chemicals. But at the end of the day, if you make the sum, you reach a value closer to the 9 billion — in excess of the EUR 9 billion, that is exactly the reference that we are presenting to you.

Actually, in our forecast, we are also gaining a bit more, thanks to the performance, to the mix. So I would say that everything is actually in line with our prediction. And the contributions of these new fields are taking into account in the overall mix, contributing with positive value because they are essentially onshore brownfield, the case of Sharjah, in the case of Berkine, there is clearly a lot of facilities. And there is clearly a benefit from that point of view.

MASSIMO BONISOLI, EQUITA: I have a question on the announced transaction. You mentioned among the options, an exchange of a minority stake so could you give us some color on this option? Would you eventually swap your stake for another minority in a renewable company? Or it may also include other E&P assets? Are you looking for synergies with another renewable retail company?

And the second question is back on the call of the fourth quarter. It was announced there that you will eventually have a transaction in the upstream, like the one with Var Energy for a joint venture in upstream assets. Are you targeting a larger portfolio of assets for the JV, which include multiple countries in the same region, just to understand the perimeter of a deal in the upstream?

FRANCESCO GATTEI: Okay. About the first transaction, the retailer renewable. Clearly, we have listed 3 different opportunities, clearly, the IPO, the disposal to a strategic player, or eventually a combination. Clearly, this third element cannot be a combination for an upstream player. We want to create a retailer renewable champion. So we have to assume it to work within that playground. So I think that this is the logic of this operation and of this potential option. Because at the end of the day, we listed all the potential option in this early phase of our study.

About the Var like initiative, if you remember once we presented the strategy, we said that we would like to have this kind of combination because we want to create vehicle that are able financially to be stand alone. This is different from the retail renewable. In this case, the target is to have a big consolidated vehicle as Var able to collect cash, et cetera, and to distribute dividend and to reduce the Capex exposure, in particular in certain countries or regions that are more, let's say, capital intensive.

So from the point of view, we are actually working very hard on that. There are more areas of interest, more geographies of interest and potentially different operations, not all at the same as say, degree of maturity. But clearly, we are thinking to combination where we could have a few countries together, not too many countries because once you build this kind of vehicle, you have to think on operational synergies, we have to think of financial attractiveness and also you have to think on governance. So you cannot be just to say, to put together in a big soup, all the ingredients that you like. You have to select the right one.

MASSIMO BONISOLI: Very clear, Francesco, if I may squeeze in another quick, very quick question just for our models. Considering the change in the assumption of oil for cash flow generation, what would be your new net working capital impact for 2021?

FRANCESCO GATTEI: On working capital, the assumption is substantially to have around EUR 500 million of absorb of working capital. So we continue to have this kind of assumption.

GIACOMO ROMEO, JEFFERIES.: The first question is on renewable capacity growth that you discussed. A lot of the focus of the JVs you mentioned seems to be tilted towards solar. And your scale at the moment in wind is, we could say, somewhat suboptimal. Can you talk a little bit about the potential bidding opportunities to add capacity in this technology? And where do you see wind — offshore wind capacity going in the context of your 5 gigawatts and 15 gigawatt target?

And the second question is you mentioned that EGL Power and Renewables is just one of your decarbonization legs. Your biofuel business is also quite unique in the context of the integrated sector, I think. So do you think that the value of this business is fully recognized at the moment? And have you considered a similar path to the one you announced today with — for Eni Gas and Luce and Renewables for this business as well?

FRANCESCO GATTEI: Okay, Giacomo. On the second question, then I leave to Alessandro again about the wind offshore plan. Clearly, we started with this domestic decarbonized model because we think this is more mature. There is a larger client basis. There is an opportunity to grow faster in the renewable capacity. And there is, let's say, this opportunity to create the joined and the integrated model. So I think that is the first step that we have designed. And I agree with you that the other element that is quite interesting is the biorefining and the mobility client. The mobility client is the other side of the domestic client. The domestic client is exiting and taking a car and moving around. So it surely has the same mindset to receive asset of the carbonized product. And you know that we have the second, let's say, in term of capacity, we are the second operator, the second player for biorefining capacity. We have the ecofining that is a unique technology that gives us a lot of flexibility, but we prefer to grow further and to, let's say, reinforce this model before thinking to something more. Clearly, in this current configuration, all the technologies, this new business and many other in the overall evaluation of Eni are relatively discounted. So we have to think about that. And Alessandro, if you want to integrate about the wind

ALESSANDRO DELLA ZOPPA: Yes, I can confirm that looking forward, we are going to rebalance our pipeline portfolio between solar and wind. In the past, we focused particularly on photovoltaic projects, but we are now shifting this. And we have — looking to geographies, we option wind projects under construction currently in Italy, in Kazakhstan. We entered a new project in Iowa in the U.S. So what we are targeting is to come to 2024 with a split of renewable power generation between wind and solar. I would say, 60% solar and 40% wind, which will also include, as you mentioned, offshore wind and after our entry into Dogger Bank, we are also looking to those kind of projects.

LUCAS HERRMANN, EXANE: Thanks very much. And thanks for the opportunity and you know the

commentary around trying to attract values at bit is very encouraging or thinking much more about how to play with your portfolio. Just going back to another aspect of that, part of the strategy is clearly to realize value through divesting some of your upstream positions. And I wondered how that market was looking for you at the present time. I'd assume more robust, but any commentary around potential divestments, JVs, et cetera, would be helpful.

And secondly, if I could just go back to LNG, a couple of questions really.

First, Merakes, how much of the production in Merakes, I presume all of it goes through Bontang but how much of it is actually contracted to other buyers at the present time? How much do you end up being able to play with? And staying with LNG, on Damietta, 2 questions, unfortunately. One is, can you just explain the structure? I presume that Damietta is a tolling facility itself and you toll gas and you take the offtake? And secondly, to what extent will that support resource production at 3.2 Bcf a day through the course of this year?

FRANCESCO GATTEI: Okay. About disposal, then the other 2 question about LNG are given to Cristian. Now the disposal, clearly, we are working, you know, that we presented a plan of disposal for the 4-year plan in the range of EUR 2 billion, so practically EUR 500 million per year. And actually, this year, we are expecting to have a net effect between disposal and acquisition of, let's say, minus EUR 500 million because we are selling for \$500 million and potentially having, let's say, potential acquisition in the range of EUR 1 billion in different sector.

I'm not just referring specifically to upstream. We are clearly working on different dossier in the uptime side with -- there are at least 4, 5 assets that are under tender, in certain cases, quite advanced. And I think this process is maturing. There are assets that are coming from the dual exploration approach. Assets that are related to, let's say, mature countries where we consider no more core in our portfolio and other opportunity that we could monetize and valorize through this eventually, to a partial disposal of a smaller stake. So the process is coming in. It takes time because negotiation require a lot of detail, and therefore, you will see some effects in the coming months. About LNG?

CRISTIAN SIGNORETTO: See, on Merakes, I can tell you that a quarter of that production is going to go to the domestic market as per, let's say, the government requirement. And then the rest of it will be feeding the Bontang LNG facility. And it will be already put into the market, let's say, in the next, let's say, weeks and months. And we are discussing with the authorities and also with the potential offtakers, clearly, including Eni itself to enter into long-term agreements starting from, I would say, 2022, for securing the offtake of the LNG from the Merakes production.

When it comes to Damietta, I think clearly, you're right, Damietta -- you can consider it as a tolling facility, whereby Eni owns 50% of the equity and thus, let's say, provide the tolling arrangement. When it comes to the link between the production of Damietta and Zohr again, I'll give the floor to Alessandro, which can give more color on that.

ALESSANDRO PULITI: Okay. So regarding Zohr and Damietta, here is no direct commercial link, but there is clearly a production link between the 2 facilities. I'll give you just an example: Q1 2020, Zohr production averaged 2 Bcf per day. In Q1 2021, Zohr production has averaged 3 Bcf per day. So clearly,

Zohr is producing almost 50% of the gas produced in Egypt and it acts as swing producer in the country. So the opening of this export opportunity has contributed substantially to reach the nearby, the maximum capacity of Zohr production benefiting certainly the upstream side together with the mainstream side.

LUCAS OLIVER HERRMANN: And what do you forecast will be in the fourth quarter this year on average?

ALESSANDRO PULITI: the fourth quarter on average will be certainly above 3 Bcf per day, while the average of the year, where we include clearly less consumption during the summer, will be around 2.7 Bcf per day.

BERTRAND HODEE, KEPLER CHEUVREUX: Francesco, two questions, if I may, related to gas prices. On Zohr first, my understanding is that on your Zohr gas price realization, there was a formula linked to Brent price with a floor at \$4.2 and a cap at \$6 per Mcf, when oil price was above \$60 oil. So my question is, is there a lag effect on Zohr meaning that we could see, if all prices stay above \$60 in the next quarter, an uplift in your natural gas price realization? That is my first question.

And the second question is on the TTF PSV spread. So you clearly mentioned that you have suffered this quarter from this narrowing spread. And – but the reason behind that is, and you may share your view on that, is probably the new volumes from Shah Deniz. But in a way, is that a structural narrowing and hence your action to renegotiate some gas contracts?

FRANCESCO GATTEI: Okay. I leave to Alessandro and to Cristian about this answer of Zohr and the spread.

ALESSANDRO PULITI: Sure. Regarding gas pricing, Zohr, yes, I confirm there is a lag time effect. And we will see the full benefit of the \$60 per barrel toward the end of the year and beginning next year. I'll leave it to Cristian to complete the answer.

CRISTIAN SIGNORETTO: Yes, on the spread. So clearly, I'd say you're right in the sense that the new flow of gas from the pipeline has brought to the market roughly 6 BCM going to 8 BCM per annum of extra capacity. And this has clearly triggered, let's say, a reshuffle, let's say, of the supply stores to the country. I would say the quarter -- the first quarter has been also affected by clearly a very strong TTF price linked to the LNG tightening of the market, which actually brought away LNG from Europe towards Asia and in turn, TTF was, let's say, brought up by this dynamic, while PSV actually was not really linked to that dynamic.

So I would share your idea that going forward, maybe not at the level of the first quarter, but in general, the spread between PSV and TTF might have a new equilibrium, which is not, let's say, the 20 per thousand cubic meters that we've seen in the last 2 years, but it's probably more in the range of the 10–12. Having said that, this, as you said, triggered, in fact, our renegotiation with our suppliers that we started already and will bear fruits in the coming months.

JAMES RICHARD HUBBARD, DEUTSCHE BANK: Two questions. The first is, you mentioned real estate in the context of renewables. I guess you're talking about brownfield industrial sites. But correct me if I'm wrong. If you are, though, you seem quite excited about it. But in my mind, I'm just seeing some old time old industrial sites, and I don't see how much acreage that could be? And why -- could you give some color as to why that's an exciting aspect from the perspective of presumably installing solar panels?

And then the next question was, could you just clarify, I thought I heard you say on the call that full year refining and marketing chemicals, you were looking at EUR 400 million EBIT. Did I hear it that correctly?

FRANCESCO GATTEI: Yes. This second question. Then the first one, I'll return to Alessandro. About the EBIT, clearly, this is a revised guidance, that includes a progressive improvement in the refining margin. So potentially, on average in the range of 1.8 to 1.9, that is half of the margin that we assumed in the original budgeting. And we substantially have this effect to have an EBIT in the range of EUR 300 million. On top of that, there is the benefit of the chemical businesses that is adding an additional EUR 100 million. Versus the previous guide, this means that there is a reduction of these 2 segments together in the range of less than EUR 200 million of EBIT. About the real estate, in particular, the use of industrial plant, I leave this to Alessandro to provide you more color.

ALESSANDRO DELLA ZOPPA: Yes, we would refer to both industrial side, but also to areas that are simply unused, and they are under the control of the different entities in the public administration. So we think that this is all in all a very significant and sizable potential that we would like to unlock. Also, with the help of the additional profile of CDP in Italy that [...] we are working in this new joint venture that has been incorporated a couple of months ago. So it is both industrial sites and unused areas.

JAMES RICHARD HUBBARD: Okay. And I guess, advantage in Italy is much faster permitting, is that correct?

ALESSANDRO DELLA ZOPPA: Yes, it's on permitting, and we count very much on the promise of simplification that the government announced recently, together with the availability of the areas itself. In Italy, this is an issue once you exclude agricultural areas, then you are left with the significant constraints that is, let me say, the growth of renewables in the last few years.

LYDIA RAINFORTH, BARCLAYS: Two questions, if I could. Firstly, on the biogas market that you mentioned earlier in the acquisition that you did, what is the scale of the market that you're seeing there? And will that fit in the energy evolution part of the business?

And then secondly, I also, I think I missed this earlier on, but in terms of July and the review on prices and the launch share buyback scheme. Is that just automatic in terms of the idea that there will be a buyback and you say you will start in the third quarter?

FRANCESCO GATTEI: Okay. About the biogas, I leave the answer to Pino and Umberto, and then I will conclude with the buyback.

GUSEPPE RICCI: No. Okay. Pino speaking about the biogas, our recent acquisition of the company, FRI-EL, put us in condition to have a very high pipeline of conversion or plan that to produce gas from biomass to biomethane, compressed and liquefied. And in particular, to increase a lot, our capability to enlarge this business acquiring also the know-how and organization that is already in the field of this. Our ambition is, not our plan, is to provide at the end of the plan, only biogas to the service station that sell gas, compressed and liquefied. Considering that only the pipeline already planned that should be transformed from gas to methane in a couple of years, we will reach more or less 50 million cubic meter per year of biomethane. This is a very large quantity to start.

FRANCESCO GATTEI: Yes. About the distribution policy, the buyback. Clearly, you know that we designed this approach, this variable distribution, subject to oil price, and this oil price reference will be fixed in July. So what I can say now is that clearly, Eni is in very good shape. I think that the quarter this year, even in the difference in the consensus and the assumptions that were made by the application of sensitivity, proved one thing that we are back in generating cash, material free cash. And that was just an early phase. So it is a quarter that's still miss of certain components, the marketing components, the gas and power component. So there are still rooms of improvement that will be clearly a merger that will emerge during the year.

And also, E&P will fully capture in the gas component the price variation. For this reason, we presented that \$60 reference that proves that above – at that level, there is a significant amount of free cash. Today, the price is \$67. So it's even higher. The year-to-date is \$62. And our buyback scheme starts or is, let's say, triggered by an assumption of \$56. So we are in a good shape. The market is positive. There are very good signs, there are, let's say, good premises.

Clearly, we will check this in July. In July, we will have 6 months of a market. The market, I would say, is rebounding. All the trend, in particular in the Western countries proves that there is an increased phase of removal of the lockdown. There is only India now that is materially impacted, and there are a lot of positive signs that, let's say, give us a very positive confidence for the future. So I think this is my last and positive sentence for this call. I don't think there is any other question.

OPERATOR: No, sir, I confirm there are no questions at this time.

FRANCESCO GATTEI: Okay. So I thank you all, and we will remain in touch for any further qualification that could be required. Thank you very much.