
Eni 4Q and FY 2023 Results

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Presentation

Speaker: Claudio Descalzi, CEO

Good afternoon and welcome to our 2023 Full Year and Q4 Results presentation.

2023 was an excellent year for Eni.

Our continuous focus has been on mitigating the impact of a market characterised by price and margin volatility, as well as a critical geopolitical context.

We maintained a direction aligned with our strategy and successfully achieved or beat our targets for the year while also improving the efficiency of our assets.

This resulted in the second-best financial performance by Eni in its current structure.

Our aim was to capture strong results but also to foster our growth ambitions, meaning we also advanced our Transition strategy very significantly.

It has been a very active year so now let's go through the highlights:

- In the Upstream, we brought onstream two important operated projects in line with our fast-track model of phased development. Baleine Phase 1 started production at the end of August, less than 18 months from FID. At the end of December, we announced first production of gas into the Tango facility at our Congo LNG project, only 12 months after sanction.
- Key to our E&P strategy is feeding in new, advantaged resources from our industry leading exploration. The highlight was Geng North, the largest commercial discovery in the industry last year. Indonesia will become an area of major focus for our upstream in the coming years, benefitting from a network of facilities with spare capacity that will help to fast-track future production at competitive cost.

But Indonesia was not a standalone success. In fact, our Nargis exploration well in the Egyptian offshore was also a top-5 discovery.

- A distinctive feature of Eni's strategy is our organic model, but also focussed portfolio management plays a critical role as we shape our business. Undoubtedly our highest profile deal was the purchase of Neptune, announced in June and completed at the end of January, a few months earlier than expected. I will update you a little more on that shortly.
- We are constantly looking to high-grade our portfolio also via divestment, and in the year we announced the sale of non-core producing assets in Congo and Nigeria (onshore), both of which are approaching completion.
- In December we were delighted to announce the investment by Energy Infrastructure Partners into Plenitude, providing new and aligned capital to support its growth path, while also confirming and valorising part of the value we have already created. The satellite model, of which Plenitude is an example with its circa €10 bln of Enterprise Value, is a key enabler for Eni to sustain growth and deliver shareholder value across the multiple energy vectors we are focussed on.
- In Enilive, our purchase of a 50% stake in the Chalmette biorefinery in the US, marked a new stage in establishing a leading international and integrated bio-refining business.
- In addition, we acquired full control of Novamont, a market leader in the biochemical sector, which will become another pillar in our strategy of transformation.
- In CCS we reached an agreement with the UK Government on key terms of the economic, regulatory and governance model for the transportation and storage of CO₂ on Hynet. This is a major step forward for a line of business that will be increasingly important over the coming years and where Eni has a leading European position.

The progress we have made from a strategic perspective was also echoed in Eni's operating performance:

- Full year production of 1.655Mboed, in the upper end of the guided range, and +3% higher year-on-year.
- We discovered around 900 Mboe of new resources which more than covers 2023 production.

- Amid lower European demand for gas, our GGP was effective in meeting customer needs in the absence of Russian volumes, and also recorded the highest result in its history.
- Plenitude ended the year with 3GW of installed renewables capacity, up by more than one third year-on-year and in line with guidance.
- 2023 bio-refinery throughputs were up almost 60% y/y, while biofuel capacity at 1.65 MT/y was 50% higher after our US acquisition.
- Our Upstream net carbon Scope 1+2 footprint fell by 10% in 2023 and is now down by 40% versus the 2018 baseline, in line with our aim of Net Zero in the Upstream by 2030.

Turning to our financial results, the news is also positive:

- EBIT proforma of €17.8 bln, including €4 Bln from associates, is the second highest result in the history of the company in its current form.
- Net profit of €8.3Bln converts to €16.5Bln of CFFO, and both confirm the historical top end of our yearly performance.
- In fact, these excellent results reflect a very significant improvement versus our expectation - around €3.5 Bln on EBIT and €2 Bln on cashflow, that offset the impact of a weaker scenario.
- Capex of €9.2Bln was below our budget of €9.5Bln, confirming that we are efficiently investing in the context of a rigorous capital discipline.
- We stepped up share buybacks in the 4th quarter to €790Mn, totalling €1.8Bln for the year with around €400Mln to finish our programme in Q1. Our full payout is equivalent to around 32% of our 2023 adjusted CFFO, above our original guidance. Shares in issue are down 9% over the past 2 years, enhancing the participation in a business that is also intrinsically bigger and better. Indeed, in the past two years, Eni has distributed almost €11 bln to its shareholders, the highest amount since our listing.
- Leverage at 20% remains low by historical standards and the balance sheet provides us with flexibility to pursue our strategy while retaining considerable resilience.

That is an overview of the strategic, operational and financial delivery for the year. I'll now move on to the business divisions in a little more detail.

Starting with E&P, production for the full year was 1.66Mboed, up 3% y/y, and up 6% y/y in the quarter to 1.71Mboed.

In the quarter we saw higher activity in Algeria, seasonal effects in the North Sea and the benefits of strong regularity in Kazakhstan, Baleine ramp-up and better performance and entitlement in Libya.

Full year proforma EBIT in E&P of €13.3 bln mainly reflects the impact of lower prices when compared with 2022, partly compensated by higher volumes, while Q4 earnings include higher exploration write-offs, which is typical of the quarter.

GGP reported EBIT of €680Mln in Q4 benefiting from a favourable outcome to an arbitration in the quarter, but with underlying results muted by lower gas prices and reduced trading flexibility, as we had expected it to be.

Record full year EBIT of almost €3.3Bln took the benefit of strong optimization activity in the first half of the year in particular, highlighting the leverage to favourable conditions that GGP retains by virtue of its diverse supply and infrastructure positions.

Our Neptune acquisition was one of the key events of 2023.

After announcing the deal in late-June, we achieved completion on 31 January for an investment of \$2.4Bln in cash out and debt acquired, adjusted down from the headline \$2.6Bln, as a result of the cashflows accruing since the deal's reference date.

Net Production consolidated directly by Eni and through our share of Var is currently over 100kboed. The high proportion of gas production, currently around 75%, and the low Scope 1 & 2 emissions profile, precisely align with our strategic direction.

The value proposition is clear – with synergies estimated at \$0.5Bln and with material upside which includes:

- the new discovery of Geng and the higher share of IDD fields in Indonesia
- additional gas supply optimisation
- and potential CCUS projects.

Our portfolio activity will also progress as we continue to high-grade with announced divestment in West Africa (Nigeria and Congo) to complete in 2024.

Turning to our Energy Evolution Division.

Enilive reported around a 10% improvement in EBIT y/y despite weaker product markets, mainly reflecting improved biorefinery performance, both in terms of asset optimization and feedstock flexibility, confirming our vertically integrated model is delivering.

With activities now in eight countries, agri-feedstock production has increased to more than 40 thousand tonnes per year, and it is on track to provide meaningful earnings over time.

Our Refining earnings were impacted by the fall in the SERM, but also by the narrowing in light/heavy and sweet/sour differentials.

Our Chemicals results reflect the very challenging market conditions, especially for European manufacturers, and confirm our strategic intent to transform this business, and also to increase focus on specialties and bio-plastics.

Plenitude delivered on its target for installed renewables capacity of 3GW at year end, up by more than one third. Renewable energy production actually grew by more – up by over 50%.

But more importantly, Plenitude delivered financial results with FY EBIT up 50% YoY to over €500Mln and EBITDA up 40% YoY to over €900Mln.

After the remarkably strong first 9 months, Q4 EBIT as expected made a more moderate contribution, reflecting higher depreciation charges, as new renewable capacity and EV charging points entered service.

The 2023 result of Plenitude came in the context of another highly volatile and challenging year for energy suppliers, and again emphasises the quality of the model.

This fact is recognised in the enterprise value of 10 bln € placed on the business by the recent agreement with Energy Infrastructure Partners to invest in Plenitude.

Before concluding, I would like to highlight the key results of the year that exceeded all the original metrics, both operating and financial, right across the business.

This strong financial outcome driven by the operating performance of the underlying businesses, and the delivery of significant strategic progress, all helped in an outcome where we delivered the best shareholder returns among our peer group in 2023.

We will update on our strategic progress and future targets when we meet again on the 14th of March for our Capital Markets Day.

We will elaborate on how Eni is embracing the changes in energy markets to build a stronger company, leveraging the growth potential of the new business while preserving the full value of traditional sources – themes I'm sure you agree are evident in our 2023 results.

And now with the top management we are ready to answer your questions.

Q&A Session

Corporate Respondents

Claudio Descalzi, Chief Executive Officer

Guido Brusco, Chief Operating Officer Natural Resources

Giuseppe Ricci, Chief Operating Officer Energy Evolution

Francesco Gattei, CFO

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

Adriano Alfani, CEO Versalis

Stefano Ballista, CEO Enilive

Stefano Goberti, CEO Plenitude

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

BIRAJ BORKHATARIA, RBC CAPITAL MARKETS: Hi, thanks for taking my question. The first one is on the chemicals business. You suffered weak results for several quarters in a row now, and it's obviously been quite a tough environment for European chemicals.

What more can you do to stop the bleeding there? Can you talk about some of the plans in place that you can control?

And secondly, the question is on Egypt. This is a big country for Eni, and obviously, the country is having a number of issues on the financing front. What do you expect for the summer in terms of LNG exports? And also, have you adjusted the activity levels at all, given the issues with payments? And maybe you can talk about the receivables balance as it stands today? Thank you.

CLAUDIO DESCALZI: Just a few words about chemicals, and then I give the floor to Alfani, the CEO of Versalis.

No, we are conscious about chemicals. We tried in the past, and we are continually trying to change some line, but now it's time to consider more radical initiatives that are going through a transformation, in the same way we did for our bio-refineries.

So we have to transform the plan. Clearly, the direction to go to biochemicals, also in light of the acquisition we made of Novamont and also the other project that we developed and implemented from our R&D, that is one, but it's not enough. Go through a specialty is not enough. So we have to do some more strong actions because it's really an area where we can create a huge value.

So now I can give the floor to Adriano to maybe elaborate a little bit more on this topic.

ADRIANO ALFANI: Sure. Thanks, Claudio. Thanks for the question.

I mean, first of all, as Claudio was saying, we need to go extremely bullish in terms of efficiency of the entire business. Clearly, we have some case of inefficiency that has been increased due to the recent situation that we are facing in Europe. And of course, in some case, we are getting a little more inefficient. So we are developing a strong process in order to improve our efficiency across the entire value chain and entire process.

But in terms of the other 3 pillars that we are focusing on, one is the specialization portfolio, with the recent acquisition of the Finproject and some other developments, in relation of integration of the business and with our portfolio, we decided to further speed up the growing thermal specialization, diversification of the portfolio. So this is one.

The second one is circularity, and we are moving very fast on circularity. This year we are going to start the Phase 1 of the mechanical recycling in Porto Marghera, and by the end of 2024 we expect to complete the construction of the first chemical recycling plant in Mantua, it's a pilot plant or semi-industrial plant, with the intention then to speed up in terms of industrial processes.

And of course, as also Claudio was saying about the acquisition of Novamont, the acquisition of Novamont is another big cluster to differentiate and to grow this platform, not only in the direction Novamont was already doing, but also integrating the portfolio with our specialized portfolio and so to really double digit the growth in terms of biochemistry.

CLAUDIO DESCALZI: Thank you, Adriano. So a few words about Egypt, then I'll give the floor to Guido, Head of Natural Resources. So first of all, clearly, Egypt is passing through, as all North Africa and Middle East, a quite difficult situation in light of the event we have now with Gaza. So clearly, Eni is not in a very simple situation. In spite of that, I have to say that Egypt is reacting. And we have to say also that Egypt is quite crucially important, critical in the area for everybody, for the Mediterranean, for North Africa, for Middle Easterns. So what I think and what is my perception, is that everybody is trying now to help them. So saying that, if you talk about receivables, there is a small marginal buildup. They are paying, maybe little installments. So there is a willingness to preserve and protect investors. So there is a very positive attitude. So now I give the floor to - the question is also about LNG because the cargo we received in January and the rest. So now, Guido is talking a bit more elaborate on LNG.

GUIDO BRUSCO: Yes. On LNG, the question was about the summer, I think. And in summer, historically, there is very little, if no export in Egypt, given the high increase in the domestic demand. Currently, in the past couple of months, the end of Q4 2023, because of the Israeli-Palestinian conflict, there was a reduction, sharp reduction of the import to Israel. So the export of LNG in Egypt was impacted. In December, they restarted with some volumes. And we have seen, from Eni's side, 3 cargoes in December, and we are foreseeing between 8 to 10 cargoes in the forthcoming months before the end of the winter season.

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

OSWALD C. CLINT, BERNSTEIN: Good afternoon, thank you. Yes, first question, I mean, a bit of a step-up in gearing towards the end of the year. So I wanted just to get your thoughts around divestments, and really, the potential for more sizable or more aggressive upstream-

focused divestments. I mean, still a lot of continued exploration success you're folding in Neptune. It feels like you've been buying a lot, so maybe it's a good time to start selling some of what is a high-quality inventory. It could free up capacity to potentially signal some peer-leading shareholder returns all the way through the plan, and keep the balance sheet flexibility that Claudio just mentioned around executing the strategy. So that's the first question. Secondly, I wanted to ask about SAF, sustainable aviation fuel. I remember the great trip we had last year in Venice, and we talked about SAF upside of up to 2 million tonnes per annum based on demand. It seems like demand is taking off. You've had this more sizable Ryanair deal recently, much more material than the DHL deal a couple of years ago. So the question is, are you starting to see SAF customer demand track at the high end of your expectations? And really, I'd love to get an idea of the price you're selling this for. Is this 3x jet fuel? Is this 5x jet fuel? It's hard to get an idea of what this might mean financially for the company.

CLAUDIO DESCALZI: Thank you for the questions. So the first question is for Francesco, and the second one for Stefano, yes.

FRANCESCO GATTEI: Okay. Thank you. The question is about the gearing. Clearly, you have seen a step-up in the quarter, the quarter increase was expected. Actually, we had a result that was in line with our target, I think it accounted, there were some, let's say, variation in the exchange rate that was a bit higher for the euro, and also because of lack of the income that we are expecting to come before the end of the year related to Plenitude. Anyway, that increase was generated mainly by the inclusion of Novamont debt inside, after the acquisition, some exchange rate effect as we said and some cash related to leasing. In the plan, what you are going to expect is clearly exactly what you are mentioning. If you remember, the past plan was a plan where we had a relative balance in our, let's say, management of portfolio, with only EUR 1 billion of positive effect. And that was originated by the fact that we are still in a position where we are a buyer, while you will see that in the coming plan, you will have more, let's say, a stronger valorization of our assets, the Upstream with all the discoveries that we have made and continuing to make. And on the satellites that, as you well know, is a way also to accumulate cash in advance for fueling our future growth. So you will see a material impact of M&A, and this will have a clear strong effect on the net amount of CapEx we are going to pay.

CLAUDIO DESCALZI: Stefano for SAF trends and...

STEFANO BALLISTA: Yes. Yes. On SAF, I definitely confirm the trend we discussed even in Venice. So we are seeing exactly what you see, let's say, voluntary demand coming in place with increasing targets. Just to make some examples, we see airline companies targeting 10% at 2030, and logistic players targeting up to 30% still at 2030. In Europe, we got fuel aviation already approved. It means starting from 2025, 2% of global fuel will be biojet. This means, more than 1 million tonne, let's say, from 1 day to the other. On top, recently, the IEA set an increased target for biojet demand already in 2027 by up to 30%, and definitely confirmed the 50 million tonne at 2030. Just to give a high-level number, in 2050, we see 500 million tonne of jet fuel, even assuming only 20% of biojet, we jump at 100 million tonne of biojet demand. This means that the market is going to be in strong demand for biojet, and given the time to

get facility in place, we are in a very good position to take advantage from this tight market we are going to see in the medium term.

OSWALD C. CLINT, BERNSTEIN: Anything you could say about pricing, sorry?

STEFANO BALLISTA: Yes. No. Pricing and profitability is expected around 1.3-1.5 [times] above HVO. This is not right now, right now, it's higher, but it's given to the very short market. So today, it doesn't make too much sense to look at current number. The reason for that is exactly what I said. The market is going to be short in terms of supply, given the current state of the art and the expected demand evolution on the other side. So that's the profitability we are going to expect. So a good boost on our results in the next future.

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

ALESSANDRO POZZI, MEDIOBANCA: I have 2 questions. The first one is related to the production in Q4, which was really strong. And I was wondering if you can give us more color on the various moving parts. What I've seen is that Kazakhstan was very strong, and also North Africa had a big jump quarter-on-quarter. Part, I believe, was Algeria, but maybe also Libya. So if you can give us some color on whether maybe that could be sustainable going into 2024? And also, I think though is, well, Egypt production, for me, Egypt, is coming down a little bit. And what should we expect from Zohr in terms of production going forward? The second question is on Cronos-2, the recent positive results on the appraisal well. Is that a catalyst for developing Cronos on a stand-alone basis? Or if not, can you give the thoughts on where we are on Cyprus in terms of moving those resources forward?

CLAUDIO DESCALZI: These are all questions for Guido. So please, Guido.

GUIDO BRUSCO: Indeed, I mean, you spotted rightly, the production in Q4 was strong, and this was thanks to the ramp-up of Baleine, the recovery maintenance in Kazakhstan, higher contribution from Libya. This production, as we move in 2024, in Q1 we'll be quite in line. The net portfolio effect will be partially compensated by lower entitlement in certain geographies. And while for what concerns the Cronos, we can, of course, confirm that the recent appraisal well gave us comfort on the extension of the field, confirming the upper side of the estimation, while deliverability is excellent. And of course, we are still assessing with our partner and the authority, the best and most appropriate development scheme to bring these resources into production.

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

MATTHEW SMITH, BOFA SECURITIES: A couple, please. The first one would be on GGP, another extraordinary year for the division. But I suppose arbitration award aside 4Q, it's very much been a year of 2 halves in regard to profitability. So I just wondered whether you could sort of speak to the current market conditions in terms of arbitrage opportunities, and also touch upon the sort of visibility you have into 2024? And then the second one, on exploration. It was just whether there was any news on the Orion-1X well in Egypt or whether that should be due soon? Any timeline there would be useful, please.

CLAUDIO DESCALZI: Okay. Cristian Signoretto for GGP, please.

CRISTIAN SIGNORETTO: So thanks for the questions. Surely, 2023 has been very unusual, let's say, year, an exceptional year, because of important optimization and trading opportunities and also positive arbitration and settlements results. When we look at 2024, clearly, I mean, the market has been reducing its flat price, and this is, let's say, you can see that. But we feel that the volatility is still there because the market is very tight, in the sense that the demand and supply are very finely balanced because new LNG coming onstream is very little and demand is still very latent. If you look at European demand, Asian demand and also weather-driven demand, it's still very latent. So we expect 2024 still to be a very volatile year, with opportunities to be captured via trading optimization activities.

CLAUDIO DESCALZI: Okay. So I think that in Egypt is very fast because we are drilling, so we cannot say anything. Correct?

GUIDO BRUSCO: Yes, correct. I mean, we have yet to reach the target.

OPERATOR: The next question is from Irene Himona of Société Générale.

IRENE HIMONA, SOCIETE GENERALE: On the Upstream, I see that you now recognize the UK energy profit level as a recurring item. I wonder if you can provide some guidance on the E&P tax rate going forward inclusive of this in the current environment? And secondly, on the numbers, the Q4 net interest expense, you had EUR 54 million, was down very substantially, over 50% sequentially. And you referred to the drivers in your press release. I wonder if we can anticipate this level to be sustainable in 2024?

FRANCESCO GATTEI: Thank you, Irene. On the UK levy, we kept this since the start as a recurring item. We consider this due to the fact there is no expiration date, but there is a general sentence related to the potential oil price for the removal to consider that in a recurring way. We are not able yet to provide you what will be the tax rate in the plan. What we can tell you is that the impact of these taxes versus last year, taking into account the start at the end of the last year, on a year-on-year basis, it's in the range of 1%, 0.7%, 0.8%. On the net interest, we would be very happy if we continue, but unfortunately, it's not possible because you know that this is related to the financial assets that we have. We have almost EUR 18 billion of liquidity that is gaining both from the benefit of the interest rate growth. While on the other side, we have a 70-75% of our debt, gross debt, that is at fixed rate. So if the interest rate will start to go down and you have to refresh new debt, this net interest will be higher. Anyway, we will manage and we'll continue to use different tools to [...]capture, let's say, as much as savings as possible through our liquidity position.

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

GIACOMO ROMEO, JEFFERIES: First is very quick follow-up on your comments, earlier comments on GGP. And just, I understand, you are expecting to see more volatility in 2024. And just trying to understand how to read into the Q4 numbers, if we take out the impact from the arbitration. Should that be a good indication of a normalized level of profitability in the absence of significant volatility?

Second question is on Plenitude. We have seen some comments - during last month - from your future partners that they're sort of talking down the prospects of an IPO of the business.

Just wanting to check whether this is still the ultimate goal for Plenitude for you and whether there is a full alignment on this point with your future partners?

CLAUDIO DESCALZI: Thank you. So the first one is for Cristian, the second one for Francesco.

CRISTIAN SIGNORETTO: So well, I mean, in general, our results, it's, let's say, geared towards usually the Q1. Q1 usually is the strongest period and quarter of our, let's say, portfolio optimization opportunities for a number of reasons that, clearly, are very much linked to the type of assets that we have in our portfolio. So I'd say that the Q4 underlying result is not a predictor of the Q1 because of this, let's say, seasonality effect that you have in our business.

FRANCESCO GATTEI: Yes. On the Plenitude road to the IPO, I confirm that we continue to plan our valorization through the different source, different way. We mentioned at the beginning the dual track, if you remember, we have already started to deliver the first of these tracks by the fact that substantially we fixed a bar, a value, that is one of the first elements for valorizing our satellite model, specifically. And clearly, we will continue to monitor the market condition, in 2024 and 2025. Our partner that is yet, let's say, to enter in the entity, in the partnership, clearly, as mentioned, it's something that is probably, let's say, more generic, a bit misunderstood, they were thinking that it was not necessary to do the IPO. It doesn't mean that this is the plan. The plan will be to do the IPO at the right condition from the market and clearly, to capture the best value from this opportunity.

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

MICHELE DELLA VIGNA, GOLDMAN SACHS: Congratulations on the strong delivery and exploration (inaudible), if I may...

OPERATOR: Mr. Della Vigna, we can't hear you very well. Can you please speak closer to the microphone?

MICHELE DELLA VIGNA: Sorry, can you hear me now?

CLAUDIO DESCALZI: A bit better, but the line, I think the line is not very good, but try again, Michele. Yes, better now. Yes.

MICHELE DELLA VIGNA: Okay. Sorry for that. I wanted to ask you 2 questions. The first one [...] increasing your guidance [...] both on the LNG in the coming years. I was wondering if you could update us on [...] for 2024. And my second question relates to carbon capture. We're seeing a lot of progress in [...], much more policy support. You have one of the biggest development portfolio [...] Italy. I was wondering if you could give us an update on the progress of that?

CLAUDIO DESCALZI: So Michele, so we just understood the second, but not really very well. We understood the one on update on the carbon capture. The first one, absolutely the line is so bad, and there is a lot of background noise. So we didn't understand the first one. Okay. Update Guido, give an update, please, on CCS.

GUIDO BRUSCO: I can give you, Michele, an update on our major CCS project. So for the Ravenna Phase 1, the project is in execution at the moment, and we are planning in early Q2

the start-up. While for the Phase 2, we are now doing the engineering work, and we are also completing the legislative framework with the Italian Government. The plan is to make a final investment decision by Q2 2025 and a startup in 2027. In UK, you may have read that we have agreed with the UK authorities, the main economic model, and we are now negotiating the definitive economic license, which we expect to finalize sometime in Q2, Q3 this year. Engineering works have been already done. From a technical side, we are now in the procurement phase of the project and the target is to make a cluster FID by Q3 2024, with a start-up in 2027. Another important element is that in April, 5 emitters out of a total of 8, which have been selected by the UK authorities, belong to the Hynet Northwest cluster, and those have been selected as a Priority Emitters to access the fund made available by the UK government.

OPERATOR: The next questions are from Josh Stone of UBS.

JOSHUA STONE, UBS: Two questions, please. Firstly, on your biofuel business, I just noticed throughput was down quarter-on-quarter despite the ramp-up of the PBF bio-refinery. So was the maintenance impacting that? Or any comments you can make there? And potentially also if you could talk about where you see profitability in HVO today, given the impact of lower credit prices, both in Europe and the US, how much of your feedstock program is able to offset that? And then second question on working capital. There was some release during the quarter. But if I go back over the last 2 years, there's sort of been a trend or it's about a \$4 billion -- EUR 4 billion build over the last 2 years. So how much of that do you think can release over the next period? Is there anything you can make any comments on that?

STEFANO BALLISTA: Yes. On HVO and on bio-products, 2024, it's a, let's say, transitional year. This is well known and well expected. In Europe, we got Sweden change of obligation getting in place exactly this year. It's going to be partially compensated by a widespread of increased obligation in other countries, including, as an example, Italy, France, Holland among others. In the medium term, we see still strong performance from biofuel demand for a set of reasons. I just touched the RED III directive, the renewable energy directive that has been approved by EU end of last year: countries are going to have 18 months to deploy at country level. A number: in terms of energy content, it's going to jump from 14% (RED II) to 29% (Red III). Same in U.S. We got this year a significant capacity getting in, well-known in advance. Demand is increasing early. In 2025 we're going to get impact from, among others, 2 main topic. One is the new clean production credit that is going to substitute the current blending tax credit. The new credit is going to apply on local facilities. So this is going to, in a way, create a barrier to current import flow to U.S. We have an estimated number of more than 1 million tonne coming to U.S. from foreign countries in 2023. The second element is [...], it's expected to increase California target in terms of GHG reduction from 20% to 30%, 2030. And then last, just -- it's a small signal, but we got, a couple of days ago, New Mexico is the first non-West Coast state in U.S. approving an LCFS obligation mechanism, again, 20% GHG reduction in 2030. So in the medium term, demand is definitely increasing and strong. From an asset perspective, we are working on all key levers to optimize profitability at whatever market scenario, namely vertical integration, feedstock flexibility, and product diversification. We are also looking to move flows from U.S. to Europe, wherever arbitrage is going to be open.

FRANCESCO GATTEI: In terms of the working capital trend, it's very difficult to anticipate how we could be in the next quarter. Substantially we can say that this is a matter of -- related to the trend of prices. So once you have a growing prices, there is generally an increase in your working capital position. And clearly, all your capability to lift, so to reduce your stock positioning, both in the upstream and clearly also in the other sector, in particular in the downstream. So I would say that clearly, we were very active from this point of view. On the other side, we were helped by the price trend.

OPERATOR: The next question is from Alejandro Vigil of Santander.

ALEJANDRO VIGIL, BANCO SANTANDER: I have 2. One about the implications for Plenitude at the current scenario of lower power prices in Europe. If the business is going to have some implications in your strategy at this beginning of the year. And the second question is about the outlook for refining in Europe. At the beginning of the year, we've also seen some increase in refining margins in January. If you can elaborate on your thoughts on that? Thank you.

CLAUDIO DESCALZI: Okay. Stefano Goberti, CEO of Plenitude, answer the first question.

STEFANO GOBERTI: Thank you, Alejandro. On the energy price level, of course, on the renewable production, where there are spot prices, we will take the impact of the lower prices. But on the other side, on the retail activity, lower prices, reduced a lot our risk in the portfolio because the volume risk is reduced and the working capital is released. So our combined business model helps us to pass through this period, like we did this year with the result of 2023.

CLAUDIO DESCALZI: Pino? Can you answer?

GIUSEPPE RICCI: Yes. Okay. Can you hear me?

CLAUDIO DESCALZI: Yes, yes, very well.

GIUSEPPE RICCI: About the refining in Europe in this first period of the year, we are seeing again a very high volatility. And in the last period, with the closure of Suez, of course, we have increased the spreads related to the difference from diesel and the Brent that are rising more or less as during the first phase of the war of Russia-Ukraine. It means a very high impact on the margin, on the traditional refining. Of course, what we're expecting this year is that this volatility will continue, and probably, we could gain to this for some months waiting for the driving season, when we will see the increase also of the market of gasoline. The results are quite good. Notwithstanding this, we will continue our strategy for the middle long-term because the traditional refining in Europe could not be very profitable in the mid or long term. For this reason, we are continuing to -- in the program of evolution transformation with the traditional refining in bio-refining, maintaining the Middle East refining system that is less volatile, more stable in the profit.

OPERATOR: The next question is from Lydia Rainforth of Barclays.

LYDIA RAINFORTH, BARCLAYS: Two, please. Firstly, just in terms of the upstream, and the fast track start that's coming onstream, the Neptune acquisition coming into the portfolio. How do you think about the margin per barrel evolving as we go forward? I'm assuming that

actually, we should see that as incremental to it. And then secondly, I appreciate it if you say, you don't want to answer this question, but just around the conversations that the government is looking to sell part of the stake in Eni, would you kind of think about when you're thinking about the buyback for 2024, whether Eni would want to be involved in at least offsetting some of that impact in terms of the market?

CLAUDIO DESCALZI: Okay. So the first question, maybe I give some first answer, then I don't know if Guido wants to add something. Clearly, when we talk about the margin of upstream, we have to go back to the fundamentals, that are the cost, because we cannot do anything on the price cost. So we have to -- you must have a very low exploration cost, you must have a very low operating cost and a very low development cost. So our cost in terms of exploration this year was approximately \$1 per barrel discovered. We had a very exceptional year. We discovered a lot of our resources, and that is the base. If you have to buy something like that, if you have to buy in a derisked exploration, you have to spend much more. You have to spend around between \$5, \$6 or up to \$10 per barrel. Then there are the other operating costs. Our operating costs remain in the lower side of the industry, about \$6 per barrel, and the development cost is ranging between \$9 and \$10. Why? Because it's organic. It's also following our strategy. We are -- we develop a near field across the existing facilities. So that means we're below. And that is also for the acquisition we made. We are well below in terms of technical cost, well below \$18, \$17 per barrel. So that's out of the margin. And that's also the reason why the cash neutrality or the breakeven of our upstream is very good. Clearly, when we make an acquisition, normally, we are organic, but we work also through acquisition where we have big synergies. We try to replicate and check and due diligence that the asset we acquired are in line with our cost, and we have not diluted our cost. The second one, on the buyback, Francesco -- Guido, you want to add something or is it okay?

GUIDO BRUSCO: About just the time to market, the return on our projects. The quality, as Claudio said, of our portfolio, but also our distinctive phase and fast-track approach improves a lot the return on the project because of the very short time to market.

FRANCESCO GATTEI: On the buyback and generally speaking about the distribution. You have seen that we announced last year, the distribution policy between 25% to 30%. Actually, we designed a distribution that was at 30% on the basis of the assumption the cash flow we planned at the beginning of the year and actually, we are working now in the range of 32%, 33% of overall distribution yield. The buyback plan is substantially almost completed. We have accelerated in the last part of last year. So we proved to the market that we are flexible and positively flexible towards this metric. Clearly, any other distribution guidance will be disclosed in the next Capital Market Day, in the middle of March with all the plan related both on the dividend and the buyback.

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

BERTRAND HODEE, KEPLER CHEUVREUX: Yes. I have 2, if I may. I understand you will give us a full update on 14th of March with a new strategic plan on your medium-term targets. I'm sorry to be a bit impatient, but is there any element of 2024 guidance you would like to share with us at this stage? The second question is on UAE LNG opportunity. The UAE is likely to

launch close to 10 million tonnes of LNG this year, sanctioning the Ruwais LNG project. Would you be keen on participating? Meaning, I remember that when Qatar launched the extension, you were quite vocal you would like to participate. Do you have the same appetite to potentially take a stake or be an off-taker on Abu Dhabi LNG project?

CLAUDIO DESCALZI: So on the first question, what we can say just for the sake of clarity is about CapEx. What we want really to do is to be very focused on CapEx on our expenditure. One means is M&A, but the other is to be efficient in CapEx. So reduce CapEx, but keeping, in any case, the same level of profitability and returns on our operations. So that is an exercise on which we are working a lot. So the gross CapEx will remain below EUR 9 billion, even if my people are not very happy. But that will be -- and then net CapEx, much lower. That's what I can say. For Abu Dhabi, we are working on Abu Dhabi, work very well with ADNOC -- we are interested. We are also developing gas and producing associated gas, but we are going to develop gas with Hail e Ghasha. So it's something that we can have a look, but I cannot tell you anything now. If I had to say something, I would say to Abu Dhabi and ADNOC and then to you.

OPERATOR: The next question is from Matt Lofting of JPMorgan.

MATT LOFTING, JPMORGAN: Congratulations on strong execution through 2023. Two quick ones, if I could, please. First, exploration has clearly been a significant value lever for the company through recent history. I think you talked about Egypt earlier. Could you just talk about sort of 2024 more broadly over the next sort of 6 to 12 months? Any sort of key exploration opportunities that you have lined up within the portfolio? And perhaps, sort of next steps around Indonesia as well?

And then secondly, just on GGP, the arbitration proceeds were a key component of the fourth quarter. Obviously, that's a lumpy component within the business. Can you just talk about how we should view that on a 3-cycle basis? And any further arbitration upside that you see over the medium term?

CLAUDIO DESCALZI: The first question about arbitration and future development is Guido or Aldo that is now in charge of exploration cycle. Second one is for Cristian.

GUIDO BRUSCO: On exploration, I think you said that it's one of the levers of the value creation in our company. The results this year were outstanding as also in the past year, and particularly in Indonesia. We have some impact wells, high-impact wells ongoing at the moment. And of course, the result of those will happen soon.

In 2024, we will continue our near-field ILX exploration improvement basin, that proved to be very effective and successful. Indonesia is one of the key area, Geng North and the acquisition of the acreage around the discovery prove that, that play as well as other plays that we drilled in the past year can deliver significant resources.

When we made the discovery in Geng, we outlined also the potential of the area, which is in the region of the tenths of Tcf, and as you may have appreciated, we have already anticipated that we will build a second hub in the north area that, together with the hub at Jangkrik we have in the South, with almost 750 million scfd, this 2 hub will bring a production, which is

approximately close to the 2 billion of scfd in the forthcoming year, which will be -- which will have extended plateau because of the number of prospects that are around that. Other important areas, of course, are legacy areas like Egypt and others where we had our discovery. Norway also is an area where we have a significant acreage in exploration. But of course, the near-field nature of our discovery will also enable us to bring them quickly onstream.

CLAUDIO DESCALZI: Quickly onstream and give us the possibility to go through, as Francesco says, through dual exploration. So it's a part of the plan because we discovered a lot, we own between 80% and 100% of all these discoveries also with what we acquired. So that is another important upside that we can have in our next 4-year plan. So now we have Cristian, and then one more, and then we have finished. Thank you very much.

CRISTIAN SIGNORETTO: So in terms of renegotiation, as you can imagine, I mean, these are normal feature of the midstream business. So we have ongoing renegotiation in our portfolio with our contracts. We tend to clearly settle those amicably. But from time to time, it happens that we had to resort to arbitral tribunal in order to seek a conclusion of that discussion. So what I can tell you is that in 2024, we don't expect any outcome from any arbitration.

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

MASSIMO BONISOLI, EQUITA : Two quick set of questions. The first on the chemical business. I'd like to know how much of the negative performance of Versalis in Q4 is coming from the consolidation of Novamont? And given the still weak trading condition in Q1 2024 for chemical margin, is it reasonable to expect again a triple-digit loss for Q1 2024? And then a question on the refining business in Italy, following the change in ownership of Isab and now on Saras together with the stop of traditional activity in Livorno, could you share your thoughts on the supply of fuel on domestic market? And if this may represent an opportunity for Eni?

ADRIANO ALFANI: Okay. Thanks for the question. On the chemical side, Novamont has been consolidated just for a quarter. So the impact of the fourth quarter is very minor and is not really represented because you know every time that you have an acquisition, you have some transaction point of view. So it's there, really not representative of the performance in one quarter. About outlook for Q1, we don't give yet the outlook. But of course, it's not the 3 digit, yes.

GIUSEPPE RICCI: Okay. No, the refining in Italy. In the refining, we are seeing a lot of change in the last period. And 2 big refineries are moving to the trader ownership. What does it mean? There is an interest -- still an interest in the refining system in Italy. But at the same time, we have to consider that, in any case, the profitability of the refining -- the traditional refining system in Italy asset for the Europe is affected by the very high cost of energy, very high cost of CO2, very low size of the plant. So it's very, very difficult to maintain in the long term, the profitability. The effect of the transformation of Livorno refinery in bio-refinery helps to balance also the demand and offer in a market, that is naturally declining in the mid long term. So what we expect to see in Italy is that in our system, more balanced between production in the refining and consumption in the marketing, in the retail system and wholesale system, we could gain an advantage to reduce the volatility because the volatility is when you have to offer the product on the cargo market. And the transformation of the traditional refinery, in

bio-refinery helped 2 times. First, because you enter in a new business, very, very profitable, as we have seen before. Second, you rebalance demand and offer in the traditional refining system.

OPERATOR: Ladies and gentlemen, this was the last question. Thank you.

CLAUDIO DESCALZI: Thank you. Thank you very much. Goodbye.