Versalis

Annual Report

2022

Mission

To lead sustainable chemistry,
driving change
to create value for people.,

Our manifest

We are Versalis, a leader in sustainable chemistry,

made by people, for people.

We promote diversity, dialogue, innovation.

We act with pride and responsibility.

We are reliable and solid.

Chemistry is our world.

We create value today and will continue to do so tomorrow.

Governance

Versalis, leader in Italian chemical sector and one of the main international players, is a company wholly owned and controlled by Eni SpA and subject to its direction and coordination. Versalis Corporate Governance is structured according to the traditional model, which- notwithstanding the tasks of the Shareholders' meeting - assigns management responsibility to the Board of Directors, supervisory functions to the Board of Statutory Auditors and the statutory audit functions to independent auditing company.

Corporate bodies

Shareholders Meeting

BOARD OF DIRECTORS (1)

CHAIRMAN
Marco Petracchini

CHIEF EXECUTIVE OFFICER
Adriano Alfani

DIRECTORS (NON-EXECUTIVE)I
Cristiana Argentino
Rosanna Fusco
Luca De Santis

COLLEGIO SINDACALE(1)

CHAIRMAN
Marco Seracini

STATUTORY AUDITORS
Angelo Cremonese
Valeria Pichiorri

ALTERNATE STATUTORY AUDITORS
Roberto Colussi
Livia Anna Schivardi

SUPERVISORY BODY(3)

Francesco di Ciommo CHAIRMAN
Alberto Maria Mosca
Michele Brancadoro

INDIPENDENT AUDITOR(2)

PriceWaterhouseCoopers SpA

(1) Appointed by the Shareholders' Meeting of 26 April 2022.
(2) Appointed by the Shareholders' Meeting of July 11, 2018 for a three-year period which expires upon approval of the financial statements for the year 2021.
(3) Appointed by Board of Directors on 23 November 2022 for 3 years.

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Disclaimer

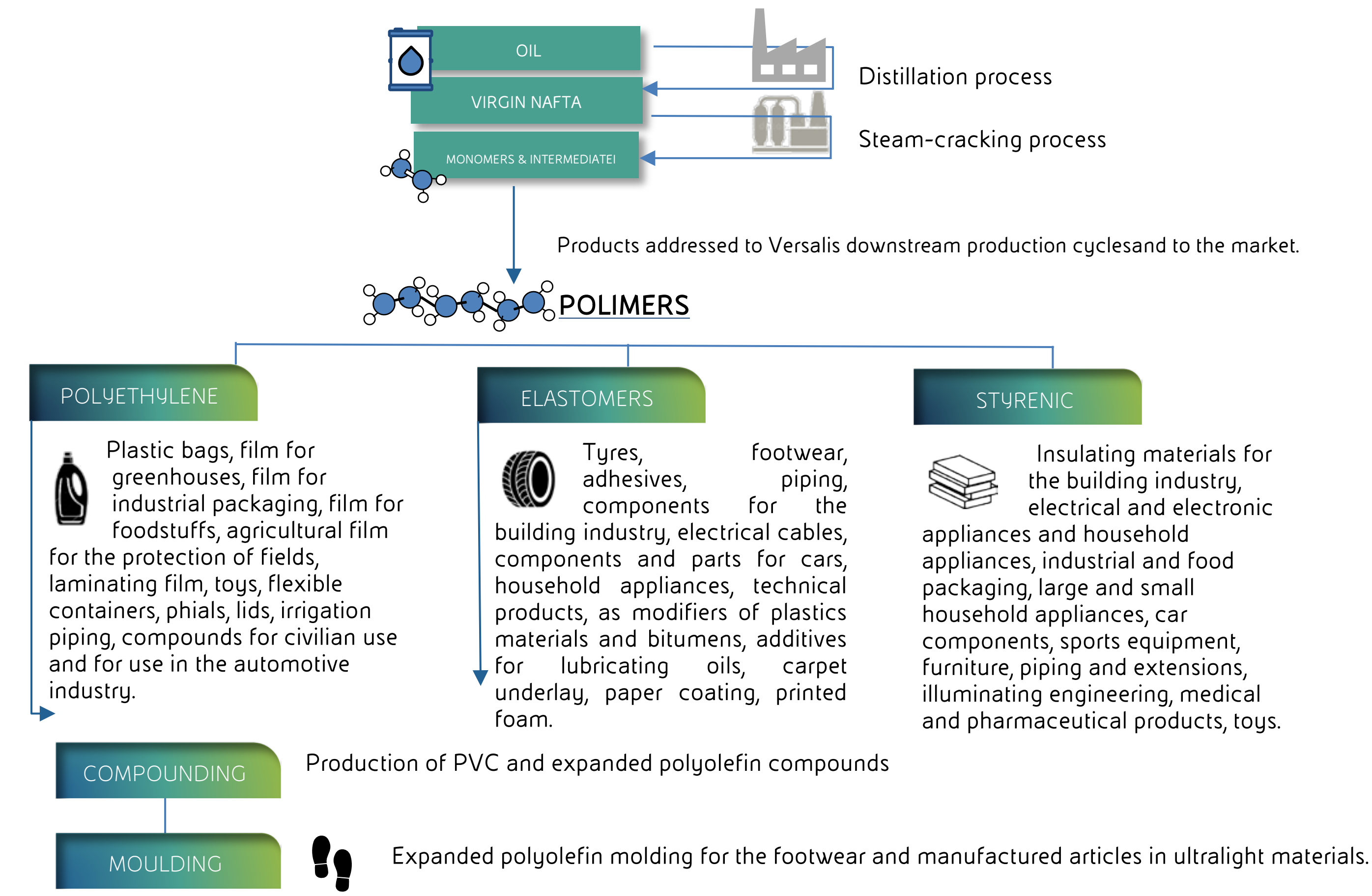
The Annual Financial Report contains forward-looking statements in the section "Business outlook" which by their nature have a component of risk and uncertainty because they depend on the occurrence of future events and developments. The actual results may differ even significantly from those announced in relation to a variety of factors, including: the impact of the Covid-19 pandemic, the ability of management to execute business plans and success in commercial negotiations, the future evolution of demand, supply and prices of raw materials, actual operating performance, general macroeconomic conditions, geopolitical factors such as international tensions and socio-political instability and changes in the economic and regulatory framework in many of the countries in the which Versalis operates, success in the development and application of new technologies, changes in stakeholder expectations and other changes in business conditions, competitive action.

Company profile

Versalis is Eni's chemical company operating globally in the basic and intermediate chemical sectors, plastics, rubbers and renewable sources chemistry. It focuses on development of an integrated technological platform in line with its strategy.

Versalis is the main chemical Italian company operating globally in the basic and intermediate chemicals sectors, plastics, rubbers and renewable sources chemistry. In details, it operates in production and trading of intermediates, polyethylene, styrenics, elastomers and renewable sources chemistry. The Company interacts with markets by offering global strategies and a product portfolio oriented towards satisfying a constantly evolving market, focusing on R&D and Licensing activities and further expanding its technological and business influence globally. To achieve these goals, Versalis relies on its expertise in the industrial area, its wide range of proprietary technologies, a wide-reaching distribution network and post-sales service activity. Finally, in October 2021, the acquisition of Finproject was finalized, a group active in the segments of specialist polymer applications, less exposed to the volatility of the scenario. This operation makes it possible to extract value from the integration of Finproject's positioning on the market for high value-added applications and Versalis' technological and industrial leadership In 2022 we strengthened our partnership with Novamont to strengthen synergies in a key sector for the ecological transition such as green chemistry, leveraging what has been built so far to seize new opportunities.

THE PRODUCTION CYCLE



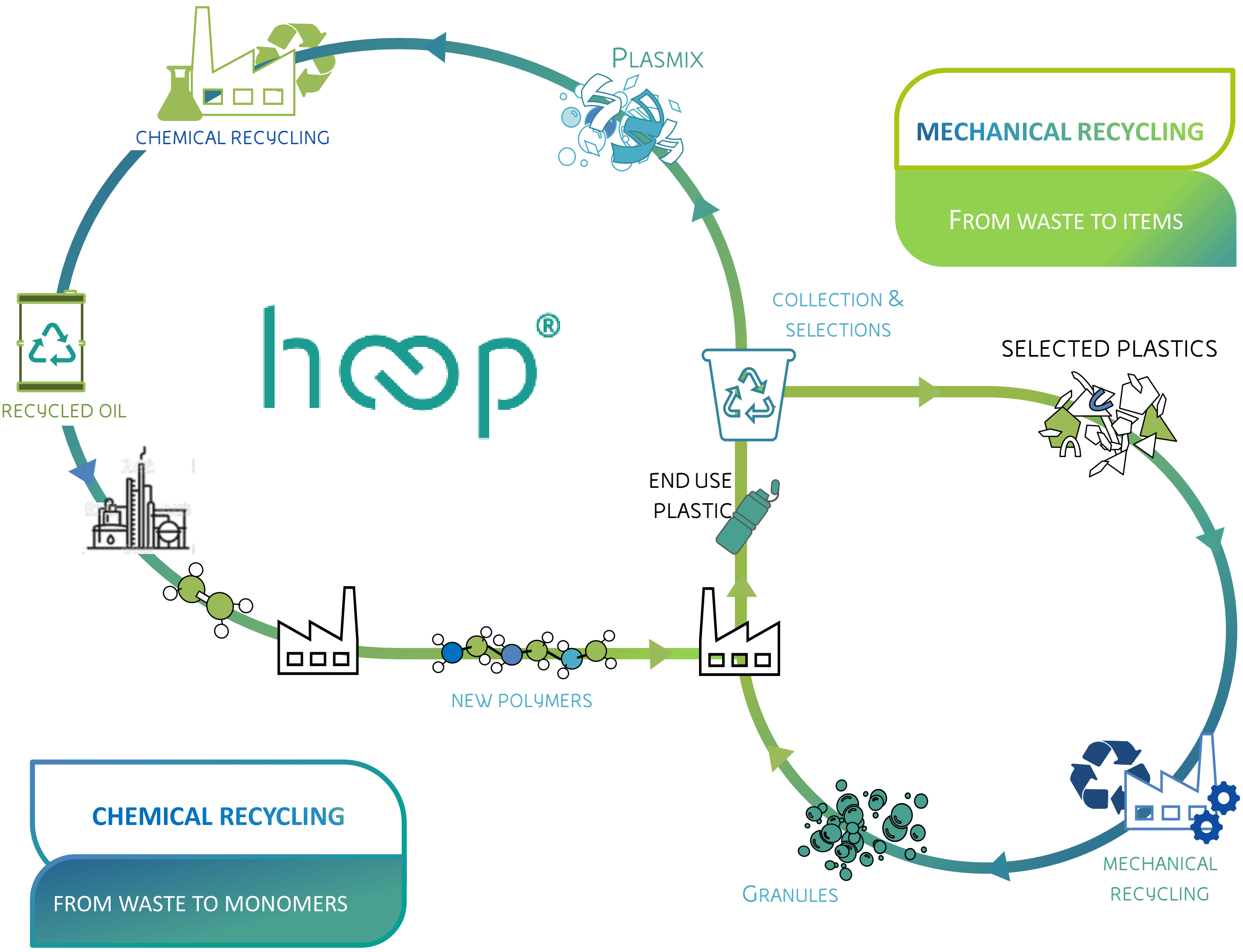
The materials produced by Versalis are obtained following a manufacturing cycle which involves several processing stages. Virgin naphtha, a raw material which is a distillation product from petroleum, undergoes thermal cracking also known as steam cracking. The component molecules split into simpler molecules: monomers (ethylene, propylene, butadiene, etc.) and into blends of aromatic compounds. These are then reconstituted into more complex molecules: the polymers. The following are produced from polymers: polyethylene, styrenes and elastomers used by processing companies to produce a whole variety of products for everyday use.

 English translation for reference only. Should there be any inconsistency between the Italian and English versions, the Italian version shall prevail

In basic chemistry, the main objective of the business is to ensure the adequate availability of monomers (ethylene, butadiene and benzene) to cover the needs of the businesses downstream of the process: in particular, the olefins are mainly integrated with the polyethylene and elastomers, aromatics ensure the availability of benzene necessary for the intermediates used for the production of resins, artificial fibers and polystyrene.

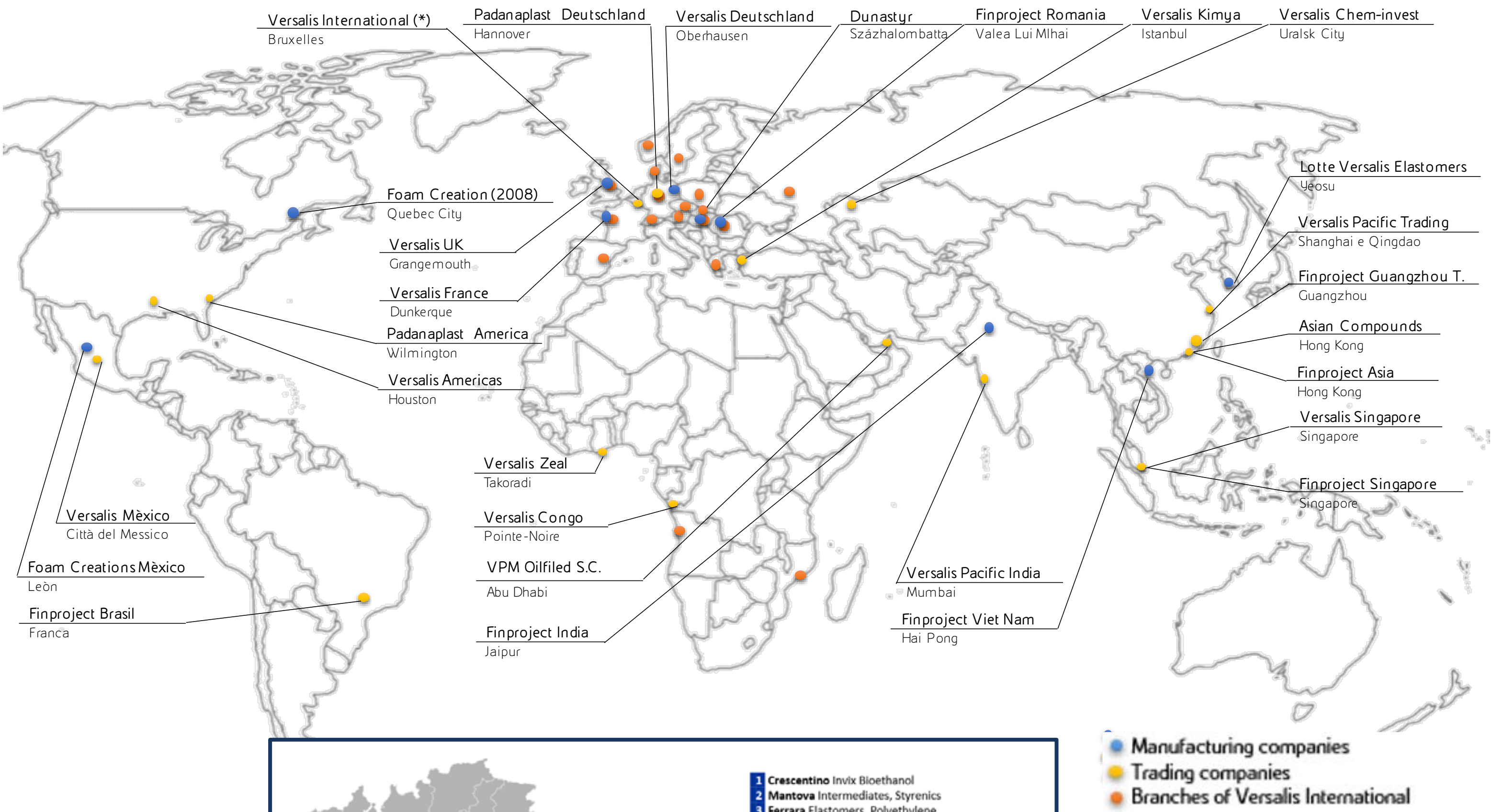
In polymers, Versalis is one of the leading European producers of elastomers, where it is present in almost all major sectors, of polystyrene and polyethylene, the main use of which is in the field of flexible packaging. Versalis is also committed to the development of biotechnologies and circular economy processes to respond to regulatory and environmental challenges.

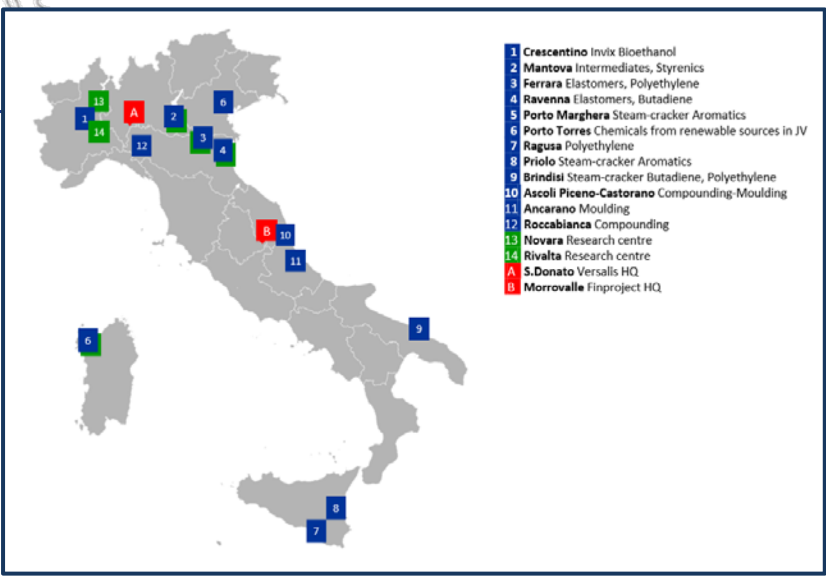
INTEGRATED PLATFORM FOR PLASTIC WASTE RECYCLING



The international presence of Versalis

Versalis Group is present with manufacturing plants in Italy (Ancarano, Ascoli Piceno, Brindisi, Crescentino, Ferrara, Mantova, Morrovalle, Porto Marghera, Porto Torres, Priolo, Ragusa, Ravenna, Roccabianca), in Canada (Québec), in France (Dunkirk), in Germany (Oberhausen), in India (Jaipur), in Mexico (Leòn), in UK (Grangemouth), in Romania (Valea lui Mihai), in Hungary (Szàzhalombatta) and in South Korea (in JV with a local partner); with Research Centers and Units in Italy (Brindisi, Ferrara, Mantua, Novara, Ravenna, Rivalta Scrivia); sales networks in Angola, Austria, Belgium, Brazil, China, Czech Republic, Congo, Denmark, France, Germany, Ghana, Great Britain, Greece, Hong Kong, Hungary, India, Italy, Kazakhstan, Mexico, Mozambique, Norway, Poland, Slovak Republic, Romania, Russia, Singapore, South Korea, Spain, Sweden, Switzerland, Turkey, United Arab Emirates, United States of America and Vietnam.



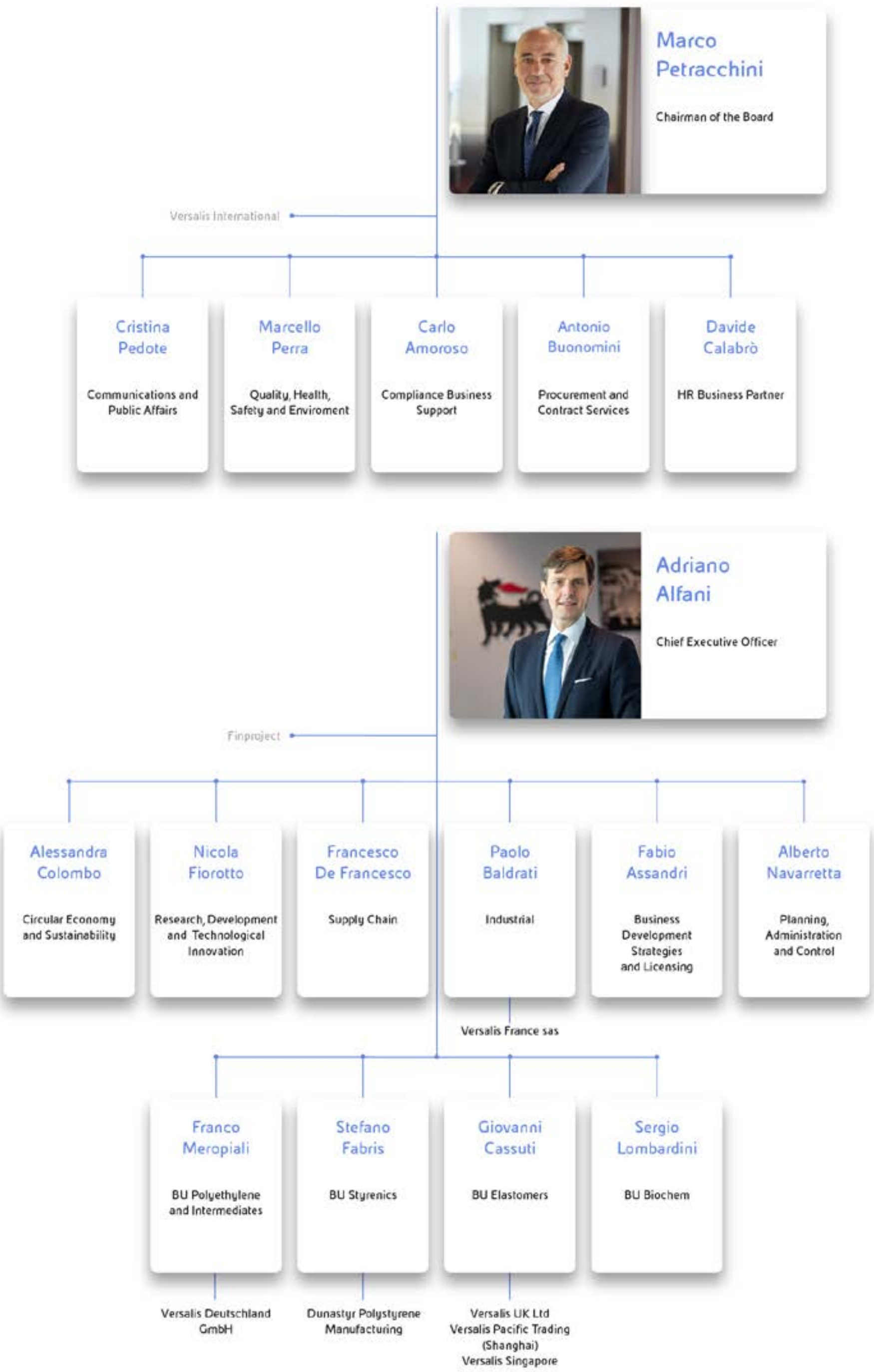


PRESENCE IN ITALY

Organizational structure

The following units depend to the President, Marco Petracchini: Comunicazione e Rapporti Istituzionali; Qualità, Salute, Sicurezza e Ambiente; Compliance Business Support; Procurement and contract service and HR Business partner.

The following units depend to the Chief Executive Officier,: Elastomeri, Polietilene & Intermedi, Stirenici e Biochem e le unità Supply Chain; Industriale; Pianificazione, Amministrazione e Controllo; Ricerca, Sviluppo e Innovazione Tecnologica; Strategie di sviluppo & Licensing and Circular Economy & Sustainability.



7.165
employees

23
Plant
including LVE and Matrica

6
Research centers
Of whom 1 in Joint Venture (Matrica)

Business model

| Intermediates

Basic monomers deriving from the cracking process, intended for important industrial uses to produce plastics and other components in the field of rubbers, fibers, solvents and lubricants.

| Polyethylene

Industrial semi-finished product derived from ethylene and used in the production of a wide range of finished products, such as packaging films (agricultural, food and industrial), bottles, containers, compounds for civil use and for the automotive industry.

| Elastomers

Polymers that have elasticity with various applications, such as tires, footwear, adhesives, building and automotive components, pipes, electrical appliances, household appliances, additives for plastics and bitumen, synthetic latexes for paper coating and printed foam.

| Styrenics

Very versatile, light and recyclable plastic materials, with good mechanical characteristics and high insulating power, used in the production of industrial and food packaging, household appliances, insulators, electrical and electronic equipment, car components.

| Biochem

The commitment to chemistry from renewable sources is based on enhancing the molecular complexity of feedstocks of biological origin and aims to develop innovative supply chains, technologies and products with a view to circular economy.

| Moulding & compounding

Through the acquisition of the Finproject group, the Versalis production chain extends downstream of the process through the activities of rigid and plasticized PVC compounds, polymeric alloys and special Polyolefins (Polyolefin compounds) including the compounds marked by the Levirex® brand and molding activities of comfortable and versatile closed cell expanded plastic material, also through the XL EXTRALIGHT® brand.

| Specialty Oilfield Chemicals

Versalis also offers innovative solutions in the field of design, production and global supply of chemical products for the petroleum industry. In particular, the areas of application are concentrated in the research and processes of oil and gas production plants, with a complete range of additives for drilling, cementing, maintenance and operation of wells, with high performance and sustainability characteristics. environmental.

Highlights

SAFETY

Versalis Group's constant commitment to the safety of people continued in 2022. Ten accidents occurred in 2022, of which three related to contractor personnel, linked to episodes mainly attributable to behavioral reasons.

During the year, 25 out 26 sites achieved the goal of "one year without employee accidents", including Brindisi (thirteenth consecutive year) and Szàzhalombatta (twelfth consecutive year).

NEWS OF THE YEAR

New branding in alignment with sustainable objectives

Versalis has revised its logo to represent the company's strategy as an industry leader, in alignment with Eni's identity, in its offering of decarbonized products.
Through innovation, the company aims to develop technologies within the circular economy and chemistry from renewable sources, as well as specializing its product portfolio.

versalis

| Versalis and Novamont strengthen green chemistry partnership

Versalis and Novamont are strengthening their partnership to reinforce synergies in the ecological transition of green chemistry, leveraging what has been built so far to maximize spin-offs and seize new opportunities.

The commitment to Matrìca - the joint venture set up in 2011 between Versalis and Novamont at Porto Torres specializing in manufacturing bioproducts from renewable sources - has been reconfirmed. The aim is to enhance the company's technology and production assets in order to fully develop its products, also within supply chains integrated with the two partners, by focusing on growth in the previously referenced markets.

Shareholder agreements have also been redefined: Versalis has increased its stake in Novamont from 25% to 35%.

| Versalis to license technology to Shandong Eco Chemical Co. Ltd

Versalis has agreed to license its proprietary continuous mass technology to Shandong Eco Chemical Co. Ltd, a Chinese company part of Shandong Haike Holding Ltd. The license will be granted for a 210 KTY ABS unit to be built in Dongying, Shandong province (China).

| Porto Marghera transformation continues

Versalis confirms the transformation of its activities at Porto Marghera and the implementation of new industrial initiatives in the area. These initiatives complement Eni's plans in the petrochemical and biorefinery field for a total of more than €500 million in investments and aim to accelerate the energy transition and the development of chemistry from the circular economy. This implementation will see more than 600,000 tons/year of CO_2 emissions being cut.

In Porto Marghera, Versalis is building the first plant for advanced post-consumer plastics mechanical recycling, following the acquisition of Ecoplastic's technology and facilities in 2021. Plants will be installed to produce styrenic polymers from recycled raw material, already sorted and pre-treated. The total capacity of this first phase will be about 20,000 tons/year: the new products, which will expand the Versalis Revive® polymer portfolio and consolidate European leadership in recycled styrenic polymers, will be destined for applied sectors in which the requirements of sustainability and circularity are essential, such as packaging and construction.

Versalis will also build the first plant in Italy in Porto Marghera for the production of isopropyl alcohol, which today is fully imported from abroad and used in numerous market sectors. The capacity of the new plant, 30,000 tons/year, is in line with domestic market demand and is considered a strategic step for Versalis in specializing its portfolio with higher value products. A hydrogen production plant will also be built to serve the isopropyl alcohol plant.

As part of this program, the process of shutting down the cracking and aromatics plants is now ended. The supply of ethylene and propylene to the industrial sites in Mantua and Ferrara will be guaranteed through the logistics hub that currently manages the flow of ships for the supply of incoming raw materials and the various outgoing products. Investments to strengthen the hub, aimed at maximizing its reliability and flexibility through optimizing the new set-up, have been underway for some time and partially implemented.

Agreement with Forever Plast for plastics recycling plant at Porto Marghera

Versalis and Forever Plast, an Italian company and European leader in the recycling of post-consumer plastics, have signed a new agreement as part of a project aimed at transforming the Porto Marghera industrial site.

The agreement confirms the acquisition of an exclusive license to build an advanced mechanical recycling unit for selected post-consumer plastics from waste sorting, in particular polystyrene and high-density polyethylene. The license acquired from Forever Plast will expand Versalis' product portfolio from recycled raw materials and will strengthen its leadership in Europe in the mechanical recycling of polystyrene for high value-added applications, including food packaging.

The plant, which is scheduled to go onstream in 2024, will be located in the available areas at the petrochemical site of Porto Marghera and will have a capacity of 50,000 tons a year of pre-sorted waste, from which it will produce recycled polymer compounds.

The deal also includes an extension of the contract with Forever Plast, which will ensure the volumes required for the expansion of Versalis' portfolio of recycled products and consolidate its current competitive advantage. In 2020 the company started a collaboration based on which new polystyrene compounds with up to 75% of recycled content, already available on the market under the Versalis Revive® brand, were developed for food packaging, thermal insulation and the electrical sector.

Circular industrial packaging with Bag to Bag and Liner to Liner projects

Versalis has set up two projects, "Bag to Bag" and "Liner to Liner", with which it aims to create a virtuous circle aimed at recovering and recycling industrial polyethylene packaging bags and putting them back into the system.

The "Bag to Bag" project, uses sacks from packaging and shipping polyethylene products, including those intended for food applications. These sacks are made from 50% recycled materials and are also fully recyclable, thanks to a design specifically developed to reduce the use of ink in labelling.

"Liner to Liner", developed and applied mainly at the Brindisi site, takes the inner linings (Liners) of containers used for transporting bulk polyethylene recycling them into new Liners, containing 50% recycled plastic, reused at the Apulian industrial site.

New technology to produce enzymes for second generation ethanol

Versalis has acquired the technology to produce enzymes for second-generation ethanol from DSM, a global, purpose-led company in Health, Nutrition & Bioscience. The agreement has a strategic value for Versalis as it integrates with proprietary Proesa® technology, applied at the Crescentino plant for the production of sustainable bioethanol and chemical products from lignocellulosic biomass, improving the competitiveness of technology and production.

Technological innovation

During 2022, research and technological innovation activities were aimed, in continuity with previous years, at improving the processes and products of the existing business lines and at developing proprietary technologies. A growing commitment was also confirmed in the field of sustainable and circular chemistry as a highly strategic element of the Company. Specific activities related to the advanced chemical recycling of mechanically non-recyclable mixed plastics continued (Project Hoop®) and the industrialization of the new range of Versalis Revive® products continued.

In the Biochem area, research and development activities continued aimed at improving the proprietary Proesa® industrial technology for converting biomass (not in competition with the food chain) into second-generation bioethanol sugars. With reference to the existing agreement with Bridgestone, the activities of cultivation and optimization of the agronomic protocol in Basilicata continued, which confirm a good agronomic productivity of Guayule against a reduction in costs, and the development of an innovative technology for the production of Guayule latex.

Production

Production in 2022, equal to 6.856 thousand tonnes, decreased by 1.642 thousand tonnes (-19.3%), mainly due to: (i) the lower availability of plants in the intermediates business (-22.1%) due at the final stop in Porto Marghera and at the scheduled stop in Dunkirk; (ii) the polyethylene business (-17.4%) and (iii) elastomers (-17.2%).

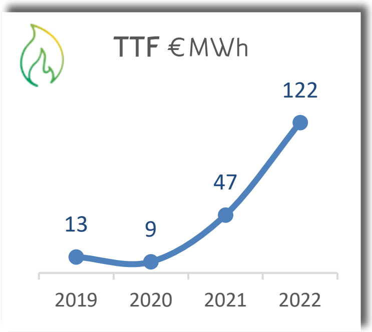
Results

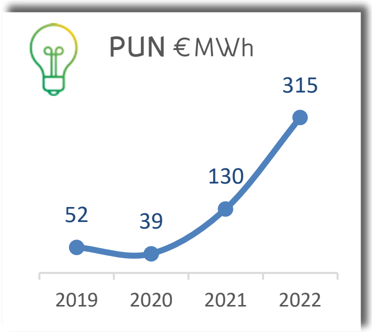
In 2022 the chemical sector reported a negative result due to high variable production costs essentially linked to the sharp increase in natural gas prices and the increase in raw materials (mainly Virgin naphtha), as well as a contraction in global demand. These effects were only partially offset by commercial actions, optimization of plant and utility structures (replacement of natural gas with ethane, energy efficiency measures, rescheduling of shutdowns), and modulation of production according to demand trends. In this context, the Versalis group achieved an operating loss of 885 million euros and a negative net cash flow from operating activities of 423 million euros. The parent company Versalis SpA presents a net loss of 763 million euros which, against a fully paid-up share capital of 446 million euros, reserves of 640 million euros and losses carried forward of 116 million euros, configures the extremes provided for by art. 2446 of the Civil Code.

Strategy

Versalis' long-term strategy aims to significantly reduce the exposure of the chemical business to the volatility of the cycle with the aim of reducing the weight in the portfolio of commodity segments characterized by weak fundamentals, to the benefit of chemicals from renewable sources and recycling, as well as by increasing specialization towards high added value polymers, characterized by greater stability and interesting growth prospects.

Versalis at a glance



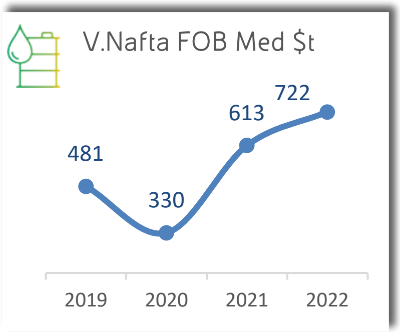


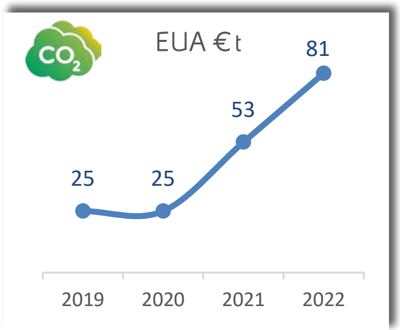
ECONOMICS AND FINANCIAL KPI

(€ million)	2022	2021	2020
Net sales from operations	6.215	5.590	3.387
Operating profit (loss)	(885)	122	(489)
Net profit (loss)	(882)	87	(588)
Net cash flow provided by oparating activities	(423)	75	(364)
Capital Expenditures	255	190	182
Total assets	3.437	3.575	2.657
Shareholder's equity	67	909	222
Net borrowings	1.999	1.317	1.404
Net capital employed	2.066	2.226	1.626

KEY OPERATING AND SUSTAINABILITY INDICATORS

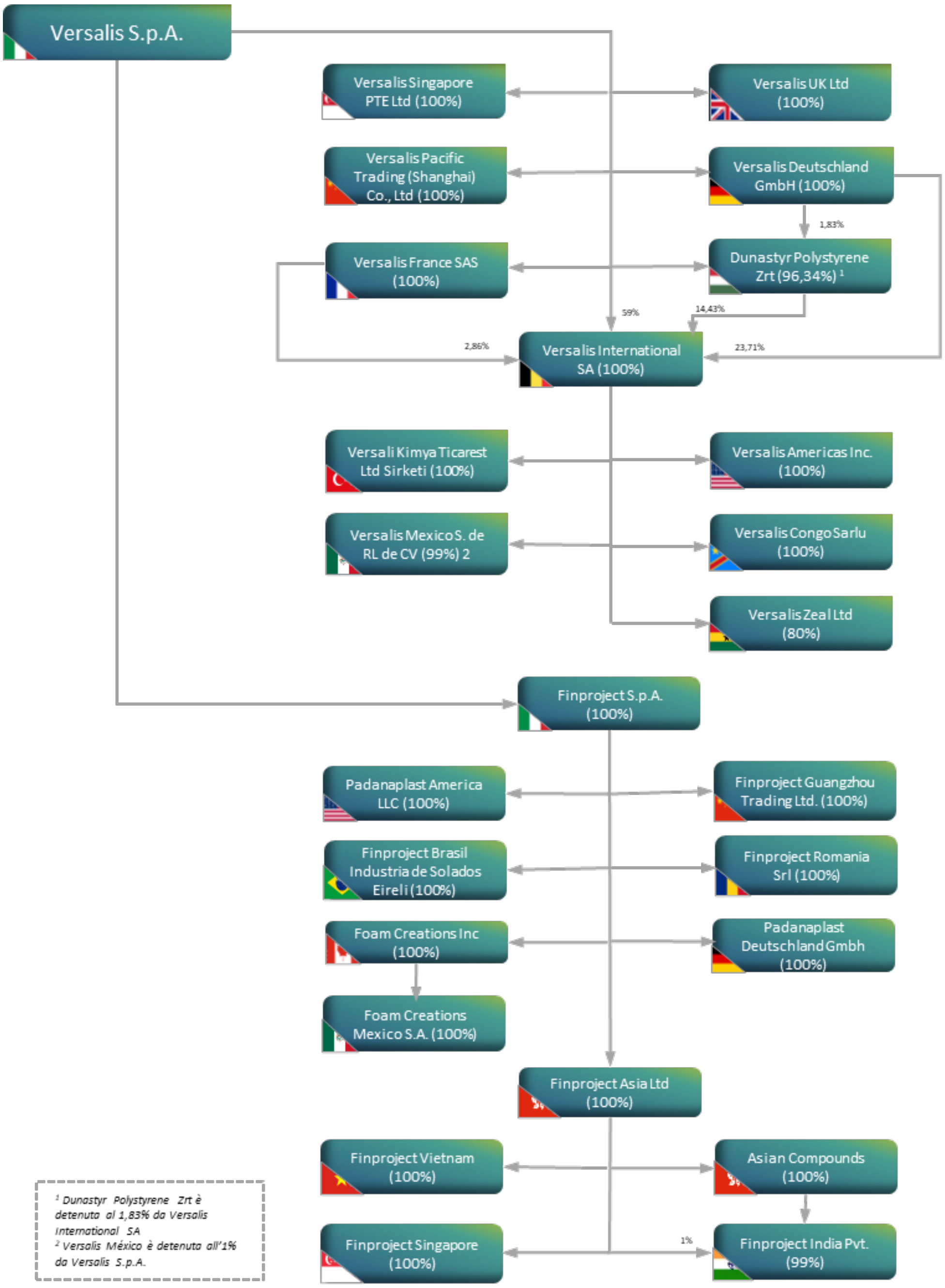
Employees	(numbers)	7.165	7.095	5.268
Accident frequency rate	(accidents/hours worked x 1,000,000)	0,80	0,64	0,64
Direct emission of greenho	(mm tonnes CO2 eq)	2,34	2,85	2,72
Cost of research and develc	(amount in millions of euros)	42	39	42
Productions	(k tonnes)	6.856	8.496	8.073
Plant utilization rate	(%)	59	66	65
Avarage EUR/USD exchange rate		1,05	1,18	1,14





Versalis group structure

A chart of the Versalis Group is illustrated here below. The companies are consolidated on a line-by-line basis. The percentage indicated refers to the interest held by the parent company.



[1] Dunastyr Polystyrene Zrt è detenuta al 1,83% da Versalis International SA
[2] Versalis México è detenuta all'1% da Versalis S.p.A.

Operating review

At the global and European level, 2022 was marked by an economy facing the war between Russia and Ukraine. The commercial embargo on Russia, the rising inflation rate triggered by the sharp spike in energy cost due to the war, the critical relationship between US and China and furthermore the Covid - 19 waves in Far East, led to a sharp slowdown of the largest economies. This, consequently, interrupted abruptly the recovery in 2021 following the recession registered in 2020 caused by global pandemic of Covid - 19.

In 2022 the global economy growth rate decreased, going from +5,9% in 2021 to +2,8% predicted for the 2022, and the projected forecasts indicating even a further decline. the international crisis has impacted all geographic areas without exceptions, in particular United States declining from + 5,9% of 2021 to an estimated +1,7% for the year 2022 and the Far East dropping from +6,2% to +3,7%. Looking at the Far East, the estimated slowdown of the Chinese economy anticipates a deterioration from +8,1% in 2021 to +3,6% in 2022. Given the crucial contribution of China to the global economy, this finding carries a considerable weight. On the other hand, for the Middle East, advantaged by the embargo on Russian petroleum products (and its derivatives), a further growth is expected bringing the GDP from +3,9% of 2021 to +5,9% of 2022. At the European level, the slowdown of the economy is most in line with the global level, falling from +5,3% down to +2,9%, but is surprisingly lower than the US downturn. Regarding Italy, the deterioration in 2022 is slightly less than the one seen in EU 27.

In such a context, the petrochemical industry was hit by a negative profit, failing to keep up with the excellent level of resilience sustained in the previous years while facing the Covid 19 pandemic. The drop of demands in several areas and the sharp spike in energy and feedstocks costs have forced many operators to reduce the level of production, especially during the end of the year. In some cases, the negative margins recorded for some business units led to temporary plant shutdown while waiting for a more favorable scenario.

At European level, the production of petrochemical sector during 2022 has seen a 2% decrease in comparison to 2021, recording a drop on the plant operating average rate (from 76% to 72%). This has led to a deterioration of profits in the industry, worsened even further by the increase in imports from areas with more competitive costs thanks to a lack of rise in raw materials and utilities costs.

Looking at the main businesses, the intermediates were affected by the weak trend of demands in the derivatives sector, but managed to minimize the negative product margins, due to the decreasing volumes and increasing prices of Virgin naphtha (+18% Vs 2021), thanks to favorable ethylene (+ 29%) and propylene prices (+28%).

Polyethylene, despite good profit achieved in the first quarter, saw a progressive worsening, caused by high energy costs and a slow-paced recovery from disruptions in the international logistic system, enhanced by increasing transport costs and container rental. This permitted the business to relief from a very pressured competitivity from the extra European producers that, instead, were benefiting from lower production costs (ethane crackers in USA and low- costs raw materials availability in Middle East). On the second half of the year the product prices were just slightly above the cost of feedstock (Ethylene) putting the profit in severe struggle.

Regarding the elastomers, the economic crisis triggered by the Ukrainian war deteriorated the automotive sector, the largest client market, suffering from a sharp decline in registration in the segment of light vehicles and small cargos, preventing the recovery in an industry already compromised by the spread of Covid - 19 and by the crisis of demand in the semiconductor industry in Far East. The price increase, well above the level reached in the previous years, could not offset the increase of raw materials and energy costs, weighting heavily in the overvigorous company therefore dragging the profit at low level.

About styrenics, as the full compliance with the Single Use Plastics directives was reached, the aim of boosting energy efficiency in buildings, spread in the culture of several countries, was a key driver of a good performance in the thermal insulation field. On the other hand, the compact polystyrene and acrylonitrile-butadiene-styrene (ABS) witnessed a moderate trend in the first part of 2022 followed by a sharp decline in demands and profits in the second half of the year.

As a result of the economic situation, necessarily, in 2022 Versalis has revealed a decline in profit compared to the previous year 2021. This decreasing trend across all the business units, was mainly Intermediates and polyethylene.

ANNUAL PERFORMANCE

In 2022 the Versalis group's core business generated **revenue** of € 6,215 million, + 11,2% increase compared to € 5,590 million reported in 2021. This growth was driven mainly by the consolidation of Finproject groups 2022 results and by the strong increase in the average unit sales price of the Intermediate business (+34,2%) and of Polymers (+22,0%).

The **sales** of petrochemical products of 3,676 thousand tons fell by -17,4% (775 thousand tons) from the prior year 2021. In depth, the main downturn was seen in the olefins (-22,8%) followed by elastomers (-18,7%), polyethylene (-16,4%) and styrenics (-12,1%). Looking at the **moulding & compounding** business, the sales achieved 76 thousand tons.

The **production** of petrochemical products of 6,775 thousand tons dropped by 1,701 thousand tons (- 20,1%) mainly due to lower production of olefins business (-24,3%), aromatics (-22,6%) and polymers (-14,3%). With regard the **moulding & compounding business** the production recorded was 81 thousand tons.

Specifically, the main changes were seen in the following plants: (a) Porto Marghera due to the final shutdown in May 2022 (-63,9%) and (b) Dunkerque (-39,3%) facing a multi-year plant maintenance downtime prolonged after an unplanned event occurred during the switch on of the plant; these unlikely events have been partially offset by the higher production at Brindisi site (+9,0%).

Therefore, the nominal capacity is decreased compared to 2021. The average utilization plant rate, calculated on the nominal capacity, is 59,0% below the comparison year 2021 (66,0%).

(€ million)	2022	2021	2020	Change	Ch. %
Intermediates	2.368	2.166	1.329	202	9,3
Polymers	3.203	3.114	1.888	89	2,9
Biochem	25	60	6	(35)	(58,3)
Moulding & compouding	327	70		257	...
Oilfield chemicals	83	65	56	18	27,7
Other income [a]	209	115	108	94	81,7
TOTAL REVENUES	6.215	5.590	3.387	625	11,2

(a)Third Party products sold under agency contracts with foreign trading companies and other service revenues.

(k tonnes)	2022	2021	2020	Change	Ch. %
Intermediates	4.897	6.284	5.861	(1.387)	(22,1)
Polymers	1.873	2.184	2.211	(311)	(14,2)
Biochem	5	8	1	(3)	..
Production od petrochemical products	6.775	8.476	8.073	(1.701)	(20,1)
Moulding & Compounding	81	20		61	..
Total Production	6.856	8.496	8.073	(1.640)	(19,3)
Consumption & losses	(3.923)	(4.590)	(4.366)	667	14,5
Purchases & Stock variances	819	565	632	254	45,0
Total availability	3.752	4.471	4.339	(719)	(16,1)
Intermediates	2.158	2.648	2.539	(490)	(18,5)
Polymers	1.494	1.771	1.790	(277)	(15,6)
Oilfield chemicals	21	24	9	(3)	..
Biochem	3	8	1	(5)	..
Sales of Petrochemical products	3.676	4.451	4.339	(775)	(17,4)
Moulding & Compounding	76	20		56	..
Total sales	3.752	4.471	4.339	(719)	(16,1)

BUSINESS UNIT REVIEW

Intermediate business unit

Intermediates revenues (2,368 million euros) increased by 9,3% (202 million euros compared to 2021) due to the increase in prices.

Sales (2,158 thousand tons) went down by 18,5% over the same period from the previous year 2021. This was registered in olefins (-22,8%), in aromatics (-15,3%) and in derivatives (-0,8%).

The average unit selling prices, despite the overall increase by 34,2%, mainly in aromatics (47,2%), in olefins (+32,4%) and in derivatives (+23,5%) have not offset in full the rise of utility costs.

The production of intermediates (4,897 thousand tons) fell by 22,1% compared to 2021. This was recorded in olefins (-24,3%) in aromatics (-22,6%) and a slight rise in derivatives (+0,6%).

Polymer business unit

Polymers revenues in 2022 (3,203 million euros) grew by 2,9% (89 million euros YoY) driven by the increase of average unit prices.

The drop in **polyethylen**e sales volumes (-16,4%) was due mainly to the loss in sales of LDPE (-27,7%), EVA (-12,5%) and HDPE (-10,6%). The average unit selling prices went up by13,4%.[1]

The reduction in **elastomers** sales volumes (-18,7%) was driven by the fall in European and non-European demands, and by the lack of price competitiveness caused by a spike in energy costs. The 2022 revealed a decline in sales of BR (-23,7%), SBR (-17,9%) and NBR rubbers (-17,3%). The averaged unit selling prices increased by 36,6%. [1]

The decrease in sales volumes of **styrenics** (-12,1%) was caused by a lower product availability and by the fall in demands, leading to lower sales volumes of SAN (-33,1%), of EPS (-26,8%) and GPPS (-11,5%), only partially offset by higher sales of ABS (+11,9%); The averaged unit selling prices grew by 25,8%.[1]

The production of polymers (1,873 thousand tons) dropped by 14,2% YoY, due to lower productions of polyethylene (-17,3%), elastomers (-17,2%) and styrenics (-10,0%).[1]

Oilfield chemicals

Revenues from oilfield chemicals business (83 million euros) grew by 27,7% (18 million Euro compared to 2021) benefiting from a combined mix of rise in formulations unitary and essential related services.

Biochem business

The Biochem revenues (25 million euros) decreased by 35 million euros compared to 2021 mainly driven by the decline in the production of disinfectants, due to the end of health emergency, balanced off by the sales of electric energy which benefited the increase on unit selling prices. 2022 the delivery of the disinfectant INVIX® in the Italian schools was fulfilled ending the supply agreement with the commissarial office. The production of electricity in Crescentino plant in 2022 was 76 GWh while 48 GWh was sold to the grid. The plant was operating at its full capacity to produce electricity from renewable sources.

Moulding and compounding business

The revenues from moulding and compounding business (327 million euros) are generated from the consolidation of Finproject Group, taken place on the 1st of October 2021 and from compounding activities for 78 million euros, moulding for 108 million euros and for ex Padanaplast activities of 141 million euros.

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1 the increase of average unit prices has not fully offset the rise of utilities costs.

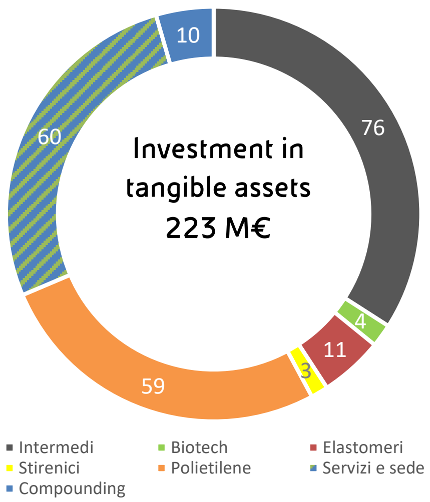
Technical Investments

Net investments in tangible and intangible fixed assets of the year, equal to 255 million euros, are analyzed by business in the following table and by type in the following chart.

(€ million)	2022	2021	2020	Change
Olefins	70	83	80	(13)
Aromatics	2	1	19	1
Derivatives	4	5	2	(1)
Styrenics	3	16	14	(13)
Elastomers	11	7	9	4
Polyethylene	59	19	8	40
Biotech	4,0	3	3	1
Compounding	10	4		6
Industrial Services	55	39	33	16
Staff and financial charges	5	6	5	(1)
Investments in tangible assets	223	183	173	40
Investments in intangible assets	32	7	9	25
Total	255	190	182	65

Main technical investments of the year concerned:

- scheduled maintenance work on Dunkirk, Ferrara and Ragusa plants (115 million euros);
- adaptation of plants to safety and environmental and *asset integrity* regulations (75 million euros);
- Finproject investments for 10 million euros;
- cyclical maintenance interventions mainly for *recoil* on the furnaces of the ethylene plants in Brindisi and Priolo (7 million euros)
- activities to mantain and improve the plant reliability on different sites. (6 million euros);
- new endowments in the research centers of Ferrara, Mantua and Ravenna for one million euros.



Financial review of Versalis group

PROFIT AND LOSS ACCOUNT

(€ million)	**2022**	2021	2020	Change
Net sales from operations	6.215	5.590	3.387	625
Other income and revenues	119	112	96	7
Operating expenses	(6.717)	(5.324)	(3.825)	(1.393)
Other operating (expense) income			(15)	
Depreciation, depletion, amortization and impairments	(501)	(256)	(132)	(245)
Losses on wirte-off/disposal	(1)			(1)
Operating profit (loss)	(885)	122	(489)	(1.007)
Net financial income (expense)	25	8	(7)	17
Net income (expense) from investments	(6)	5	(74)	(11)
Profit (loss) before income taxes	(866)	135	(570)	(1.001)
Income taxes	(16)	(48)	(18)	32
Tax Rate (%)	*(1,8)*	*35,6*	*(3,2)*	*(37,4)*
Net profit (loss)	(882)	87	(588)	(969)

| Net loss

In 2022 Versalis Group achieved a net loss of 882 million euros, down by 969 million euros compared to 2021.

Operating result deteriorated by 1.007 million euros mainly due to:

- Significant decrease in **Polyethylene** business profitability, penalized by the ethylene price increase compared to polyethylene prices and by the decrease both in productions (-17,3%), due to scheduled plant shutdowns in Dunkirk, Ferrara and Oberhausen, and in sales (-16,4%) resulting from the unfavorable scenario and the contraction in demand;
- Reduction in **intermediate** business profitability due to a sharp increase in cost of energy and to the appreciation of US dollar against euro. The business was also affected by a reduction in productions (-22,1%) and in sales (-18,5%) due to the reduced operation in Dunkirk plant and to the definitive shutdown of Porto Marghera site since May 2022;
- Worsening of **styrenic** unit margins compared to 2021, caused by increase in costs of utilities and of polymers, partially mitigated by the increase in polystyrene prices. The business was also affected by the drop in both productions and sales due to a generalized reduction in demand, shortage of *chemicals* and logistical difficulties;
- Slight decrease in **biochem** business profitability resulting from the sales of disinfectants;
- Higher economic effect deriving from the outcome of the impairment test on fixed assets, which resulted in impairment loss of 383 million euros on production plants and of 2 million euros on intangible assets, against impairment loss on productions plants of 163 million euros in the previous year.

These negative phenomena were partially absorbed by:

- Slight improvement in **Elastomer** business thanks to the unit margins supported by demand in the «tire replacement » sector, despite the drop in production and in sales due to the consumption slowdown and lack of competitiveness with Asian competitors.

Analysis of profit and loss account items

Net sales from operations

(€ million)	2022	2021	2020	Change
Olefins	1.478	1.445	879	33
Aromatics	442	355	191	87
Derivatives	448	366	259	82
Oilfield chemicals	83	65	56	18
Elastomers	816	736	452	80
Styrenes	919	831	534	88
Polyethylene	1.468	1.547	902	(79)
Biochem	25	60	6	(35)
Moulding & Compounding	327	70		257
Corporate & Services	209	115	108	94
	6.215	5.590	3.387	625

Net sales from operations increased by 625 million euros mainly due to the inclusion of Finproject group companies in scope of consolidation for the whole year while in 2022 its revenues impacted only in the last quarter. Net sales increased also as a result of the rise in the average unit sales prices of polymers (22%) and intermediates (34.2%). Quantities sold decreased by 17.4%. The reduction mainly concerned olefins (-22.8%), elastomers (-18.7%), polyethylene (-16.4%) and styrenes (-12.1%).

Other income and revenues

Other income and revenues increased by 7 million euros compared to 2021, mainly due to higher revenues from sale of: emission trading (12 million euros), licenses (12 million euros), electricity (5 million euros) and precious metal sold by Versalis France (3 million euros).These positive effects were partially offset by lower recovery of costs from third parties and from Eni group companies (9 million euros), by the reduction in revenues from sale of tangible assets (9 million euros) and of Energy Efficiency Certificates (4 million euros), and by lower grants received to produce renewable energy (7 million euros).

Operating expenses[2]

(€ million)	2022	2021	2020	Change
Production costs - raw, ancillary & consumable materials and goods	3.990	3.268	2.241	722
Service costs	2.046	1.535	1.119	511
Operating leases and other	30	23	21	7
Net provisions for contingencies	135	14	6	121
Other expenses	68	82	55	(14)
Net depreciation (write-ups of value) of trade receivables and other receivables	4	(1)	4	5
Payroll and related costs	444	403	379	41
	6.717	5.324	3.825	1.393

Operating expenses increased by di 1.393 million euros, equal to 26.2%, as illustrated in the previous table.

[2] Costs for services and other miscellaneous charges are shown net of the utilization of provisions for risks and charges.

The 22.1% increase in costs for **purchase of raw materials, ancillary & consumables materials and goods** is mainly due to the increase in the average unit price in euros of virgin naphtha compared to 2021, partially off-set by a reduction in purchased quantities.

Service costs increased by 33.3% mainly due to the increase in prices of utilities (methane, electricity, water and steam, natural gas), in logistic costs and in costs for ecological treatments. These effects were only partially offset by reduction in maintenance costs, in sales commissions and by optimization operations on asset and *utilities* such as natural gas replacement with ethane, energy efficiency measures and rescheduling of plant shutdowns.

The increase of 121 million euro in **net provisions for risks and charges** is mainly due to higher net provisions for environmental risks and charges (118 million euros) and to lower net uses of the provision for disputes and litigations (3 million euros).

Concerning the net provision for environmental risk and charges, until the end of 2021, Versalis didn't allocate the costs for the operation of groundwater treatment plants (TAF) to the provision for reclamation charges, as it was unable to reliably estimate their amount also because the operating time span of the plants couldn't be defined. Since 2022, the company has acquired the elements to develop and implement models to estimate the at least minimum duration of operating time span of TAF plants and therefore to be able to estimate the future charges to be incurred for their management.

Other **net expenses** decreased by 14 million euros mainly for lower charges incurred to purchase emissions rights (10 million euros), for lower indirect duties and taxes (2 million euros) and for lower contractual penalties (one million euros).

Net provision to bad debt provisions increased by 5 million euros mainly for the inclusion of Finproject companies in scope of consolidation and for the provision to the doubtful debt provision of some customers in disposable plastics sector.

Labor costs

Labor costs increased by 41 million euros mainly due to the consolidation of Finproject group companies.

Depreciation, amortization and impairment

(€ million)	2022	2021	2020	Change
Tangible assets	87	79	80	8
Depreciation of leasing right-of-use asset	7	6	5	1
Inatngibles assets	22	8	1	14
Depreciation	**116**	**93**	**86**	**23**
Impairment (value recovery) net	**385**	**163**	**46**	**222**
	501	256	132	245

Depreciation of tangible assets increased by 8 million euros compared to last year, mainly due to the consolidation of Finproject group companies (5 million euros) and to new investments in plant and machinery.

Depreciation of intangible assets increased by 14 million euros compared to last year, mainly due to the consolidation of Finproject group companies, which in 2021 had an impact only in last quarter (5 million euros), while in 2022 it impacted on the whole year.

The impairment test carried out in 2022 resulted in **net impairment loss** for a total of 385 million euros.

The impairment losses on tangible and intangible assets of 385 million euros mainly referred to the following Cash Generating Units (CGUs): Intermediates (impairment loss of 347 million euros), Elastomers (impairment loss of 13 million euros), Biochem (impairment loss of 3 million euros) and the asset located at Porto Marghera site (impairment loss of 55 million euros). Such losses were partially offset by the writeback of 34 million euros concerning Styrenic CGU.

For further details, please refer to the note "Net write-backs (impairment) of tangible and intangible assets and rights of use leased assets" of the Notes to the consolidated financial statements.

Net financial (expenses) income

(€ million)	2022	2021	2020	Change
Financial income (expenses) related to net borrowing	(20)	(12)	(9)	(8)
Financial income (expenses) from receivables and securities- operating activities	35	10	2	25
Financial income (expenses) on derivative contracts	5	5	(2)	
Foreign exchange gains (losses)	6	4		2
Other financial income (expenses)	(3)	(1)	(1)	(2)
Capitalized financial expenses	2	2	3	
	25	8	(7)	17

Net financial income of 25 million euros increased by 17 million euros mainly due to the release of bad debt provision of the financial receivable from the jointly controlled company Matrìca, effect partially offset by the increase in financial expenses related to net borrowing.

Derivative instruments lack the formal requirements to be classified as hedging based on IFRS 9 and therefore the relative changes in fair value are recognized in the income statement.

Net income (expense) from investments

(€ million)	2022	2021	2020	Change
Income (losses) from equity valuations	(66)	(9)	(49)	(57)
Income (losses) from fair value valuations		20		(20)
Other income (expense) from investiments	60	(6)	(25)	66
	(6)	5	(74)	(11)

Net expenses from investments of 6 million euros mainly related to the fair value of the 10% stake in Novamont (88 million euros) acquired in application of the settlement agreement signed between the parts; partially offset by the effects of the valuation at equity method of the investments in Novamont (53 million euros) and in the jointly controlled company Lotte Versalis Elastomers (13 million euros) as well as by the provision made to meet the net financial requirement of the jointly controlled company Matrìca (28 million euros).

Income taxes

(€ million)	2022	2021	2020	Change
Loss before income taxes				
Italy	(768)	(74)	(598)	(694)
Abroad	49	209	28	(160)
	(719)	135	(570)	(854)
Income taxes				
Italy	(23)	3	(2)	(26)
Abroad	39	45	20	(6)
	16	48	18	(32)

For further details on the main changes in the tax rate, see the paragraph "Income taxes" in the notes to the consolidated financial statements.

RICLASSIFIED BALANCE SHEET (*)

(€ million)	31.12.2022	31.12.2021	Change
Fixed assets			
Property, plants and equipment	590	840	(250)
Leasing Right of use	15	20	(5)
Intangible assets	334	332	2
Investments	330	268	62
Receivables and securities held for operating purposes	27	6	21
Net payables related to capital expenditures	(28)	(43)	15
	1.268	1.423	(155)
Net working capital			
Inventories	1.185	934	251
Trade receivables	602	803	(201)
Trade payables	(743)	(821)	78
Tax receivables (payables) and deferred tax	53	(45)	98
Provision for contingencies	(228)	(94)	(134)
Other current asset (liabilities)	(8)	99	(107)
	861	876	(15)
Provision for employee benefits	(63)	(73)	10
NET CAPITAL EMPLOYED	2.066	2.226	(160)
Net equity	67	909	(842)
Net financial debt (surplus)	1.999	1.317	682
TOTAL LIABILITIES AND SHAREHOLDERS'EQUITY	2.066	2.226	(160)

Fixed Asset

The main changes to the fixed assets items are commented on below.

Property, plants and equipment, amounting to 590 million euros, decreased by 250 million euros mainly due to the outcome of the impairment test, which resulted in a net devaluation of plant of 383 million euros, and to the depreciation for the year (87 million euros). Such effects were partially offset by technical investments for the year (223 million euros).

The **right to use** leased assets of 15 million euros mainly refers to the right to use land (6 million euros), industrial buildings (5 million euros) and to the right to use motor vehicles (4 million euros).

Intangible assets, equal to 334 million euros, were substantially in line with the previous year. Technical investments for the year (32 million euros) were partially offset by depreciation for the period (22 million euros), by the impairment of asset (one million euro) and by the sales of capitalized excess emission rights (5 million euros).

Investments, equal to 330 million euros, increased by 62 million euros mainly due to: (i) the acquisition of a further 10% of the investment held in Novamont SpA (net effect 88 million euros) in application of the settlement agreement between the parties, (ii) fair value measurement with reserve effects (OCI) of the shares held in Novamont SpA before the aforementioned acquisition (37 million euros),(iii) the share capital increase in the associated company Ravenna Servizi Industriali (one million euros), (iv) the acquisition of the investment held in the company VPM (one million euros). Such positive effects were partially offset by the valuation of the investments held in the associated company Novamont (losses for 53 million euros) and in the jointly controlled company Lotte Versalis Elastomers Co. Ltd (losses for 13 million euros).

For the jointly controlled company Matrìca, the payment to the future share capital increase of the company (6 million euros), was offset by the release of the related provision for future risks and charges (6 million euros); despite the fact that the shareholders' equity of the jointly controlled company Matrìca held by Versalis spa is equal to 11 million euro, the book value of the investment is completely devalued, given the company's financial plan.

Financial receivables and securities held for operating activities of 27 million euros mainly related to the financial credit granted to the jointly controlled company Matrìca SpA and increased by 21 million euros mainly due the release of the bad debt provision thanks to the company's ability to repay it given the capitalization commitment resulting from the four-year plan.

Net payables related to capital expenditures, equal to 28 million euros, decreased by 15 million euros mainly due to the payment of payables for subscribed shareholdings to be paid (25 million euros) related to the adjustment on the 60% purchase of Finproject shares, such effects were partially offset by the increase of Versalis France net payables related to capital expenditure.

Net working capital

The main changes in the net working capital items are commented on below.

The 251 million euro increase in **inventories** was attributable to the increase in weighted average cost of inventories. The increase mainly concerned finished products and raw materials. These effects were partially offset by the increase in provision for impairment losses on inventories for 111 million euros, for adjustment to the market value of the quantities in stock.

The 201 million euro decrease in **trade receivables** was essentially caused by the decrease in turnover in the last quarter, due to a reduction in sold quantities. Such effects were partially offset by a reduction in factorized receivables and by a slight increase in overdue receivables.

Trade payables decreased by 78 million euros mainly due to the decrease in payables versus Eni Rewind SpA (54 million euros) deriving from the offsetting with other receivables versus the same company and due to the reduction in other payables versus third parties.

The increase in **tax receivables and net tax provision** of 98 million euros is mainly due to (i) the receivables for R&D contributions and energy and gas contributions (48 million euros) from Versalis spa, (ii) the increase in Versalis spa net deferred tax assets (22 million euros) and (iii) higher VAT advances (24 million euros).

The 134 million euro increase in **provisions for risks and charges** is mainly due to the net increase by 118 million euros of provision for environmental risks and charges and by 22 million euros in provision for Matrìca financial support. These effects were partially offset by the decrease of 3 million euros in the provision for disposals and restructuring and of 2 million euros in provisions for redundancies.

The 107 million euro increase in **other current assets** was mainly due to the reduction by 115 million euros of other receivables versus Eni Rewind SpA thanks to the offsetting with trade payables (54 million euros) and to the payments of previous year chargebacks (61 million euros). These effects were partially offset by the 5 million euro increase in prepaid expenses due to the compensation paid to Foreverplast for the signing of contract for the development of plastic recycle in Porto Marghera.

Statement of Comprehensive Income

(€ million)	2022	2021
PROFIT (LOSS) FOR THE PERIOD	(882)	87
Other items of comprehensive profit (loss)		
Valuation of defined benefit plan for employees	8	4
Foreign currency Translation differences	(1)	(4)
Amount related to equity-accounted investments		(5)
Fair value measurement of minority shareholdings	37	106
Tax effects related to other components of comprehensive loss that cannot be reclassified i nprofi and	(1)	(1)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	(839)	187

Shareholders' equity

(€ million)	
Shareholders' equity at 31 Decemeber 2021	909
Total comprehensive loss	(839)
Exchange differences and other changes	(3)
Shareholders' equity at 31 Decemeber 2022	67

Shareholders' equity amounted to 67 million euros and decreased by 842 million euros compared to 2021 mainly due to the comprehensive loss for the year.

Net Financial Debt

(€ million)	31.12.2022	31.12.2021	Change
Financial debt short-term	1.354	655	699
Financial debt medium long-term	732	741	(9)
Lease liabilities	16	21	(5)
Cash and cash equivalent	(102)	(99)	(3)
Financial asset made fo non operating purposes	(1)	(1)	
Net financial debt	1.999	1.317	682
Net equity	67	909	(842)
Leverage	*29,84*	*1,45*	*28,39*

The 682 million euro increase in **net financial debt** is essentially due to cash requirements from operating activities (423 million euros) and for technical investments (255 million euros); these effects were offset by net cash flow from financial activities (positive for 692 million euros). For further details, see the comment on the reclassified cash flow statement.

Reconciliation of net profit (loss) and shareholders' equity of Versalis SpA with the consolidated net profit (loss) and shareholders' equity

	Neto profit (loss)		Shareholders'equity	
(€ million)	2022	2021	31.12.2022	31.12.2021
As recorded in annual financial statement of Versalis spa	(763)	(116)	207	924
Difference between the equity value of individual accounts of consolidated subsidiaries, with respect to the corresponding carrying amount in the statutory accounts of the parent company	(47)	224	(292)	(236)
Consolidation adjustments:				
- elimination of tax adjustments and compliance with accounting policies	(65)	(21)	180	237
- deferred taxation	(6)	(1)	(24)	(14)
- elimination of intercompany profits	(1)	1	(4)	(2)
As recorded in annual consolidated financial statement	(882)	87	67	909

RECLASSIFIED CASHFLOW STATEMENT (*)

In 2022, the **net cash flow from operating activities** was negative for 423 million euros. Disbursements for technical investments (255 million euros), investments in equity investments (8 million euros) and the change in receivables relating to investment activities (15 million) , only partially offset by cash flow from divestment activities (14 million) and by the sale of fixed assets (6 milion euros), generated a negative free cash flow of 682 million euros, covered thanks to the financing lines guaranteed by the parent company Eni SpA.

(€ million)	**2022**	2021	Change
Net profit (loss) for the period	(882)	87	(969)
Adjustments to reconcile net profit (loss) to net cash flow provided by operating activities:			
- depreciation, amortization and other non monetary items	471	244	227
- net gains on disposal of assets		(9)	9
- dividends, interests, taxes and other changes	35	56	(21)
Changes in working capital	8	(272)	280
Dividends received, taxes (paid) received,interest(paid) received	(55)	(31)	(24)
Net cash flow from operating activities	(423)	75	(498)
Technical investments	(255)	(190)	(65)
Investments and purchase of consolidated subsidiaries and businesses	(8)	(173)	165
Disposals	6	10	(4)
Financial investments	(1)		(1)
Finacing receivable repayments		9	(9)
Other cash flow related to investing activities	(15)	(39)	24
Other cash flow related to divesting activities	14	7	7
Free cash flow	(682)	(301)	(381)
Change in short-term and long-term debt	692	(142)	834
Reimbursement of lease liabilities	(7)	(20)	13
Cash flow from capital and reserves		500	(500)
NET CASH FLOW	3	37	(34)

Change in net borrowing

(€ million)	**2022**	2021	Change
Free cash flow	(682)	(301)	(381)
Exchange differences on net borrowings and other changes	2	(3)	5
Change in short-term and long-term debt	(7)	(20)	13
Change in financial debts and credits on acquired companies		(106)	106
Cash flow from capital and reserves		500	(500)
CHANGE IN NET BORROWINGS ANTE IFRS16	(687)	70	(757)
First application IFRS 16			
Reimbursement of lease liabilities	7	20	(13)
New leasing liabilies and other variation	(2)	(3)	1
Variation in lease liabilities	5	17	(12)
CHANGE IN NET BORROWINGS POST IFRS16	(682)	87	(769)

Reconciliation of the reclassified consolidated financial statements with the statutory financial statements

Items of the Reclassified Consolidated Balance Sheet (where not expressly indicated,the item derives directly from the consolidated financial statements (statutory format) (€ million)	Ref. to notes to the consolidated financial statements	31.12.2022 Partial amount from consolidated statutory financial statements	31.12.2022 Amounts from reclassified financial statement	31.12.2021 Partial amount from consolidated statutory financial statements	31.12.2021 Amounts from reclassified financial statement
Fixed assets					
Property, plant and equipments	(see note 7)		590		840
Right od use	(see note 8)		15		20
Intangible assets	(see note 9)		334		332
Equity accounted investments	(see note 11)		327		82
Other investments	(see note 12)		3		186
Receivables & securities for operating activities, made up of: made up of:			27		6
- Other non financial assets		27		6	
Net payables related to capital expenditure, made up of:			(28)		(43)
- payables related to capital expenditure	(see note 18)	(28)		(43)	
- receivables for insurance indemnities for tangible asset	(see note 18)				
Total Fixed Assets			1.268		1.423
Net working capital					
Inventories			1.185		934
Trade receivables			602		803
Trade payables			(743)		(821)
Tax receivables (payables)and provision for taxes, made up of:			53		(45)
- current tax payables	(see note 19)	(27)		(24)	
- other current tax liabilties	(see note 20)	(15)		(18)	
- deferred tax liabilities	(see note 24)	(32)		(34)	
- payables for tax transparency vs Joint ventures	(see note 20)				
- payables for Grupo VAT	(see note 18)	(18)		(27)	
- current taxes	(see note 5)	7		5	
- other current taxes	(see note 6)	72		11	
- deferred tax assets	(see note 14)	41		32	
- other non current tax assets		1		1	
- receivables for tax consolidation					
- receivables for Group VAT	(see note 3)	24		9	
Provisions for risks and charges			(228)		(94)
Other assets (liabilities) ,made up of:			(8)		99
- other receivables	(see note 3)	94		209	
- other current asset	(see note 6)	4		4	
- other non current receivables and other assets	(see note 15)	7		2	
- advances,prepayments and other payables	(see note 18)	(88)		(89)	
- other current liabilities	(see note 20)	(9)		(9)	
- other non current payables and liabilities	(see note 25)	(16)		(18)	
Total Net working capital			861		876
Provisions for employee benefis			(63)		(73)
NET CAPITAL EMPLOYED			2.066		2.226
Shareholder's equity			67		909
Net borrowings					
Total debts, made up of:			2.086		1.396
- long term debt	(see note 21)	523		732	
- current portion of long term debts	(see note 21)	209		9	
- short term debt	(see note 16)	1.354		655	
Lease liabilities			16		21
- long term lease liabilities		10		14	
- current portion of long term lease liabilities		6		7	
less:			(103)		(100)
Cash and cash equivalent	(see note 1)	(102)		(99)	
Financial assets made for non operating purposes		(1)		(1)	
Total net financial debts			1.999		1.317
NET FINANCIAL DEBT AND SHAREHOLDERS'EQUITY			2.066		2.226

Items of the Reclassified Cash Flow Statement and confluence/reclassification of items in the statutory format (€ million)	2022 Partial amount from statutory format	2022 Amounts from reclassified format	2021 Partial amount from statutory format	2021 Amounts from reclassified format
Net profit (loss)		**(882)**		**87**
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:				
Depreciation and amortization and other non-monetary items		471		244
- depreciation and amortization	116		93	
- net impairment of tangible and intangible assets	385		163	
- eliminations	1			
- valuation effects under the equity method	94		15	
- currency translation differences from alignment	(4)		(5)	
- economic effects on securities and financial receivables	(35)		(9)	
- valuation of investment ameasured at fair value	(88)		(20)	
- net change in provision for employee benefits	2		7	
Net gains on disposal of assets				(9)
Dividends, interest, income taxes		35		56
- interest income			(2)	
- interest expense	19		10	
- income taxes	16		48	
Change in working capital		8		(272)
- inventories	(255)		(229)	
- trade receivables	202		(251)	
- trade payables	(77)		203	
- provisions for risks and charges	113		(5)	
- other assets and liabilities	25		10	
Dividends received, taxes paid, interest (paid) received during the period		(55)		(31)
- dividends received				
- interest received			2	
- interest paid	(18)		(10)	
- Income taxes received (paid) including tax credits recharged	(37)		(23)	
Net cash flow provided by operating activities		**(423)**		**75**
Capital expenditures		(255)		(190)
- tangible assets	(223)		(183)	
- intangible assets	(32)		(7)	
Investments and purchase of consolidated subsidiaries and businesses		(8)		(173)
- non consolidated investments	(8)		(45)	
- investments and purchase of consolidated subsidiaries and businesses			(128)	
Divestments and partial disposals of consolidated investments		6		10
- tangible assets	1		10	
- intangible assets	5			
Other changes related to investment and divestment activity		(2)		(23)
- financing securities and receivables				
- Repayments of financing receivables			9	
- financing investments: financing receivables	(1)			
- change in payables and receivables related to divestments	14		7	
- change in payables and receivables related to investments	(15)		(39)	
Free cash flow		**(682)**		**(301)**
Change in short and logn term debts		685		(162)
- non current financial debts			300	
- payments from long-term finance debts	(9)		(60)	
- payments from leasing debts	(7)		(20)	
-Change in short term finance debts	702		(383)	
- exchange differences from translation	(1)		1	
Cash flow from equity capital:				**500**
-net capital contribution (repayments) by/to third parties			**500**	
Net cash flow for the period		**3**		**37**

Financial review of Versalis SpA

PROFIT AND LOSS ACCOUNT

(€ million)	**2022**	2021	2020	Change
Net sales form operations	4.753	4.236	2.681	517
Other income and revenues	105	103	86	2
Operating expenses	(5.426)	(4.212)	(3.106)	(1.214)
Other operating (expense) income			(15)	
Depreciation, amortization and impairment	(361)	(209)	(163)	(152)
Operating profit (loss)	(929)	(82)	(517)	(847)
Net finance income (expense)	20	4	(5)	16
Net income (expense) from investments	122	(37)	(113)	159
Profit (loss) before income taxes	(787)	(115)	(635)	(672)
Income taxes	24	(1)	2	25
Net profit (loss)	(763)	(116)	(633)	647

Net loss

The financial statements of Versalis SpA closed with a net loss for the year of 763 million euros (loss of 116 million euros in 2021), determined by the operating loss of 929 million euros, net financial income of 20 million euros, due to net income on equity investments of 122 million euros and income tax income of 24 million euros.

Operating result deteriorated by 847 million euros mainly due to:

- Significant decrease in **Polyethylene** business profitability, penalized by the ethylene price increase compared to polyethylene prices and by the decrease both in productions, due to scheduled plant shutdowns in Ferrara, and in sales resulting;
- Reduction in **intermediate** business profitability due to a sharp increase in cost of energy and to the appreciation of US dollar against euro. The business was also affected by a reduction in productions and in sales due to the reduced operation in Priolo plant and to the definitive shutdown of Porto Marghera site since May 2022;
- Worsening of **styrenic** unit margins compared to 2021, caused by increase in costs of utilities and of raw materials, partially mitigated by the increase in polystyrene prices. The business was also affected by the drop in both productions and sales due to a generalized reduction in demand, shortage of *chemicals* and logistical difficulties;
- Slight decrease in **biochem** business profitability resulting from lower sales of disinfectants;
- Higher economic effect deriving from the outcome of the impairment test on fixed assets, which resulted in impairment loss of 295 million euros on production plants, of one million euros on intangible assets and of one million euros on right of use of auto vehicle, against impairment loss on productions plants of 149 million euros in the previous year.

These negative phenomena were partially absorbed by:

- Slight improvement in **Elastomer** business thanks to the unit margins supported by demand in the «tire replacement » sector, despite the drop in production and in sales due to the consumption slowdown and lack of competitiveness with Asian competitors.

Analysis of the profit and loss account items

The reasons for the most significant changes in the Versalis SpA income statement items, unless expressly indicated below, are commented on in the Notes to the financial statements of Versalis SpA.

Net sales from operations

(€ million)	2022	2021	2020	Change
Olefins	1.115	994	679	121
Aromatics	442	355	191	87
Derivatives	448	366	259	82
Oilfield chemicals	46	40	31	6
Elastomers	659	582	360	77
Styrenes	873	779	492	94
Polyethylene	939	949	560	(10)
Biochem	25	60		(35)
Conrporate and services	206	111	109	95
	4.753	4.236	2.681	517

Net sales from operations increased by 517 million euros mainly because of the increase in average unit sale prices, effect partially offset by a reduction in volume sold.

Other income and revenues

Other income and revenues increased by 2 million euros compared to 2021, mainly due to higher revenues from sale of: emission trading (16 million euros), licenses (13 million euros) and due to higher grants received for R&D (2 million euros). These positive effects were partially offset by lower recovery of costs from third parties and from Eni group companies (9 million euros), by the reduction in revenues from sale of tangible assets (9 million euros) and of Energy Efficiency Certificates (4 million euros), and by lower grants received to produce renewable energy (7 million euros).

Operating expenses

(€ million)	2022	2021	2020	Change
Production costs - raw, ancillary & consumable materials and goods	3.074	2.427	1.739	647
Service costs	1.825	1.386	998	439
Operating leases and other	27	22	18	5
Net provisions for contingencies	136	12	9	124
Other expenses	50	54	41	(4)
Net depreciation (write-ups of value) of trade receivables and other receivables	1	1	3	
Payroll and related costs	313	310	298	3
	5.426	4.212	3.106	1.214

Operating expenses increased by di 1.214 million euros, equal to 28.8%, as illustrated in the previous table.

The 26.6% increase in costs for **purchase of raw materials, ancillary & consumables materials and goods** is mainly due to the increase in the average unit price in euros of virgin naphtha compared to 2021, partially offset by a reduction in purchased quantities.

Service costs increased by 31.7% mainly due to the increase in prices for utilities (methane, electricity, water and steam), logistic and transport costs, costs for investments services and for general services. These effects were only partially offset by reduction in maintenance costs, construction costs and sales commissions.

The 124 million euro increase in **net provisions for risks and charges** was mainly due to higher net provisions for environmental risks and charges (121 million euros) and to lower net utilization of the provision for disputes and litigations (3 million euros).

Concerning the net provision for environmental risk and charges, until the end of 2021, Versalis didn't allocate the costs for the operation of groundwater treatment plants (TAF) to the provision for reclamation charges, as it was unable to reliably estimate their amount also because the operating time span of the plants couldn't be defined. Since 2022, the company has acquired the elements to develop and implement models to estimate the at least minimum duration of operating time span of TAF plants and therefore to be able to estimate the future charges to be incurred for their management.

Other **net expenses** decreased by 4 million euros mainly for lower charges incurred to purchase emissions rights (9 million euros), lower system charges (3 million euros) and lower contractual penalties (one million euros). Such effects were partially offset by increase in other charges (9 million euros) mainly due to dispatching charges for electricity consumed within closed distribution systems (SDCs) and not withdrawn from the public grid related to previous years.

Depreciation, amortization and impairment

(€ million)	**2022**	2021	2020	Change
Tangible assets	59	55	62	4
Depreciation of leasing right-of-use asset	2	2	2	
Intagible assets	3	3	1	
Depreciation	64	60	65	4
Impairment (value recovery) net	297	149	98	148
	361	**209**	**163**	**152**

Depreciation of tangible assets increased by 4 million euros compared to previous year, mainly due to new investments in plant and machinery.

The impairment test carried out in 2022 resulted in **net impairment loss** for a total of 297 million euros.

The impairment losses on tangible assets of 295 million euros mainly referred to the following Cash Generating Units (CGUs): Intermediates (impairment loss of 259 million euros), Elastomers (impairment loss of 13 million euros), Biochem (impairment loss of 3 million euros) and the asset located at Porto Marghera site (impairment loss of 54 million euros). Such losses were partially offset by the writeback of 34 million euros concerning Styrenic CGU. The impairment losses on intangible assets of one million euros mainly referred to Intermediate CGU.

The impairment losses on leasing right-of-use asset amounted to about one million euros and referred mainly to motor vehicles.

For further details, please refer to the note "Net write-backs (impairment) of tangible and intangible assets and rights of use leased assets" of the Notes to the financial statements.

Net financial (expenses) income

(€ million)	2022	2021	2020	Change
Financial income (expenses) related to net borrowing	(17)	(11)	(8)	(6)
Financial income (expenses) from receivables and securities-operating activities	35	2	2	33
Financial income (expenses) on derivative contracts	1		(1)	1
Foreign exchange gains (losses)	2	3		(1)
Other financial income (expenses)	(3)	8	(1)	(11)
Capitalized financial expense	2	2	3	
	20	4	(5)	16

Net financial income of 20 million euros increased by 16 million euros mainly due to the release of bad debt provision of the financial receivable from the jointly controlled company Matrica, effect partially offset by the increase in financial expenses related to net borrowing.

Net income (expense) from investments

(€ million)	2022	2021	2020	Change
Dividends	120	6	6	114
(Allocations to) Utilization of provisions for impairment of investments	79	(62)	(121)	141
(Allocations to) Utilization of provisions for financial assistence to JV sostegno finanziario JV	(22)	19	2	(41)
Other income (expense) from investiments	(2)			(2)
Losses on investments	(53)			(53)
	122	(37)	(113)	159

Net income from investments of 122 million euros mainly related to the fair value of the 10% stake in Novamont (88 million euros) acquired pursuant to the settlement agreement signed between the parties and the dividends received by the subsidiaries Versalis France (77 million euros), Versalis Deutschland (30 million euros), Versalis International (9 million euros) and Dunastyr (4 million euros). Such effects were partially offset by the effects of the valuation at equity method of the investments in Novamont (53 million euros), in the jointly controlled company Lotte Versalis Elastomers (3 million euros) and by the provision made to meet the net financial requirement of the jointly controlled company Matrica (28 million euros), as well as by the balance of the purchase price of the investments held in Finproject (2 million euros).

Income taxes

(€ million)	2022	2021	2020	Change
IRES	(1)		(3)	(1)
IRAP				
Current taxes	*(1)*		*(3)*	*(1)*
Deferred taxes	(9)	(10)	13	1
Prepaid taxes	(14)	11	(12)	(25)
Net prepaid taxes	*(23)*	*1*	*1*	*(24)*
	(24)	1	(2)	(25)

The 25 million euro decrease in income taxes compared to 2021 mainly came from the increase in net deferred tax asset due to the increase in the prospects of their recoverability as a result of the inclusion of Finproject SpA in the National Tax Consolidation Scheme.

RECLASSIFIED BALANCE SHEET[3]

(€ million)	31.12.2022	31.12.2021	Change
Fixed Assets			
Property, plants and equipment	357	630	(273)
Leasing Right of use	3	4	(1)
Intangible assets	73	57	16
Investments	967	897	70
Receivables and securities held for operating purposes	107	86	21
Net payables related to capital expenditures	(12)	(40)	28
	1.495	1.634	(139)
Net working capital			
Inventories	893	709	184
Trade receivables	517	600	(83)
Trade payables	(601)	(676)	75
Tax receivables (payables) and deferred tax	82	(18)	100
Provision for contingencies	(214)	(77)	(137)
Other current asset (liabilities)	22	148	(126)
	699	686	13
Provision for employee benefits	(63)	(72)	9
NET CAPITAL EMPLOYED	2.131	2.248	(117)
Net equity	207	924	(717)
Net financial debt (surplus)	1.924	1.324	600
TOTAL LIABILITIES AND SHAREHOLDERS'EQUITY	2.131	2.248	(117)

The reasons for the most significant changes in the items of the balance sheet of Versalis SpA unless expressly indicated below, are commented on in the Notes to the financial statements of Versalis SpA, to which reference should be made.

Fixed Assets

Property, plants and equipment, amounting to 357 million euros, decreased by 273 million euros mainly due to the outcome of the impairment test, which resulted in a net devaluation of plant of 295 million euros, and to the depreciation for the year (59 million euros). Such effects were partially offset by higher technical investments for the year (81 million euros).

The **right to use** leased assets of 3 million euros mainly referred to cars leased to employees.

Intangible assets, equal to 73 million euros, increased by 16 million euros mainly due to technical investments for the period (27 million euros), partially offset by the sales of capitalized excess emission rights (5 million euros), by the depreciation for the period (3 million euros) and by the outcome of the 2022 impairment test (one million euro).

Investments, equal to 967 million euros, increased by 70 million euros mainly due to: (i) the acquisition of a further 10% of the investment held in Novamont SpA (net effect 88 million euros) in application of the settlement agreement between the parties, (ii) fair value measurement with reserve effects (OCI) of the shares held in Novamont SpA before the aforementioned acquisition (37 million euros),(iii) the share capital increase in the associated company Ravenna Servizi Industriali (one million euros). Such positive effects were partially offset by the valuation of the investments held in the associated company Novamont (losses for 53 million euros) and in the jointly controlled company Lotte Versalis Elastomers Co. Ltd (losses for 3 million euros).

[3] Please refer to the comment on the consolidated economic and financial results for the methodological illustration of the reclassified statements.

For the jointly controlled company Matrìca, the payment to the future share capital increase of the company (6 million euros), was offset by the release of the related provision for future risks and charges (6 million euros); even though the shareholders' equity of the jointly controlled company Matrìca held by Versalis spa was equal to 11 million euro, the book value of the investment was completely devalued, given the company's future income prospects.

Financial receivables and securities held for operating activities of 107 million euros referred to loan granted to the subsidiary Finproject (80 million euros) and to the financial credit granted to the jointly controlled company Matrìca SpA (27 million euros). The 21 million increase was mainly due to the release of the bad debt provision related to Matrìca SpA financial receivables (27 million euros) thanks to the company's ability to repay it, given the capitalization commitment included in the four-year plan.

Net payables related to capital expenditures, equal to 12 million euros, decreased by 28 million euros mainly due to the payment of payables for subscribed shareholdings to be paid (25 million euros) related to the adjustment on the 60% purchase of Finproject shares and to the reduction of net payables related to capital expenditure (25 million euros).

Net working capital

The 184 million euro increase in **inventories** was attributable to the increase in weighted average cost of inventories. The increase mainly concerned finished products and raw materials. These amounts include net allocation to the provision for impairment losses on inventories for 106 million euro, for adjustment to the market value of the quantities in stock.

The 83 million euro decrease in **trade receivables** was essentially caused by the decrease in turnover in the last quarter compared to the same period last year.

Trade payables decreased by 75 million euros mainly due to the decrease in payables to Eni Rewind SpA (54 million euros) resulting from the offsetting with other receivables claimed from the same company and due to the reduction in other payables to third parties.

The increase in **tax receivables and net tax provision** of 100 million euros is mainly due to higher receivables for R&D contributions and energy and gas contributions (48 million euros), the increase in Group VAT receivables (24 million euros) and in net deferred tax assets (22 million euros) as well as the tax credit resulting from the tax consolidation of Finproject (22 million euros).

The 137 million euro increase in **provisions for risks and charges** is mainly due to the net increase by 120 million euros of provision for environmental risks and charges and by 22 million euros in provision for Matrìca financial support. These effects were partially offset by the decrease of 3 million euros in the provision for disposals and restructuring and of 2 million euros in provisions for redundancies.

The 126 million euro decrease in **other current assets** was mainly due to the reduction by 115 million euros in other receivables to Eni Rewind SpA thanks to the offsetting with trade payables (54 million euros) and to the payments of previous year chargebacks (61 million euros), in receivables from licenses and royalties (7 million euro), in advances to suppliers (2 million euros) and to the increase in other payables to subsidiaries for agency relationships (7 million euro). These effects were partially offset by the 5 million euro increase in prepaid expenses due to the compensation paid to Foreverplast for the signing of contract for the development of plastic recycle in Porto Marghera.

Shareholders' equity

(€ million)	
Shareholder's equity as at 31 December 2021	924
Net loss	(763)
Shareholder payment	
Fair value measurement of minority shareholding	37
Reserves relating to employee benefits	9
Shareholder's equity as at 31 December 2022	207

Shareholders' equity amounted to 207 million euros and decreased by 717 million euros, mainly due to the loss for the period of 763 million euro. This effect was partially offset by the fair value measurement with reserve effects of the shares held in Novamont SpA (106 million euros) before the purchase of 10 % and by the reserve effects relating to employee benefits in application of IAS 19 (9 million of euro). The net loss of 763 million euros, which, against a fully paid-up share capital of 446 million euros, reserves of 640 million euros and loss carry-forwards of 116 million euros, meets the requirements of Article 2446 of the Civil Code.

Net financial debt

(€ million)	31.12.2022	31.12.2021	Change
Financial debt-short term	1.422	595	827
Financial debt-middle/long term	522	732	(210)
Lease liabilities	4	4	
Cash and cash equivalent	(24)	(7)	(17)
Net financial debts	1.924	1.324	600

The 600 million euro increase in **net financial debt** is essentially due to net cash flow from operating activities (negative for 475 million euros), cash requirements for technical (108 million euros) and financial (8 million euros) investments and net change in investment activities (14 million euros); these effects were partially offset by the divestment of surplus emission rights (5 million euros). For further details, see the comment on the reclassified cash flow statement.

RECLASSIFIED CASHFLOW STATEMENT

(€ million)	2022	2021	Change
Net profit (loss) for the period	(763)	(116)	(647)
Adjustments to reconcile net profit (loss) to net cash flow provided by operating activities:			
- depreciation, amortization and other non monetary items	326	236	90
- net gains on disposal of assets		(9)	9
- dividends, interests, taxes and other changes	(128)	2	(130)
Changes in working capital	(15)	(154)	139
Dividends received, taxes (paid) received,interest(paid)	105		105
received		(3)	3
Net cash flow from operating activities	(475)	(44)	(431)
Technical investments	(108)	(161)	53
Investments and purchase of consolidated subsidiaries and businesses	(8)	(229)	221
Disposals	5		5
Financial investments		(80)	80
Finacing receivable repayments		9	(9)
Other cash flow related to investing activities	(14)	(57)	43
Other cash flow related to divesting activities		10	(10)
Free cash flow	(600)	(552)	(48)
Change in short-term and long-term debt	617	45	572
Reimbursement of lease liabilities		(5)	5
Cash flow from capital and reserves		500	(500)
NET CASH FLOW	17	(12)	29

(€ million)	2022	2021	Change
Free cash flow	(600)	(552)	(48)
Exchange differences on net borrowings and other changes			
Reimbursement of lease liabilities	(2)	(5)	3
Change in financial debts and credits on acquired companies			
Cash flow from capital and reserves		500	(500)
CHANGE IN NET BORROWINGS ANTE IFRS16	(602)	(57)	(545)
First application IFRS 16			
Reimbursement of lease liabilities		5	(5)
New leasing liabilies and other variation	(2)	(2)	
Variation in lease liabilities	(2)	3	(5)
CHANGE IN NET BORROWINGS POST IFRS16	(604)	(54)	(550)

In 2022, the **net cash flow from operating activities** was negative for 475 million euros, worsening compared to the previous year mainly due to the decrease of margins resulting also from the rise in the price of utilities.Disbursements for technical investments (108 million euros) and for equity investments (8 million euros), the change in receivables relating to investment activities (14 million euros), only partially offset by the divestment of surplus emission rights (5 million euros), generated a negative free cash flow of 600 million euros, covered thanks to the financing lines guaranteed by the parent company Eni SpA.

Reconciliation of the reclassified financial statements used in the Directors' Report with the statutory financial statements

Items of reclassified Balance sheet (where not expressly indicated , the item derives directly from the financial statement statutory format) (€ million)	31.12.2022 Partial amount from statutory format	31.12.2022 Amount from the reclassified financial statement	31.12.2021 Partial amount from statutory format	31.12.2021 Amount from the reclassified financial statement
Fixes Assets				
Property, plants and equipments		357		630
Intangible assets		73		57
Right of use		3		4
Equity accounted investments	966	967		
and Other investmens	1			897
Receivables & securities for operating activities, made up of:		107		86
- other receivables			86	
- other current financial assets	9			
- other non-current financial assets	98			
Net payables related to capital expenditures, made up of:		(12)		(40)
- payables related to capital expenditure	(12)		(40)	
- receivabled related to asset divestment				
Total Fixed Asset		1.495		1.634
Net working capital				
Inventories		892		709
Trade receivables		517		600
Trade payables		(601)		(676)
Tax receivables (payables) & provisions for tax, made up of:		82		(18)
- other tax payables vs Joint ventures				
- other tax payables	(9)		(10)	
- payables for tax consolidation				
- payables for Group VAT	(18)		(27)	
- receivables for tax consolidation	4			
- current tax asset				
- other current tax asset	51		3	
- deferred tax asset	29		7	
- receivables for Group VAT	24		9	
- non current receivables for refund requests	1			
Provisions for risk and charges		(214)		(77)
Other current asset (laibilities), made up of:		23		148
- other receivables	91		215	
- other (current) asset	2		1	
- other receivables and other asset(non current)	6		1	
- acconti e anticipi, altri debiti	(71)		(64)	
-other (current) liabilities	(5)		(5)	
-other payables and other liabilities (non current)				
Total Net working capital		699		686
Provisions for employee benefits		(63)		(72)
NET CAPITAL EMPLOYED		2.131		2.248
Shareholder's equity		207		924
Net borrowings				
Total debt,made up of:		1.944		1.327
- long-term debt	522		732	
- current portion of long-term debt	209		9	
- short-term debt	1.213		586	
Lease liabilities		4		4
- long-term lease liabilities	2		2	
- current portiorn of long-term lease laibilities	2		2	
less:		(24)		(7)
Cash and cash equiivalent	(24)		(7)	
Total Net borrowings		1.924		1.324
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2.131		2.248

Reclassified cash-flow Statement

Reclassified cash flow statement

Items of the Reclassified Cash Flow Statement and confluence/reclassification of items in the statutory format (€ million)	**2022** Partial amount from statutory format	Amounts from reclassified format	2021 Partial amount from statutory format	Amounts from reclassified format
Net profit (loss)		(763)		(116)
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:				
Depreciation and amortization and other non-monetary items		326		236
- depreciation and amortization	65		60	
- net impairment of tangible and intangible assets	297		149	
- impairments (write-backs) of investments	(2)		43	
- currency translation differences from alignment	2		(4)	
- economic effects on securities and financial receivables	(35)		(9)	
- net change in provision for employee benefits	(1)		(3)	
Net gains on disposal of assets				(9)
Dividends, interest, income taxes and other charges		(128)		2
- dividends	(120)		(6)	
- interest income	(1)		(2)	
- interest expense	17		9	
- income taxes	(24)		1	
Changes in working capital		(15)		(154)
- inventories	(184)		(187)	
- trade receivables	81		(147)	
- trade payables	(75)		176	
- provisions for risks and charges	116		(6)	
- other assets and liabilities	47		10	
Dividends received, taxes paid, interest (paid) received during the period		105		(3)
- dividends received	123		4	
- interest received	1		2	
- interest paid	(16)		(9)	
- Income taxes received (paid) including tax credits recharged	(3)			
Net cash flow provided by operating activities		(475)		(44)
Capital expenditures		(108)		(161)
- tangible assets	(81)		(154)	
- intangible assets	(27)		(7)	
Investments and purchase of consolidated subsidiaries and businesses		(8)		(229)
- non consolidated investments	(8)		(229)	
- investments and purchase of consolidated subsidiaries and businesses				
Divestments and partial disposals of consolidated investments		5		
- tangible assets				
- intangible assets	5			
Other changes related to investment and divestment activity		(14)		(118)
- financing securities and receivables for operating purposes			(80)	
- change in payables and receivables related to investments	(14)		(57)	
- financing securities and receivables for operating purposes (disinvestment)			9	
- change in payables and receivables related to divestments			10	
Free cash flow		(600)		(552)
Change in short-term and long-term debt		617		45
- non current financial debts			300	
- payments from long-term finance debt	(9)		(9)	
- increase (decrease) in short-term finance debts	626		(246)	
New leasing		2		
Repayment of leasing debts		(2)		(5)
Cash flow from equity capital:				500
-net capital contribution (repayments) by/to third parties			500	
- dividends paid to shareholders				
Net cash flow for the period		17		(12)

Risk factors and uncertainties

The main business risks for Versalis, mitigated by management actions, can be traced back to market risk, country risk, operation risk and, in a longer-term perspective, climate change risk. Its description of the risks and how to manage them is provided below. For the description of the financial risks, please refer to the specific chapter of the notes to the consolidated financial statements.

Market risk

The Chemicals business is characterized by market dynamics marked by excess capacity and competitive pressure from producers with greater economies of scale or other cost advantages (integrated Middle Eastern producers or US chemical producers using ethane as feedstock for the cracker, cheaper than naphtha) and greater geographical diversification. After a positive year in 2021 due in particular to interruptions in supply chains due to Chinese lockdowns and the strong reduction in supply in the USA in the first half due to weather factors and planned plant shutdowns, in 2022 the sector returned to underperform due to the recovery of exports from the Far East, also due to the reduced absorption capacity of the Chinese market, the entry into operation of new capacity in the Middle East, the increase in the costs of oil feedstock and plant energy costs indexed to gas natural, as well as a more cautious attitude of the distributors in relation to the macroeconomic uncertainties that have led the operators to reduce the stocks, thus reducing the demand. Based on these fundamental trends, management has reviewed the prospects for the recoverability of the carrying amounts in the light of expectations of lower future cash flow projections.

From the point of view of the competitive context, Versalis is exposed to strong competition from various operators with a global presence and higher economies of scale, in particular in some market segments such as those of the production of basic petrochemical products (such as polyethylene), where demand is a function of macroeconomic growth. Operators in the Far East and Middle East have been able to benefit from economies of scale thanks to a larger plant size, the availability of cheaper raw materials and proximity to end markets. Excess production capacity worldwide with particular reference to petrochemicals fueled by Virgin naphtha/ethane (the most "commoditized") fuels competition in this sector. New production capacity relating to mega petrochemical complexes is expected to come online in the Middle East and China in the medium term. Finally, growing public concern about climate change and the environment could negatively affect the consumption of single-use plastics in the future.

The management is implementing a strategic business transformation process with the aim of reducing the weight in the portfolio of the commodity segments characterized by weak fundamentals and exposed to the volatility of hydrocarbon margins, to the benefit of the chemical businesses from renewable sources and from recycling, as well as by increasing the specialization towards polymers with high added value, characterized by greater stability and interesting growth prospects.

Country risk

Country risk identifies the risk that developments in the political framework, social unrest, economic crises, internal conflicts, revolutions, protests, strikes and other forms of civil unrest may temporarily or permanently compromise Versalis' ability to operate in economic conditions in such Villages. 48% of revenues are made in Italy and 91% in Europe.

The Russia-Ukraine crisis, which resulted in an open conflict in February 2022, represents a risk factor for Versalis. The possible prolongation of the conflict and the escalation in military action, the risk of a widening geopolitical crisis, as well as the economic sanctions against Russia may affect global production activity, the supply chain and consumer confidence, holding back the recovery economy or in the worst-case scenario leading to a new recession.

Immediately after the start of hostilities with Russia's invasion of Ukraine, the European Union, the United Kingdom and the United States adopted particularly severe new economic and financial sanctions against the country, in addition to those already force starting from 2014. To date, the sanctions do not directly affect the purchase of raw materials and semi-finished products of Russian origin or the possibility of maintaining business relationships with Russian counterparts, but future tightening with possible relocation of some production chains cannot be excluded.

The situation has been made more complex than expected by the actions of Western energy players, traders, oil companies and other intermediaries, who in the days following the invasion gradually began to reduce purchases of energy products from Russia, especially oil giving rise to a spontaneous self-sanctioning system. This phenomenon, which has assumed very significant proportions, has triggered a phase of extreme volatility in the energy and financial markets, resulting in a bullish phase that exceeds all expectations both for the international price of crude oil which has reached almost 120 $/barrel for the reference Brent, and for spot gas prices in Europe where the spot reference of the TTF continental European markets returned to its all-time highs.

In 2022 Versalis incurred costs mainly for purchases of raw materials and semi-finished products from Italian and Swiss suppliers controlled by Russian subjects for 701 million euros and realized revenues mainly for sales of finished products destined for Russia for 2 million euros and to Italian and controlled by Russian companies for 236 million euros. Sales of finished products to Ukrainian customers amounted to 5 million euros. In the same period, no transactions were carried out with Russian companies for which measures deriving from the sanctions currently inflicted by the international community are envisaged.

Versalis, in agreement with Eni, has adopted the necessary measures to ensure that its activities are carried out in compliance with the applicable rules, ensuring continuous monitoring of the evolution of the sanctioning framework, to adapt its activities on an ongoing basis to the time restrictions applicable from time to time.

Climate change risk

Companies in the chemical sector are called upon to assess and manage the risks associated with climate change, with respect to which there is a growing awareness of public opinion, the financial community and governments around the world.

In December 2015, on the occasion of COP21, 125 countries from all over the world adopted the Paris Agreement which defines a global action plan against climate change with the aim of maintaining the average increase in global temperature at the end of the century well below 2°C of pre-industrial levels.

In 2018, the Intergovernmental Panel on Climate Change (IPCC) indicated the limit of 1.5 °C as the maximum ceiling for global temperature rise in order to avoid irreversible consequences on ecosystems and biological diversity, requesting an acceleration in the times and a broadening in the scope of goals set by countries under the Paris Agreement.

On 11 December 2019, the European Commission announced the European Green Deal to transform the European Union into the first carbon-neutral continent by 2050 with a just and inclusive transition, with access to clean, sustainable and secure energy, with a modernized industry, with a clean and circular economy, with the protection of biodiversity, with sustainable, resilient and intelligent mobility, with a fair and healthy food system. The Commission also declared a 2030 goal of reducing emissions by 55% compared to 1990 levels.

The regulatory instruments also include the carbon pricing tax mechanisms, already adopted in some countries/free trade areas, considered an effective solution from an economic point of view for the purpose of containing CO2 emissions by minimizing the cost for the community. Currently about half of Versalis' direct GHG emissions are subject to the European Emission Trading Scheme (ETS) regime which provides for the company to pay the cost of purchasing emission certificates on the open market, once exceeded the limit of the free assignment of allowances established on a regulatory basis. During 2022, the cost for the purchase of emission certificates emission allowances under the European CO2 taxation system ETS - Emission Trading Scheme - has significantly increased compared to the corresponding period a year ago, not only due to the recovery of industrial activity but also and above all for the agreement on the European climate law which establishes the EU's commitment to achieve climate neutrality by 2050 with a more ambitious intermediate emission target than the previous one.

It is conceivable that compliance costs will increase significantly in the medium term. It is expected that these charges will be mitigated in the future by the benefits that Versalis expects to obtain from the improvement of the operational efficiency of its industrial assets, in line with the emission reduction targets communicated to the market. Further benefits will derive from the progressive implementation of the initiatives included in the medium-long term plan, which aims to build a more sustainable business portfolio and reduce emissions.

With reference to Single Use Plastics in Italy, Legislative Decree 196/2021 transposing Directive (EU) 2019/904 on the reduction of the impact of certain plastic products on the environment was published on 30 November 2021 in the Official Gazette. The provision then entered into force on 14 January 2022.

In particular, the decree: (i) prohibits the placing on the market of all oxo-degradable plastic products and some single-use plastic products (plates, cutlery and straws), with some exemptions for biodegradable and compostable products with of renewable raw material equal to or greater than 40% and, from 1 January 2024, greater than 60%. Compared to the latest version, the provision that allowed the placing on the market of products made of biodegradable and compostable material, intended to come into contact with foodstuffs in the event that the conditions for placing it in the collection and recycling circuit of organic fraction of municipal waste (pursuant to art. 5 c. 3 letter a bis); (ii) orders the reduction of consumption of cups/glasses and rigid food containers by 2026, (iii) establishes recycled content targets for PET beverage bottles (25% by 2025) and for all plastic bottles (30% by 2030) (iv) excludes from the scope of application of the decree "plastic coatings weighing less than 10% of the total weight of the product, which do not constitute the main structural component of the finished products".

In December 2021, the European Commission issued a detailed opinion, which could lead to an infringement procedure, which highlights some discrepancies between the decree transposing into Italian law and the original text. The detailed opinion of the Commission criticizes two points of the decree: one concerns the thin plastic coating (lining or coating), not included in the definition of plastic by the Italian legislation when it weighs less than 10% of the total weight of the product; the other concerns the exclusion from Italian legislation of biodegradable and compostable plastic for disposable items which are prohibited from being placed on the market. It is estimated that the impacts deriving from any infringement procedure will not impact the profitability of Versalis' businesses.

To contribute to the objectives of the European Green Deal, the proposal for the revision of the Packaging and Packaging Waste Directive (PPWD) was published on 30 November 2022, presented in the form of a Regulation (PPWR) to ensure greater harmonization at European level.

The proposal primarily aims to prevent the production of packaging waste through the introduction of reuse obligations by 2030 and 2040 for certain types of packaging (including pallets dedicated to the transport of goods), the introduction of refill systems, as well as by imposing design requirements that limit the weight and volume of some end-user product packaging. There are also restrictions on the use of certain formats of disposable packaging for specific uses.

All packaging on the EU market must also be recyclable on the basis of specific requirements, such as: (i) the presence of effective and efficient separate collection, (ii) a selection process that does not compromise the recyclability of other waste and (iii) the possibility of obtaining a recycled product of sufficient quality from them. Furthermore, packaging will have to be designed according to "recycling criteria" (from 2030) and recycled de facto on a "large scale" (from 2035). Both additional requirements will be defined and detailed through specific delegated acts and could have an impact on Versalis' business.

As far as plastic packaging is concerned, the proposal contains minimum requirements for mandatory post-consumer recycled content in 2030 and 2040, which could represent an opportunity for Versalis circular polymers. However, to understand how technologies and recycling flows can contribute to the achievement of these targets, the definition of the rules for calculating and verifying the recycled content will be particularly relevant, the subject of an implementing act expected by 2026.

Compostable plastics are exempt from the mandatory recycled content targets and are subject to a specific article which requires their use for certain applications, such as coffee capsules and tea bags and ultra-lightweight plastic bags; their possible use is also proposed for plastic bags in light material where adequate flows of separate collection of the organic fraction are guaranteed.

All the ongoing circular economy initiatives are still in a stage prior to the start of large-scale production and other projects are considered potentially developable in the period following the plan period, also thanks to the benefits deriving from the PNRR.

From the point of view of the foreseeable evolution of the market deriving from the development of the transition of the chemical sector, it is currently believed that there are no elements that could affect the economic and financial results of the Group's business plan. At the moment, in fact, there are no regulations that ban or significantly reduce Versalis' product portfolio and all chemical transformation investments will be made only if they generate incremental economic benefits, in accordance with the internal regulations of the Eni group.

Operational risk and related HS&E risks

The activities of the Versalis group by their nature involve industrial and environmental risks and are subject, in most of the countries in which the Group operates, to laws and regulations for the protection of the environment and industrial safety. For example, in Europe the Versalis group owns and manages industrial plants that present a high risk of accidents and for which the Group has adopted rules and standards of behavior that meet the criteria of the "Seveso II Directive" of the European Union.

The broad spectrum of activities involves a wide range of operational risks such as explosions, fires, emissions of harmful gases, leakage of toxic products, production of non-biodegradable waste.

Such events can damage or destroy the systems, cause damage to people or the surrounding environment. Furthermore, since industrial activities can take place in ecologically sensitive areas, each site requires a specific approach to minimize the impact on the affected ecosystem, biodiversity and human health.

Environmental protection regulations impose measures that provide for the control and compliance with the emission limits of polluting substances into the air, water and soil, and prescribe the correct management of waste and by-products. Rules aimed at preventing the impact on biodiversity, the conservation of species, habitats and ecosystem services, require operators to comply with ever more rigorous and stringent obligations in terms of controls, environmental monitoring and prevention measures. The charges and costs associated with the necessary actions to be implemented to comply with the obligations established by the laws governing industrial activities constitute a significant cost item in the current and future years.

Versalis has adopted the best standards for the assessment and management of industrial and environmental risks, aligning its behavior with industry best practices. Versalis has obtained ISO14001 and OHSAS18001 System Certifications over time. The business units, in developing and managing their activities as well as applying the laws and regulations of the countries in which they operate, assess industrial and environmental risks through specific procedures.

Any environmental emergencies are managed by the business units at site level, with their own organization which has, for each possible scenario, the response plan with the actions that need to be activated to limit the damage, as well as the corporate positions that must ensure them.

Most Versalis products are subject to the REACH regulation which governs the registration and authorization obligations of the products themselves, not only by the company, but also by its suppliers, as a necessary condition for their manufacture and placing on the market. Versalis complies with this legislation and requires the same requirement from its suppliers already in the pre-qualification stage for tenders.

The integrated approach to health, safety and environmental issues is favored by the application, at all levels of the Eni Business Units and Companies, of an HSE Management System which finds its methodological reference in the Eni HSE Management System Model. Based on an annual cycle of planning, implementation, control, review of results and definition of new objectives, it is oriented towards risk prevention, systematic monitoring and control of HSE performance, in a continuous improvement cycle which also includes audit of these processes by internal and external personnel.

As regards environmental risk, Versalis does not currently believe that there will be particularly significant negative effects on the financial statements in relation to compliance with environmental legislation, also taking into account the interventions already carried out, the insurance policies stipulated and the provisions for risks allocated. However, the risk that Versalis may incur further costs or responsibilities, even of significant proportions, cannot be excluded with certainty because, in the current state of knowledge, it is impossible to predict the effects of future developments taking into account, inter alia, the following aspects: (i) the possibility of new contaminations emerging; (ii) the results of the characterizations in progress and to be performed and the other possible effects deriving from the application of the Decree of the Minister of the Environment n. 152/2006; (iii) the possible effects of new laws and regulations for the protection of the environment; (iv) the effects of any technological innovations for environmental remediation; (v) the possibility of disputes and the difficulty of determining any consequences, also in relation to the liability of other subjects and possible compensation.

Involvement in legal proceedings

Versalis is a party in civil and administrative proceedings and in legal actions related to the normal performance of its activities. In addition to the provision for litigation accrued in the financial statements, it is possible that in the future Versalis may incur other liabilities, in addition to the amounts already accrued in the financial statements for legal disputes due to: (i) uncertainty regarding the final outcome of the proceedings in progress for who at the moment have been assessed as unlikely to lose; (ii) the occurrence of further developments that management may not have taken into consideration when assessing the outcome of the dispute on the basis of which the provision for risks was estimated in the most recent reporting period as the only possible outcome or the amount of the obligation is unreliable; (iii) the emergence of new evidence and information; and (iv) inaccuracy of provision estimates due to the complex determination process involving subjective judgments by management.

Cyber security

The risk of cyber security represents the possibility that cyber-attacks compromise corporate information systems (managerial and industrial) with the main consequences being the interruption of the services provided, the theft of sensitive information for Versalis, with both economic and reputational impacts.

Versalis adopts a risk-based approach in order to define reactive and preventive security measures aimed at increasing proactivity and corporate resilience with respect to cyber security risk.

Business outlook

Chemistry industry is cyclical, the results of which depend on trends in the supply of and demand for petroleum products and plastic commodities, which in turn are a function of the economic cycle, and related sales margins. The impact of oil price trends on the results of these businesses varies depending on the time lag with which product prices adjust to changes in raw material costs, which in turn depends on the competitive dynamics of downstream markets.

Versalis' long-term strategy aims to significantly reduce the exposure of the chemicals business to cycle volatility with the goal of reducing the weight in the portfolio of commodity segments characterized by weak fundamentals and exposed to volatility, to the benefit of renewable and recycling chemistry, as well as increasing specialization toward high value-added polymers characterized by greater stability and attractive growth prospects.

Over the course of the four-year plan, Versalis will achieve sustainable profitability through its transformation to a more sustainable and competitive business model, continuing on its path to becoming a fully specialized chemical company and increasing its presence in end-customer markets and building a leadership position in the biochemicals sector. The Company will aim to grow in target markets with investments in its compounding platform and in new technologies. Versalis is developing complementary recycling processes, improving energy efficiency and developing highly innovative technologies.

The aforementioned Plan represents an indicative projection of the possible long-term evolution of Versalis' businesses, consistent with Eni's strategy, which is updated over time in relation to technological and regulatory evolutions.

Other information

Transactions with related parties

The transactions with related parties carried out by Versalis SpA and the companies included in its consolidation area involve mainly the trading of goods, the performance of services, the provision/receipt of funding and the use of financial resources with the parent company Eni SpA and with companies directly or indirectly controlled by the latter, and with its own non-consolidated subsidiaries and associates, and with other State-owned or controlled companies. All the transactions form part of ordinary operations and are regulated at market conditions and took place at arm's length, that is, at conditions that would have been applied by independent parties on the open market, and are carried out in the interest of the Group. Under the provisions of applicable laws, the company has adopted internal procedures to ensure transparency and the substantial and procedural correctness of the related party transactions, carried out by the company itself or by its subsidiaries.

The amounts of the trade, financial and other transactions carried out with related parties and a description of the type of major transactions, as well as the impacts thereof on the equity, the economic results and the cash flows, are disclosed in the notes to the financial statements.

A Treasury shares and shares in parent company

In compliance with the provisions of art. 40, paragraph 2, letter d) of Legislative Decree 127/91, we certify that Versalis SpA and its subsidiaries do not hold or have been authorized by the respective Shareholders' Meetings to purchase shares in Versalis SpA or Eni SpA.

Secondary offices

In compliance with the provisions of art. 2428 of the Italian Civil Code, we certify that Versalis SpA has no secondary offices.

Commitment to sustainable development

Versalis' commitment to sustainable development is characterized by a growing responsibility aimed at minimizing risks and creating opportunities throughout the whole cycle of activities through the enhancement of people, the protection of health and safety, the protection of the environment protection, initiative of circular economy, the respect for and promotion of human rights, focus on transparency and the fight against corruption. Following paragraph illustrates the main initiatives and technological innovation projects.

Personnel

Eni's business model is based on internal skills, an asset in which Versalis continues to invest to ensure alignment with business needs, in line with its long-term strategy. The expected evolution of business activities, strategic directions and the challenges posed by technological changes and the labor market in general imply an important commitment to increase the value of human capital over time.

As of December 31, 2022, permanent employees in the companies included in the Group area were7.165.

2020		2021	**2022**
4.304	Italy	4.583	4.587
991	Abroad	2.512	2.578
5.295		7.095	7.165

The increase of 70 emplyees compared to the situation as at 31 December 2022 was determined by the following causes:

increasing:

- 775 people were hired, of which 16% graduated (448 with permanent contracts of which 28% with degrees and 327 with temporary contracts, all with diplomas);

in reduction:

- 658 people terminated their employment relationship for ordinary reasons (retirements, resignations and consensual terminations, expiry of fixed-term contracts);
- 23 people were transferred to other companies of the Eni group.
- 24 employees, as a negative balance for transfers within the Eni Group.

The breakdown by contractual status is as follows:

2020		2021	2022
110	Dirigenti	125	**121**
3.382	Quadri e Impiegati	4.471	**3.779**
1.803	Operai	2.499	**3.265**
5.295		7.095	7.165

The distribution of the permanent workforce by age group is as follows:

		%
< 30	976	13,6
30-39	1.382	19,3
40-49	2.115	29,5
50-59	2.243	31,3
> 60	449	6,3
	7.165	100,0

At December 31, 2022, there were 7.123 employees working in the companies included in the Group area.

	2021	2022
Dirigenti	135	122
Quadri e Impiegati	3.625	3.752
Operai	3.454	3.249
	7.214	7.123

The number of employees in service is obtained by subtracting the employees posted to other companies from the permanent employees and adding those posted by other companies.

There are 87 employees in Versalis SpA and its subsidiaries seconded to other Eni Group companies, other entities, or on leave, while 44 are seconded to Versalis SpA and its subsidiaries from other Eni Group companies.

Training

I The training program in Italy and in the foreign subsidiaries involved approximately 165,698 man/hours in 2022. This activity was guaranteed with the support of Eni Corporate University SpA, through internal resources and with external suppliers.
During 2022, the commitment, as teachers, of Versalis employees belonging to the Eni Faculty continued both in training initiatives managed by Eni Corporate University and in internal teaching activities.
The year 2022 was characterized by the following elements:

- participation of Versalis employees in the course Being Eni: Code of Ethics, Anti-Corruption and Corporate Responsibility, aimed at encouraging greater attention and respect for the principles of our Code of Ethics;
- considerable training and information commitment on environmental, health, safety and quality issues, for a total of over 94,589 hours;
- activation of behavioral training courses, in order to enhance the soft skills of the Manager figure;
- promotion of D&I training programs aimed at increasing the level of inclusiveness of the work environment and employees;
- training initiatives carried out in e-learning mode, aimed at extending compliance knowledge to personnel, in particular on Sustainability and Human Rights issues, with the aim of making the guidelines, regulations and internal procedures known and operational which aim to comply with the law in the conduct of Versalis business.

Incentive and remuneration systems

Versalis SpA, together with the merit policy linked to roles and responsibilities, has consolidated a variable incentive system for executives and middle managers linked to performance assessments through the attribution of individual objectives consistent with the general objectives of the company. In 2022, the performance assessment involved almost all managers and middle managers, identified on the basis of the assigned operational and managerial responsibilities. The incentive policy is linked to the achievement of results and the level of contribution provided. In addition, the incentive system for the sales force operating in Europe was confirmed in 2022. There is also a long-term incentive system for managers with high responsibilities and impact on results, in line with Eni Group's practice and policies.

Security

Versalis' commitment to protecting the health of workers and the environment, as well as in prevention activities in order to guarantee safety in the workplace and protection from industrial risks of the local communities in which the company operates, are also explicit from the commitment of economic resources; the final data for 2022 are as follows:

- 260 million euros for expenses for the period (226 million euros in 2021);
- 60 million euros for capitalization investments (83 million euros in 2021).

The strong and constant commitment to safety and the environment continued, strengthening the contents of the "Safety Pact", which has become the "Safety and Environment Pact", a real contract signed between Versalis and third-party service contractors, which provides for concrete, measurable and constantly monitored improvement actions.
Versalis has been measuring accident results for some time by summarizing the events that occurred to its own personnel and to the personnel of third-party companies into specific indicators. In 2022 the following results were obtained:

	2021	**2022**
Number of invalidating accidents	10	10
Frequency Index	0,64	0,80
Severity Index	0,075	0,061

In 2022

- The employee injury frequency rate (employee injuries/hours worked x 1,000,000) is 0.80
- The contractor accident frequency index (contractor accidents/hours worked x 1,000,000) is 0.39
- The Fatality index (fatal injuries/hours worked x 1,000,000) is 0.06

Ten injuries were recorded, of which 7 involving employees and 3 involving contract personnel, linked to episodes mainly attributable to behavioral reasons. In 2022 there was a fatality of a contractor at the Priolo site. In 2022, some activities in support of prevention aimed at increasing the culture of safety and punctual supervision of the field were further strengthened.
It should be noted that, in the various months of the year, 25 out of 26 sites achieved the objective of "one year without employee accidents" among these are Brindisi (thirteenth consecutive year), Szàzhalombatta, (twelfth consecutive year), Priolo (fourteenth year consecutive).

In 2022, the activities (renewal/maintenance) associated with the certifications referable to the SA 8000, ISO 14001, ISO 45001 and EMAS standards were successfully carried out on a regular basis. As required by the HSE 2022-2025 four-year plan, the Crescentino site has obtained the certifications of its HSE Management System according to the ISO 14001 and ISO 45001 standards.
Actions to prevent, safeguard and promote the health of workers and communities residing near industrial sites are recognized as primary needs in Versalis policies and contribute significantly to the achievement of high sustainability performance.
Health protection activities are organized and structured in an "integrated management system" strongly oriented towards prevention, in which health checks are combined with the periodic measurement of risk factors, carried out both with environmental survey campaigns and through simultaneous campaigns of biomonitoring.
In particular, in relation to the risks from exposure to chemical, carcinogenic and mutagenic agents, environmental measurements and determinations of exposure through personal samplers are integrated with the monitoring of specific biological indicators of exposure in order to verify the dose actually absorbed by the worker through all routes of exposure. Health promotion programs continued in 2022, such as for example flu vaccination

campaigns and cardiovascular prevention, determination of PSA and antibodies against tetanus, awareness campaigns on smoking risk and on the adoption of correct lifestyles.
The internationalization process of Versalis, oriented towards operating in foreign markets, has triggered new projects for the management of medical emergencies and healthcare assistance, not only at a national but also international level, developing specific healthcare protocols which consider the "country" risk associated with the travel, the climate, any infectious diseases, and related vaccinations, defining special information and training programs, and guaranteeing ordinary medical assistance and in the event of an emergency, including any medical repatriations.
Among the characterizing events, from the point of view of Health, 2022 is also noted for the impact that the Covid-19 pandemic has had in the overall management of worker protection and in the implementation of organizational and procedural measures aimed at preventing infection within the workplace, but also to adequately train and inform workers on good practices to be adopted also in non-working environments.
Various initiatives have been carried out at the Italian sites to support the National Health System in screening activities with rapid antigenic swabs: particular attention has been paid to the organization of multi-year stops at the Brindisi and Mantua sites, stops in which there have been simultaneous presences more than 1,000 company personnel per day; specific plans were therefore adopted which envisaged initial screening and periodic checks, defined rules for each working moment (including breaks), suitable areas for coordination meetings, etc.
Lastly, the effective collaboration of all the Business Units has made it possible to standardize emergency management throughout Eni both from a regulatory point of view and on behavioral rules.

Environmental responsibility

The continuous evolution of health regulations, both nationally and internationally, and their integration with environmental and safety issues, entail the need for continuous monitoring, active participation in trade associations and/or institutions scientific references as well as continuous professional updating to facilitate actions relating to adjustments.

Total HSE expenditure in 2022 was € 320 million[4] (€ 309 million in 2021).

Expenditure relating to the environment amounted to 171 million euros (157 million euros in 2021), including soil and groundwater management activities.

Expenses related to safety amounted to 117 million euros (121 million euros in 2021), industrial hygiene, product safety and health activities amounted to 10 million euros (11 million euros in 2021), while the cost of the HSE structure is equal to 22 million euros (20 million euros in 2021).

As regards the control of greenhouse gas emissions, the year 2022 ended with a provisional balance of CO_2 emissions, subject to emissions trading, equal to 2.34 million tons of CO_2, a reduction of approximately 18% compared to the final balance of 2021.

The 2022 results can be summarized as follows:

- free allowances assigned in 2022: 2.44 million tons of CO_2;
- estimated emissions for 2022: 2.34 million tons of CO_2;
- surplus: 0.10 million tons of CO2.

Starting from 2021, the ETS system has entered Phase IV with the consequent new processing of the free allowance releases in relation to the results deriving from the collection of the 2014÷2018 reference data, from the definition of the reference benchmarks and from the periodic verification of the levels of activities recorded by the plants starting from the year 2019. As of today, the process for assigning the free allowances for the year 2021 has been completed for most of the Versalis sites.

Among the events characterizing 2022, from the point of view of emissions, it is worth mentioning:

[4] Figure net of decommissioning, demolition and divestment activities, which total approximately 10 million euro, and fines, insurance and taxes, which amount to approximately 8 million euro. The variability of HSE expenses in 2021 compared to the previous year is mainly attributable to capitalized HSE interventions (including decarbonisation and energy saving), which were implemented on the occasion of the multi-year shutdowns of the main plants.

- Porto Marghera: shutdown of the cracking and aromatics plants during the first half of 2022;
- Dunkerque: general shutdown of the plants for scheduled maintenance.

With regard to the reclamation of soil and groundwater, both the characterization activities envisaged by the plans presented and approved and the subsequent supplementary activities were completed.

At the Brindisi, Gela, Ferrara, Mantua, Porto Marghera, Priolo, Ravenna and Sarroch sites, groundwater pumping systems are active.

As regards the authorization process for reclamation, it has been completed at the sites of: Brindisi, groundwater and soils, Gela, groundwater and soils, Porto Marghera, groundwater and soils, Priolo, groundwater and soils (limited to the soils of the areas south of the Vallone della Neve and to the saturated soils of the "internal" areas D2 and D3), Ferrara, groundwater and surface matrices (soils and impregnation water), Ravenna, groundwater and soils, Sarroch, groundwater and soils, Ragusa (process concluded with approval of the risk analysis; the post-risk analysis monitoring, prescribed by the services conference, is in progress). For the Mantua site, remediation projects have been approved limited to some specific areas and the supernatant removal phase.

The authorized interventions are in progress or have been completed.

As regards the Porto Torres plant, the situation of the soil and groundwater is monitored and managed by Eni Rewind as Versalis operates under surface rights on the site.

The authorization process for some areas of the Mantua and Priolo sites remains to be concluded. At the end of the aforementioned investigations, the authorization framework for Versalis on a national scale will be complete.

Versalis has entrusted Eni Rewind, the competence center for reclamation activities within Eni, with the reclamation activities in the factories of: Brindisi, Ferrara, Gela, Mantua, Porto Marghera, Priolo, Ravenna and Sarroch.

Circular Economy

Versalis considers sustainability and circular economy strategic drivers applicable to processes and products throughout their life cycle. The company's main pillars of the circular economy are based on innovation and include:

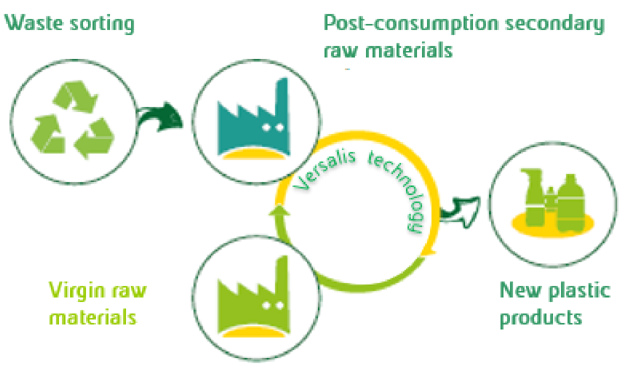
- **plastics and rubber recycling;**
- **feedstock diversification;**
- **circular packaging.**

Thanks to dedicated research projects, the development of integrated technological platforms and partnerships with various players in the supply chain, Versalis has been expanding its portfolio with products derived from renewable or secondary raw materials, such as plastics obtained from recycling post-consumer packaging, as well as developing innovative plastic and elastomers recycling technologies.

Plastics and rubber recycling

The first guideline relates to the development of advanced mechanical and physical and chemical recycling technologies for plastics and rubbers, carried out through internal research and in partnership with supply chain partners, associations and consortia.

Currently, mechanical recycling is the most widely employed method. It requires the separation of plastic's different types so that they can be processed mechanically, minimally altering their characteristics. It is an efficient process in case of pre-sorted waste streams but, at the same time, it has some major limitations, such as



the degradation of material properties and, most of all, the impossibility of managing complex, mixed and other types of plastic waste streams (currently incinerated or landfilled).

Through the development of advanced mechanical recycling technology and, with the aim of actively contributing to achieving European circular economy targets, Versalis has developed, Versalis Revive®, a product family with different polymeric bases (styrenics, polyethylene and elastomers) containing recycled plastics and rubber. Versalis has thus taken on one of the most difficult and virtuous technological challenges of circular economy: giving new life to plastic and elastomers waste through recycling in order to obtain innovative products that can be used in a variety of quality applications. The new product family currently includes:

- VERSALIS REVIVE® PE: it includes low-density polyethylene containing 100% secondary raw material and low- and high-density polyethylene- compounds containing up to 75% recycled plastic from urban and/or industrial post-consumer packaging. Its main applications are in agriculture and packaging. In 2022, thanks to a collaboration with Fornaroli Polymers and Italgreen, the first Versalis Revive® PE padel court made of synthetic grass with recycled plastic, was inaugurated in Piacenza. The installed carpet contains around 30% recycled plastic and it was made using a grade of the Versalis Revive® PE product range in the formulation.
- VERSALIS REVIVE® EPS: it involves the range of expandable polystyrene with a recycled content of up to 35% from post-consumer polystyrene supplied by the Italian domestic waste sorting, in collaboration with Corepla. Its main applications are in construction and packaging production.
- VERSALIS REVIVE® PS: it is obtained from the recycling of post-consumer plastics, in partnership with Foreverplast SpA. It consists of a range comprising 100% recycled compact polystyrene grades and up to 75% recycled compact polystyrene-based compounds used for thermal insulation, non-food packaging and household goods. In 2021, Versalis also launched a new product in the Versalis Revive® PS range for food packaging, made from 75% recycled polystyrene obtained from post-consumer domestic waste. The result is an innovative recyclable food tray made from recycled polystyrene, comprising an inner layer containing Versalis Revive® PS and two outer layers made from virgin polystyrene. This structure, known as the A-B-A functional barrier, ensures food contact compliance. During 2022, the Italian FLO group used Versalis Revive® PS to produce vending machine cups and yoghurt pots containing polystyrene from mechanically recycled post-consumer waste (rPS) in its core layer, applying the functional barrier principle. Again, the use of the Versalis product allows secondary raw materials to be used to produce suitable food packaging.
- VERSALIS REVIVE® ESBR: SBR (Styrene Butadiene Rubber) elastomers produced from used tyres.
- Versalis Revive® DVC: it is made from 100% recycled material, thanks to a partnership with AGR, a Turin-based company that owns a technology for devulcanization of post-consumer elastomers.

Mechanical recycling also plays an important role in in the overhauling of the Porto Marghera plant: the first hub for advanced mechanical recycling of post-consumer plastics is being built, starting with a styrenic polymers recycling plant. Thanks to the exclusive acquisition of the license from Forever Plast - a leading Italian company in the European post-consumer plastic recycling sector - a latter phase envisages an additional plant for recycling polystyrene and high-density polyethylene.

Alongside advanced mechanical recycling, Versalis has been working on the continuous development of different recycling technologies, as it considers them to be complementary to one another.

Chemical recycling, in particular, allows transforming mixed plastic waste that cannot be mechanically recycled (known as plasmix) into raw material to produce new polymers. Versalis is committed to this and, as early as 2020, it launched the Hoop® project through a joint development agreement with Italian engineering company Servizi di Ricerche e Sviluppo (S.R.S.), which owns a pyrolysis technology. This is a virtuous process of theoretically infinite plastics recycling, that allow the production of virgin polymers suitable for all applications and with characteristics identical to those from traditional sources. Versalis will build a first demonstration plant with a capacity of 6,000 tons per year in Mantua.

Feedstock diversification

With reference to the second guideline, Versalis is constantly looking for new opportunities to diversify the feedstock for products and/or packaging, exploring the use of secondary and/or renewable raw materials. With the Biochem Business Unit, Versalis is continuously strengthening its competitive position in renewable chemicals, creating synergies between its research projects and implementing integrated technological platforms in line with the development strategy undertaken in recent years.

In 2022, the production of bioethanol from lignocellulosic biomass was started at Crescentino (Vercelli), a plant acquired in 2018 and then reconfigured thanks to major investments. The advanced bioethanol produced from residual biomasses, not-competing with the food chain (waste from the wood industries production) and predominantly sourced from short supply chains, within 70 km of the site. The bioethanol will be used for the formulation of petrol with a renewable component. The Crescentino production process is based on the Proesa® technology for the conversion of biomass into sugars that are subsequently fermented to produce ethanol.

At the Crescentino plant Versalis obtained the ISCC EU certification for the production of second-generation bioethanol: EU ISCC is a certification system attesting the biofuels sustainability and traceability, verifying the entire production chain, starting with biomass, in accordance with European Directive (EU) 2018/2001 (RED II).

In 2022, Versalis acquired the technology to produce enzymes for second-generation ethanol from DSM, a global, purpose-led company in Health, Nutrition & Bioscience. The agreement has a strategic value for Versalis as it integrates the PROESA® technology and improves the competitiveness of technology and production. Enzymes are essential for the production of second-generation sugars as they allow the biomass saccharification. These sugars are then transformed through fermentation processes, into cellulosic ethanol ('advanced bioethanol') or other chemical intermediates. This technology acquisition strengthens Versalis 'position in chemistry from renewable sources, giving further impetus to the company's decarbonization path.

In the area of chemistry from renewables, Versalis also strengthened its partnership with Novamont, reconfirming its commitment to Matrìca - a joint venture established in 2011 by Versalis and Novamont in Porto Torres and specialised in the production of bioproducts from renewable sources - and redefining shareholder agreements: Versalis increases its stake in Novamont from 25% to 35%.

For conventional productions, in 2020 Versalis obtained ISCC PLUS certification at all Italian and European plants for monomers, intermediates, polymers and elastomers produced from sustainable raw materials, bio naphtha and chemical recycling. Similarly, Finproject, a Versalis company, obtained the ISCC PLUS certification for three Italian sites, one site in Vietnam and one site in Mexico as of 2021.

ISCC PLUS is part of the ISCC (International Sustainability and Carbon Certification) scheme. It is a voluntary certification, and it allows companies of the whole supply chain to monitor and to demonstrate the sustainability of their products by checking sustainability, traceability and mass balance requirements.

It defines predefined and transparent rules for the management of the mass balance, the methodology based on the allocation of sustainable characteristics from alternative raw materials to final products. By replacing shares of traditional fossil-based raw materials with alternative raw materials, this certification therefore results in products with sustainable characteristics, using current industrial assets. In addition, these products have identical performance characteristics to the traditional ones in the Versalis portfolio, making them easy for customers to use.

Thanks to the ISCC PLUS certification, Versalis is able to offer the market a new range, called Balance®, of 'bio-attributed' (BA) and 'bio-circular attributed' (BCA) products made from bio-naphtha, and 'circular attributed' (CA) products where the raw material is a 'recycled oil', i.e. a pyrolysis oil obtained from the mixed plastic waste chemical recycling process. The availability of biodiesel comes from integration with Eni, which has transformed two refineries into biorefineries, at Porto Marghera in Venice and in Gela, guaranteeing the procurement of sustainable raw materials originating from vegetable oils (BA), used edible oils or other types of organic waste (BCA).

Circular packaging

Regarding this last guideline, Versalis developed circular design schemes for its industrial packaging. In this context, it launched projects to recover and recycle polyethylene industrial packaging, such as bags and liners, used for packaging and shipping on pallets and by trucks/containers of Versalis polyethylene products, including those for food applications. The projects consist in collecting used sacks and inner liners of containers, which are then recycled to produce secondary raw material suitable for making new packaging. The process is translated into two circular and efficient systems, known as 'Bag to Bag' and 'Liner to Liner', implemented in cooperation with supply chain operators. These projects aim to create a virtuous circle and to help reducing the consumption of virgin raw material by 50% (Bag to Bag) and 50% (Liner to Liner), also resulting in a reduction in CO2 emissions.

Participation in other Circular Economy initiatives

Alongside the development of its circular economy business activities, Versalis pursues its commitment and involvement in various circular economy platforms and partnerships. These include the Circular Plastics Alliance to actively contribute to the ambitious European target of using 10 million tons of recycled plastics in new products by 2025, the Alliance To End Plastic Waste (AEPW) to promote projects and implement specific solutions to the problem of plastic waste in the seas and oceans, the Styrenics Circular Solutions (SCS) and the Polyolefin Circular Economy Platform (PCEP).

ALLIANCE TO END PLASTIC WASTE

Sustainability in molding and compounding processes

The Finproject group has identified the world of Sustainability as one of its strategic fundamentals, based on the criteria of the Circular Economy:

- XL EXTRALIGHT® - collaboration with Versalis for the development of new materials made with Balance, Lignin and Guayule products;
- GRS - (Global Recycled Standard), products made with the use of industrial waste in production, with maintenance of the original properties;
- ISCC Plus certified products through the use of bioattributed materials;
- POLYDIEM SOLAR FILM - Material for film in the growth of photovoltaic technology (proprietary EU patent);
- POLIDIEMME – development of new Materials for E-MOBILITY.

The entire XL EXTRALIGHT® production cycle is designed and engineered to limit production waste, also using clean energy from proprietary photovoltaic systems.

Each component of XL EXTRALIGHT® products is analyzed and controlled according to the highest safety standards, leading to the formulation of materials completely free of harmful solvents and heavy metals. The market leadership of XL EXTRLIGHT® was finally recognized in 1997, with the UNI EN ISO 9001 accreditation, for the first time assigned in Europe to an industry in the sector.

In 2022 Finproject joined the Compound Group of the PVC information center with the "Green Compound" brand, for the Chemical Industry's Commitment in respecting and supporting Safety, Health and Environmental Sustainability policies.

Finproject industries pursue this commitment on a daily basis through a careful self-development program of eco-sustainable machines for the recovery and reuse of industrial waste and products, massive use of photovoltaic energy systems in their factories, the introduction and compliance with strict prevention rules to guarantee the safety of products and workplaces and the constant research work on the formulations and production processes of the green compound.

Supplliers

Versalis adopts supplier qualification and selection criteria to assess the ability to meet company standards in terms of ethical reliability, health, safety, environmental protection and human rights. Versalis achieves this commitment by promoting its values among suppliers and involving them in the risk prevention process. To this end, as part of its Procurement process, Versalis with the contribution of Eni's specialized structures: (i) submits all suppliers to qualification and due diligence processes to verify their professionalism, technical capacity, ethical, economic and financial reliability and to minimize the risks inherent in dealing with third parties; (ii) requires all suppliers to formally undertake to comply with the principles of its Code of Ethics (such as the protection and promotion of human rights, compliance with safe working standards, environmental protection, the fight against corruption, compliance with laws and regulations , ethical integrity and correctness in relationships, compliance with antitrust and fair competition rules); (iii) monitors compliance with these commitments, to ensure that Versalis suppliers maintain the qualification requirements over time; (iv) if critical issues emerge, it requires the implementation of actions to improve their operating models or if they do not meet the minimum standards of acceptability, it limits or inhibits the invitation to tender.

Technological innovation

In 2022, Research and Technology Innovation activities, that involved about 350 employees, were devoted to improvement of processes and products of existing business units, consistently with previous years and to the development of proprietary technologies. In addition, it was confirmed the growing commitment in sustainability and circular economy as a strategic asset for the Company.

Here below the most representative results reached in the year:

Chemistry from renewable sources

Versalis continues to have an unwavering commitment to the development of chemistry from renewable sources, which is one of the key directions as part of a project to transition to a sustainable, low-carbon model.

In 2022 R&D activities were aimed at improving the proprietary industrial technology Proesa® used for the conversion of no food-biomass into second-generation sugars used in bioethanol production. In particular, an optimized pretreatment process was validated on a pilot scale and alternative residual raw materials were evaluated.

The same feedstocks were tested as feedstock for biogas production, as part of the collaboration launched in late 2021 with BTS Biogas, an Italian company active in the design and construction of biogas plants. This collaboration aims to integrate Versalis' proprietary technology for the thermomechanical pretreatment of biomass with BTS Biogas' technology for the fermentative production of biogas and advanced biomethane with high yields from residual lignocellulosic biomass, thus contributing to the large-scale development of advanced biomethane production with reduced greenhouse gas emissions and no agronomic impact.

In 2022, Versalis developed a first grade of bioplastics from renewable sources, via biochemical fermentation on a pilot scale, from second-generation (2G) sugars produced with Proesa® technology. This product has better biodegradability characteristics than other bioplastics and can impart better mechanical properties even in compounding. To date, there are no biopolymers produced from renewable waste/second-generation sources, which is what Versalis wants to achieve with the development of this technology with 2G sugars in order to aim for greater sustainability in bioplastics production as well.

In the last quarter of 2022, second-generation ethanol enzyme production technology was acquired from DSM- a global company focused on the health, nutrition and bioscience sectors.

Versalis has thus strengthened its position in chemistry from renewable sources by having integrated the proprietary Proesa® technology that will use these enzymes and also being able to implement research activities on further developments in this area.

During 2022, activities related to the valorization of lignin, a co-product in the bioethanol production process, continued in various application areas, particularly for composite materials with thermoplastics and for modified bitumen.

As part of the existing agreement with Bridgestone, activities continued on cultivation and optimization of the agronomic protocol in Basilicata, confirming good agronomic productivity of Guayule in the face of cost reduction, and development of an innovative Guayule latex production technology.

In partnership with AlphaBioControl, a British company that is a leader in the formulation of plant protection products of natural origin, in order to increase commercial presence, tests were carried out during 2022 to extend the registration of Sunpower®, an herbicide based on pelargonic acid from a renewable source produced in Porto Torres, on new crops in addition to vines, potatoes and industrial weed control. Toward the same goal, testing also continued at several municipalities to promote the development of the product's use in civilian areas, and at farms to promote market application in the agricultural field.

A recipe was developed for new hydroalcoholic disinfectant formulation with improved emollient properties, closer to the cosmetics segment.

Polyethylene

With the aim of continuing the specialization of the product portfolio and providing support for the evolution of the business toward decarbonization and sustainability, polyethylene research activity in 2022 focused on three main strategic lines: completion of LLDPE grade portfolio for pharmaceutical applications, expansion of EVA portfolio, sustainability of products and processes.

In particular, the consolidation of the LLDPE product range for applications in the pharmaceutical industry market (Pharmalene grades) was completed during 2022.

Two EVA grades have been produced and consolidated on the Dunkerque plant, the first intended for the production of manufactured goods in the rail pads/packaging/geomembrane area and the second for use in the wire&cable/foam sectors. A third grade intended for film applications has also been produced and is being consolidated with customers.

Development of EVA and LDPE grades for applications related to renewable energy production and transportation continued, consistent with the company's energy transition and decarbonization strategies.

Work also continued on the consolidation of Versalis Revive® PE grades. Thanks to Versalis Revive® PE materials, it has been possible to use Secondary Raw Materials in particularly critical applications in which, until now, it was not possible to use material from recycling, such as in the production of monofilament intended for the manufacture of synthetic turf and in the jacketing of cables for the transport of energy.

Elastomers

In 2022, elastomer research activity was mainly focused on the development and industrialization of new grades for applications in 'sustainable mobility'. The main guidelines were: expanding the tire portfolio with high-performance grades, consolidating the EPDM portfolio with high processability grades and expanding the sustainable product offering.

Within the HCBR (high cis polybutadiene) portfolio, there has been further industrial consolidation of EP (easy processing) and HP (high performance) grades, with significantly improved characteristics compared to traditional grades, intended for the production of treads and sidewalls for high-performance tires. These new grades make it possible to reduce the carbon footprint of tires throughout their life cycle by reducing rolling resistance and decreasing energy consumption in the compound preparation stages. With the same goals in mind, a new SBR solution-functionalized grade was produced for the first time on an industrial scale in 2022 for the fuel-efficient winter and four-season tire market.

Relating to the consolidation activities of the EPDM portfolio, in 2022 the range of highly processable products intended for semi-expanded gaskets and exposed profiles was completed, achieving the best quality levels on the market.

The development of products with sustainable raw materials, obtained from partial or total recycling of rubber products such as end-of-life tires, or from the use of renewable feedstock, such as extender oils of vegetable origin, also continued in 2022. In terms of sustainability, the analysis of elastomer technology platforms was completed, which led to the identification of plant improvements aimed at reducing energy consumption and decarbonizing production processes.

Styrenics

Research activities related to the new ONE-STEP® pilot plant enabled the development at prototype level of the Acrylonitrile-Elastomer-Styrene (AES) terpolymer, which has improved "weathering resistance" characteristics compared to traditional ABS.

In the second part of the year, a new polybutadiene-polystyrene block rubber, developed by pooling Versalis' expertise in Elastomers, suitable for the production of ultra-high impact ABS, was successfully tested on a pilot plant scale. This technological solution makes it possible to maximize the performance of the final product while also enabling easier management of the ABS production process.

Following the study on the quality of the secondary raw materials (MPS), the Revive® EPS Europa 5 AE and Europa 3 AE grades with MPS content of 15% have been industrialized, ensuring compliance with the new Minimum Environmental Criteria (CAM).

The product family ABS and SAN, envisioned in the GAS project, whose goal is to increase the production of higher value-added products for durable goods, was successfully consolidated.

Circular Compound development activities led to the industrialization of the Revive® PS RT gray 33010 grade with a 30% content of domestic post-consumer secondary raw material intended for major customers in the electrical-electronics sector. The related white RAL 9003 grade has been developed on a laboratory scale for industrialization planned for 2023.

In addition, Revive® ABS products with secondary raw material content from the automotive sector of up to 70% for molding and extrusion applications were developed on a laboratory scale.

Finally, the feasibility study of a Revive® ABS product that meets UL-94 V0 self-extinguishing class with second raw material content from the automotive sector above 20% was carried out at the laboratory scale.

Basic chemistry

As part of the downstream specialization of its productions, work continued on the optimization of the proprietary technology for the production of PAH (isopropyl alcohol) by hydrogenation of acetone, a technology that enables to achieve higher performance than benchmarks. In the year 2022, activities focused on the optimization of catalysis with testing of alternative catalysts and related activation procedures by targeting longer lifetime at equal yield. These developments include consolidation in the construction of a 30 kton/y plant at the Versalis site in Porto Marghera.

Regarding the development of phenol production cycle technologies, activities in 2022 focused on heterogeneous catalysts to be applied in hydrogenation sections through testing of commercial catalysts and development of proprietary catalysts achieving superior performance both in terms of yield to target product and flexibility of production mixes according to market demand (cyclohexanone/cyclohexanol switch), as well as increasing catalyst life time through in situ regeneration processes, thus increasing environmental sustainability.

Specialty Oilfield Chemicals

In 2022, research activity in oilfield chemicals focused on the development of new products used in the area of paraffinic aggregate inhibition, which, together with the consolidation of products for Drilling & Cementing and new products that are part of enhanced oil recovery activities, further expand Versalis' portfolio of Specialty Oilfield Chemicals.

Energy transition

In order to create value for all stakeholders, Versalis continued the development of a business model for the transition to a sustainable and circular chemistry, capable of contributing to the achievement of the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda and effectively responding to resource efficiency needs by making a concrete contribution to global climate challenges.

Having this in mind, research, development and technological innovation in 2022 played a key role through activities on the research projects described below:

Hoop® project (advanced chemical recycling of non-mechanically recyclable mixed plastics): in 2022 the study of the applicability of the technology to new types of non-mechanically recyclable plastic waste and the influence of variables on the yield of the process continued, in order to increase the share of recyclable material with this technological platform.

Versalis Revive® range: following the exclusive acquisition of the Foreverplast license for the construction of an advanced mechanical recycling plant, activities were consequently started for the design of a 50 ktons/year plant to be built at the Porto Marghera Site.

Focusing on the same industrial site in Porto Marghera, development activities of the Revive® range also continued within the advanced mechanical recycling of styrenic polymers launched in 2021 thanks to the exclusive acquisition of Ecoplastic's technology and facilities.

In the field of styrenics, the Versalis Revive® PS Land - Series Forever grade was successfully used within the design of vending machine cups and polystyrene yoghurt pots containing post-consumer household recycled material through the use of barrier layer technology.

In the area of elastomers, development and promotion of the Versalis Revive® eSBR family, containing recycled material from end-of-use tire powder (ELTs), and Versalis Revive® DVC, a compound made from end-of-use tires, continued during the year, allowing the market to be offered a wide range of possibilities with different characteristics according to different customer needs.

Cracker of the Future: finally, Versalis within the framework of its participation in the Cracker of the Future research consortium, composed of some of Europe's leading olefin producers (Total Energy, Repsol and Borealis), continued study activities for the development and industrialization of electric steam-cracking technologies, distinguished by the significant reduction of CO_2 emissions.

p. il Consiglio di Amministrazione
l'Amministratore Delegato
Adriano Alfani

versalis

Consolidated Financial Statements 2022

Consolidated balance sheet

		December 31, 2022		December 31, 2021	
(€ million)	Note	Total amount	*of which with related parties*	Total amount	*of which with related parties*
ASSETS					
Current assets					
Cash and cash equivalents	(1)	102	*43*	99	*53*
Other current financial assets	(2)	10	*9*	5	*4*
Trade and other receivables	(3)	720	*191*	1.021	*264*
Inventories	(4)	1.185		934	
Income tax receivables	(5)	7		5	
Other current assets	(6)	76	*2*	15	*1*
		2.100		2.079	
Non-current assets					
Property, plant and equipment	(7)	590		840	
Right of use asset	(8)	15		20	
Intangible assets	(9)	334		332	
Equity-accounted investments	(11)	327		82	
Other investments	(12)	3		186	
Other non-current financial assets	(13)	19	*17*	1	*1*
Deferred tax assets	(14)	41		32	
Other non-current assets	(15)	8		3	
		1.337		1.496	
TOTAL ASSETS		3.437		3.575	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(16)	1.354	*1.327*	655	*629*
Current portion of long-term debt	(17)	209	*209*	9	*9*
Short-term lease liabilities	(8)	6		7	
Trade and other payables	(15)	874	*394*	977	*510*
Income tax payables	(19)	27		24	
Other current liabilities	(20)	28		29	*1*
		2.498		1.701	
Non-current liabilities					
Long-term debt	(21)	523	*522*	732	*731*
Long-term lease liabilities	(8)	10		14	
Provisions for contingencies	(22)	228		94	
Provisions for employee benefits	(23)	63		73	
Deferred tax liabilities	(24)	32		34	
Other non-current liabilities	(25)	16		18	
		872		965	
TOTAL LIABILITIES		3.370		2.666	
SHAREHOLDERS' EQUITY	(26)				
Share capital [a]		446		446	
Legal reserve					
Other reserves		101		(150)	
Retained earnings (losses)		402		526	
Net profit (loss)		(882)		87	
TOTAL SHAREHOLDERS' EQUITY		67		909	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3.437		3.575	

(a) Fully paid-up share capital consisting of 446,050,729 shares with no face value.

Consolidated income statement

(€ million)	Note	2022 Total amount	2022 *of which with related parties*	2021 Total amount	2021 *of which with related parties*
REVENUES	(28)				
Net sales from operations		6.215	*496*	5.590	*351*
Other income and revenues		119	*62*	112	*75*
Total revenues		**6.334**		**5.702**	
OPERATING EXPENSES	(29)				
Purchases, services and other		(6.269)	*(2.860)*	(4.921)	*(2.361)*
Net (impairment losses) reversals of trade and other receivables		(4)		1	
Payroll and related costs		(444)		(403)	
OTHER OPERATING (EXPENSE) INCOME	(30)				
DEPRECIATION, AMORTIZATION AND IMPAIRMENT	(31)	**(501)**		**(256)**	
DISPOSAL OF ASSETS		**(1)**		**(1)**	
OPERATING INCOME (LOSS)		**(885)**		**122**	
FINANCIAL INCOME (EXPENSE)	(32)				
Financial income		68	*35*	33	*11*
Financial expense		(48)	*(19)*	(30)	*(11)*
Derivatives		5	*5*	5	*5*
		25		**8**	
INCOME (EXPENSE) FROM INVESTMENTS	(33)				
Share of profit (loss) from equity-accounted investments		(66)		(9)	
Other gain (loss) from investments		60		14	
		(6)		**5**	
PROFIT (LOSS) BEFORE INCOME TAXES		**(866)**		**135**	
Income taxes	(34)	(16)		(48)	
NET PROFIT (LOSS) FOR THE YEAR		**(882)**		**87**	

Consolidated statement of comprehensive income (loss)

(€ million)	2022	2021
NET PROFIT (LOSS) FOR THE YEAR	(882)	87
Other items of comprehensive profit (loss)		
Items that are not reclassified to profit or loss in later periods		
Remeasurements of defined benefit plans	8	4
Tax effect	(1)	(1)
Items that may be reclassified to profit or loss in later periods		
Foreign currency translation differences	(1)	(4)
Change of minor investments at fair value with effects to OCI	37	106
Share pertaining to equity-accounted investments		(5)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(839)	187

Consolidated statement of changes in sharholder's equity

(€ million)	Share capital	Legal reserve	Cumulative currency transalation difference	Reserve for coverage of losses	Reserve for employee defined-benefit plans	Reserve for business combination under common control	Other distributable reserves	Retained earnings (losses)	Profit (Loss) for the year	Total
Balances at December 31, 2020 (a)	1.365	24	(12)		(12)	2		(557)	(588)	222
Loss for the year 2021									*87*	87
Other items of comprehensive income (loss)										
Remeasurements of defined benefit plans net of tax effect					*4*					4
Foreign currency translation differences			*(4)*							(4)
Share of FVTOCI-accounted investments								*106*		106
Share of equity-accounted investments								*(5)*		(5)
Tax effect					*(1)*					(1)
Total comprehensive loss for the year 2021 (b)			(4)		3			101	87	187
Transactions with shareholders:										
Allocation of 2020 net income								(588)	588	
Dividend distribution										
Share capital reduction and coverage of losses	(919)	(24)			(1)	(2)		946		
Payment of the sole shareholder								500		500
Total transactions with shareholders (c)	(919)	(24)			(1)	(2)		858	588	500
Changes in the consolidation perimeter and other changes										
Total other changes (d)										
Balance at December 31, 2021 (e=a+b+c+d)	446		(16)		(10)			402	87	909
Profit (loss) for the year 2022									(882)	(882)
Other items of comprehensive profit (loss)										
Revaluation of defined-benefit plans for employees net of tax effect					*8*					8
Foreign currency translation differences			*(1)*							(1)
Change of minor investments at fair value with effects to OCI								*37*		37
Share pertaining to equity-accounted investments										
Tax effect					*(1)*					(1)
Total comprehensive loss for the year 2022 (f)			(1)		7			37	(882)	(839)
Transactions with shareholders:										
Profit (loss) allocation of the year 2021								87	(87)	
Reduction in shareholder's capital and loss coverage										
Payment of the sole shareholder										
Total transactions with shareholders (g)								87	(87)	
Other changes:										
Changes in the consolidation perimeter and other changes								(3)		(3)
Total other changes (h)								(3)		(3)
Balance at December 31, 2022 (i=e+f+g+h)	446		(17)		(3)			523	(882)	67

Consolidated statement of cash flows

(€ million)	Note	2022	2021
Profit (loss) for the year		(882)	87
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	(31)	116	93
Net Impairments (reversals) of tangible, intangible assets and right of use	(31)	385	163
Net gain on disposal of assets		1	
Share of profit (loss) of equity-method investments	(33)	6	(5)
Currency translation differences from alignment		(4)	(5)
Change in the provisions for employee benefits	(23)	2	7
Gains/Losses on securities and financial receivables, investment, disinvestment		(35)	(9)
Net gains on disposal of equity investments			(9)
Interest income	(32)		(2)
Interest expense	(32)	19	10
Expenses (gains) related to discontinued operations			
Current, deferred and advance income taxes for the period	(34)	16	48
Changes in working capital:			
- inventories	(4)	(255)	(229)
- trade receivables	(3)	202	(251)
- trade payables	(18)	(77)	203
- provisions for contingencies	(22)	113	(5)
- other assets and liabilities		25	10
Cash flow from changes in working capital		*(368)*	*106*
Dividends received			
Interest received			2
Interest paid		(18)	(10)
Income taxes paid, net of tax receivables received		(37)	(23)
Net cash provided by operating activities		**(423)**	**75**
of which with related parties	*(35)*	*(2.416)*	*(1.815)*
Investing activities:			
- tangible assets	(7) e (8)	(223)	(183)
- intangible assets	(9)	(32)	(7)
- investments	(11) e (12)	(8)	(173)
- changes in payables relating to investing activities	(18)	(15)	(39)
Cash flow from investing activities		*(278)*	*(402)*
Disposals:			
- tangible assets		1	
- intangible assets		5	10
- receivables relating to investing activities		14	7
- financial receivables from operating activities		(1)	9
Cash flow from disposals		*19*	*26*
Net cash flow from investing activities		**(259)**	**(376)**
of which with related parties	*(35)*	*(27)*	*(166)*
Increase (decrease) in long-term debt	(19)		
Increase (decrease) in short-term debt	(16)	692	(142)
Repayments of lease liability		(7)	(20)
Cash flow of equity			500
Net cash flow from financing activities		**685**	**338**
of which with related parties	*(35)*	*689*	*399*
Net cash flow for the year		**3**	**37**
Cash and cash equivalents - beginning of the year	(1)	99	62
Cash and cash equivalents - end of the year	(1)	**102**	**99**

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

| Significant accounting policies, estimates and judgments

Basis of preparation

The Consolidated Financial Statements of Versalis SpA and its subsidiaries have been prepared on a going concern basis in accordance with International Financial Reporting Standards[5] as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) pursuant to article 6 of the EC Regulation No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, and in accordance with article 9 of the Italian Legislative Decree No. 38/05[6].

The parent company Versalis SpA, following the net loss for the year of 763 million euros, falls within the conditions set out in art. 2446 of the Civil Code. These financial statements have been prepared on a going-concern basis since the directors believe, consistently with what happened in previous years and in the current one, that they can benefit from the constant financial support from Eni SpA, whose management activity and coordination Versalis Spa is submitted. In this regard, at the date of approval of the current year's financial statements, the directors have already obtained from Eni SpA both the promise of a capital contribution aimed at overcoming the conditions set out in the art. 2446 of the Civil Code and the confirmation that the parent company will ensure the coverage of the financial needs of Versalis SpA and its subsidiaries, to the extent that allows them to regularly fulfill their obligations. On the basis of existing agreements with Eni SpA, the company can also access the financial resources granted by the parent company without contractually defined credit limits.

The Consolidated Financial Statements have been prepared on a historical cost basis, taking into account where appropriate of any value adjustments, except for certain items that under IFRSs must be measured at fair value as described in the accounting policies that follow.

Amounts in the financial statements and in the notes are presented in millions of euros, except where otherwise indicated.

Significant accounting estimates and judgments

The application of the internationally accepted accounting standards for the preparation of financial statements implies that the management uses accounting estimates based on complex judgements, past experience and assumptions deemed as reasonable and realistic considering the information known at the moment of the estimation. The use of accounting estimates affects the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, as well as the reported amounts of revenue and expense. Actual outcomes could differ from the estimates due to the uncertainty that characterizes assumptions and conditions upon which such estimates are based. The significant accounting estimates, which imply the use of subjective judgements, assumptions and estimates related to uncertain matters, are set out in boxed tests below and should be read in conjunction with the related accounting policy. Changes in the conditions upon which judgements, assumptions and estimates are based could significantly affect the subsequent results.

Accounting estimates and significant judgments formulated to take into account the impacts of climatic risks

The effects of the initiatives to limit climate change and the potential impact of the energy transition influence the accounting estimates and the significant judgments made by the management for the preparation of the consolidated financial statements as at 31 December 2021. In particular, the global push towards reduced emission intensity, carbon pricing schemes, the technological evolution of the green and circular chemicals sector, as well as changes in consumer preferences can lead, in the medium-long term, to a structural decline in demand and an increase in operating costs.

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5 IFRSs include also International Accounting Standards (IAS), currently effective, as well as the interpretations developed by the IFRS Interpretations Committee, previously named International Financial Reporting Interpretations Committee (IFRIC) and initially Standing Interpretations Committee (SIC).

6 The IFRS used for the purposes of the consolidated financial statements coincide with those issued by the IASB in force for the 2021 financial year.

The strategy defined by Eni provides for the achievement of carbon neutrality of its operations in 2050, in line with the provisions of the scenarios compatible with maintaining global warming within the threshold of 1.5° C; it also sets intermediate targets for 2030 and 2040, both in terms of reduction of absolute emissions and of carbon intensity. The scenarios adopted by the management are set taking into account existing or foreseeable policies, regulations and technological developments and outline an evolutionary path of the chemical sector, based on an economic and demographic framework, on an analysis of current policies and those announced and on the state of the technologies, identifying, among these, those that can reasonably reach technological maturity in the time horizon considered. The price variables therefore reflect the best estimate by the management of the fundamentals of the various markets, which incorporate the ongoing decarbonization trends and those that are likely to emerge and are subject to constant benchmarking with the analyses of industry experts and peers.

These scenarios are the basis for significant estimates and judgments relating to: (i) the assessment of the intention to direct industrial projects and (ii) the verification of the recoverability of non-current assets.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of Versalis SpA and the Italian and foreign subsidiaries controlled by Versalis S.p.A.

An investor controls a subsidiary company when it is exposed to, or has the right to participate in, the variability of the company's economic returns and is able to influence these returns through the exercise of its decision-making power over it. The decision-making power exists in the presence of rights that confer to the parent company the effective capacity to direct the relevant activities of the subsidiary, that is the activities most capable of affecting the economic returns of the subsidiary itself.

Subsidiaries are consolidated, on the basis of consistent accounting policies, from the date on which control is obtained until the date that that control ceases.

Assets, liabilities, income and expenses of consolidated subsidiaries are fully recognized with those of the parent in the Consolidated Financial Statements; the parent's investment in each subsidiary is eliminated against the corresponding parent's portion of equity of each subsidiary. Equity and net profit attributable to non-controlling interests are presented separately within equity and profit and loss account.

Non-significant subsidiaries, either individually or as a whole, and companies whose consolidation does not produce significant effects are excluded from the consolidation area. The exclusion from consolidation of some subsidiaries has not produced significant[7] effects on the Consolidated Financial Statements[8].

The purchase of additional equity instruments of subsidiaries from non-controlling interests is recognized in the Group shareholders' equity and represents any excess of the amount paid over the carrying value of the non-controlling interests acquired; similarly, the effects of the sale of non-controlling interests in subsidiaries without loss of control are recognized in equity. Conversely, the sale of equity interests with loss of control determines the recognition in the profit and loss account of: (i) any gain/loss calculated as the difference between the consideration received and the corresponding transferred net assets; (ii) any gain or loss recognized as a result of the remeasurement of any investment retained in the former subsidiary to its fair value; and (iii) any amount related to the former subsidiary previously recognized in other comprehensive income which can be reclassified subsequently to profit and loss account[9]. Any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost and shall be accounted for in accordance with the applicable measurement criteria.

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7 According to IFRS, information is relevant if it can reasonably be assumed that the relative omission, incorrect presentation or concealment affects the main users of the financial statements when making decisions based on such financial statements.

8 Equity investments in subsidiaries not consolidated using the line-by-line method are valued according to the criteria indicated in the section "Equity method"; for more information, please refer to the attachment "List of Investments" of Versalis SpA on December 31, 2022.

9 Conversely, any amount related to the former subsidiary previously recognized in other comprehensive income, which cannot be reclassified subsequently to the profit and loss account, are reclassified in another item of equity.

Interests in joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method as described in the accounting policy for "The equity method of accounting".

Interests in associates

An associate is an entity over which the company has significant influence that is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Investments in associates are accounted for using the equity method as described in the accounting policy for "The equity method of accounting".

Consolidated companies, non-consolidated subsidiaries, joint ventures and associated companies of Versalis as of December 31, 2022, are included in the paragraph "List of investments", which is part of the notes. The same paragraph also reports the change in the consolidation area that occurred during the year.

The equity method of accounting

Investments in joint ventures, associates and not significant unconsolidated subsidiaries are accounted for using the equity method. [10]

Under the equity method, investments are initially recognized at cost,[11] allocating, similarly to business combinations procedures, the purchase price of the investment to the investee's identifiable assets/liabilities; any non-allocable surplus represents goodwill, not subject to separate recognition but included in the book value of the investment. If this allocation is provisionally recognized at initial recognition, it can be retrospectively adjusted within one year from the date of initial acquisition, to reflect new information obtained about facts and circumstances that existed at the date of initial acquisition. Subsequently, the carrying amount is adjusted to reflect: (i) the investor's share of the profit or loss of the investee after the date of acquisition; and (ii) the investor's share of the investee's other comprehensive income. Distributions received from an equity-accounted investee reduce the carrying amount of the investment.

As a general rule, distributions received from equity investments accounted for with the equity method are recognized by the participating company as a reduction of the book value of the equity investment. An investee could distribute a dividend higher than the book value of the investment in the financial statements of the participating company. In such circumstances, the participating company:

- resets, within the limits of capacity, the book value of the investment;
- verifies the existence of legal or implicit obligations to return the dividend received or to make payments on behalf of the investee. In such circumstances, the excess distribution is recognized as a liability in the balance sheet;
- in the absence of legal or implicit obligations, it recognizes the difference with respect to the book value of the investment as a profit in the income statement under the item "Other income (charges) on equity investments".

In applying the equity method, consolidation adjustments are considered (see also the accounting policy for "Subsidiaries"). Losses arising from the application of the equity method in excess of the carrying amount of the investment, recognized in the profit and loss account within "Income (Expense) from investments", reduce the

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10 Joint ventures, associates and not significant unconsolidated subsidiaries are accounted for at cost less any accumulated impairment losses, if this does not result in a misrepresentation of the Company's financial position and performance.

11 In the event of a change from a minority interest to an interest assessed using the equity method, the cost is equal to the sum of the fair value of the previously held share and the fair value of any additional consideration paid.

carrying amount, net of the related expected credit losses, of any financing receivables towards the investee for which settlement is neither planned nor likely to occur in the foreseeable future (the so-called long-term interests), which are, in substance, an extension of the investment in the investee. The investor's share of any losses of an equity-accounted investee that exceeds the carrying amount of the investment and any long-term interests is recognized in a specific provision only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the investee.

Whenever there is objective evidence of impairment (e.g., relevant breaches of contracts, significant financial difficulty, probable default of the counterparty, etc.), the net investment is tested for impairment by comparing its carrying amount with the related recoverable amount, determined by adopting the criteria indicated in the accounting policy for "Tangible assets". When an impairment loss no longer exists or has decreased, any reversal of the impairment loss is recognized in the profit and loss account within "Income (Expense) from investments".

The sale of equity interests with loss of joint control or significant influence over the investee determines the recognition in the profit and loss account of: (i) any gain or loss calculated as the difference between the consideration received and the corresponding transferred share; (ii) any gain or loss recognized as a result of the remeasurement of any investment retained in the former joint venture/associate to its fair value ; and (iii) any amount related to the former joint venture/associate previously recognized in other comprehensive income which may be reclassified subsequently to profit and loss account . Any investment retained in the former joint venture/associate is recognized at its fair value at the date when joint control or significant influence is lost and shall be accounted for in accordance with the applicable measurement criteria.

Business combinations

Business combinations are accounted by applying the acquisition method. The consideration transferred in a business combination is the sum of the acquisition-date fair value of the assets transferred, the liabilities incurred and the equity interests issued by the acquirer. The consideration transferred also includes the fair value of any assets or liabilities for potential payments contractually envisaged and subordinated to the occurrence of future events. Acquisition-related costs are recognized in profit and loss account when incurred.

The acquirer shall measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values[12], unless another measurement basis is required by IFRSs. The excess of the consideration transferred over the Group's share of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed is recognized, on the balance sheet, as goodwill; conversely, a gain on a bargain purchase is recognized in the profit and loss account.

Any non-controlling interests is measured as the proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date excluding, hence, the portion of goodwill attributable to them (partial goodwill method).

In a business combination achieved in stages, the purchase price is determined by summing the acquisition-date fair value of previously held equity interest in the acquiree and the consideration transferred for obtaining control; any resulting gain or loss arising from such remeasurement is recognized in profit and loss account. Furthermore, on obtaining control, any amount recognized in other comprehensive income related to the previously held equity interest is reclassified to profit and loss account, or in another item of equity when such amount cannot be reclassified to profit and loss account.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the provisional amounts recognized at the acquisition date shall be retrospectively adjusted within one year from the acquisition date, to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

12 Fair value measurement principles are described in the accounting policy for "Fair value measurements".

Accounting estimates and significant judgments: equity investments and business combinations

Verifying the existence of control, joint control, significant influence over another entity as well as, in the case of joint operations, verifying the existence of enforceable rights and obligations on the related assets and liabilities requires the exercise of a complex professional judgment by the management, made considering the characteristics of the corporate structure, the agreements between the parties, as well as any other fact and circumstance that is relevant for the purposes of this verification. The use of significant accounting estimates also characterizes the process of fair value allocation to identifiable assets and liabilities acquired in the business combination. When allocating the fair value to assets and liabilities and also when valuing the initial recognition of equity investments according to the equity method, Versalis adopts the valuation methods generally used by market operators, considering the information available and, for the most significant business combinations, makes use of external evaluations.

Intragroup transactions

Profits arising from transactions between consolidated companies, and not yet realized with third parties, as well as receivables, payables, income, expenses, guarantees, commitments and risks arising from such transactions have been eliminated. Unrealized profits on transactions with companies accounted for using the equity method are eliminated to the extent of the Group's interest in the equity-accounted entity. In both cases, losses arising from such transactions are not eliminated as evidence of an impairment of the asset transferred.

Foreign currency translation

Financial statements of foreign operations having a functional currency other than the euro, that represents the parent's functional currency, are translated into euro using the closing rate at the date of the balance sheet for assets and liabilities, the historical exchange rates for equity and the average rates for the profit and loss account and statement of cash flows (source: Reuters - WMR).

Exchange differences from the translation of the subsidiaries financial statements denominated in foreign currency, deriving from the application of different exchange rates for assets and liabilities, for net equity and the income statement, are recorded in equity under "Reserve for exchange differences" for the portion attributable to the Group.[13] Cumulative amount of the exchange differences relating to a foreign operation are reclassified to the profit and loss account when the entity disposes the entire interest in that foreign operation or when the partial disposal involves the loss of control/joint control/significant influence over the foreign operation. On the partial disposal that does not involve loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative foreign exchange rate differences is reattributed to the non-controlling interests in that foreign operation. On a partial disposal that does not involve loss of joint control or significant influence, the proportionate share of the cumulative amount of the foreign exchange differences is reclassified to the profit and loss account. The repayment of share capital made by a subsidiary having a functional currency other than the euro, without a change in the ownership interest, implies that the proportionate share of the cumulative amount of exchange differences relating to the subsidiary is reclassified to the profit and loss account.

Financial statements of foreign operations which are translated into euro are denominated in the functional currencies of the countries where the entities operate. The US dollar is the prevalent functional currency for the entities that do not use the euro. The main exchange rates utilized to translate the financial statements, in currencies other than the euro, are listed here below:

(currency amount for 1 euro)	Annual average exchange rate 2022	Exchage rate at December 31, 2022	Annual average exchange rate 2021	Exchage rate at December 31, 2021
US Dollar	1.05	1.07	1.18	1.13
Pound Sterling	0.85	0.89	0.86	0.84
Hungarian Forint	391.23	400.53	358.47	369.17
Chinese Renmimbi	7.08	7.42	7.63	7.22
Korean Republic Won	1,357.23	1.349.66	1,353.59	1,346.44

13 The share attributable to minority interests of the exchange differences from the translation of financial statements of subsidiaries operating in foreign currency is accounted for in the equity item "Minority interests".

Accounting policies

The most significant accounting policies adopted in the preparation of the Consolidated Financial Statements are described below.

Tangible assets

Tangible assets are recognized using the cost model and stated at their purchase price or construction cost, including any costs directly attributable to bringing the asset capable of operating.

When a significant period of time is required for the asset to be ready for use, the purchase price or production cost includes the incurred financial charges that theoretically would have been saved, in the period necessary to make the asset ready for use, if the investment had not been made.

In the case of a present obligation for the dismantling and removal of assets and restoration of sites, the initial carrying amount includes the estimated (discounted) costs to be incurred when the removal event occurs; a corresponding amount is recognized as part of a specific provision. Changes resulting from revisions to the timing or the amount of the original estimate of the provision are accounted for as described in the accounting policy for "Provisions, contingent liabilities and contingent assets"[14].

Tangible assets are not revalued, not even in application of specific laws.

Expenditures on upgrading, revamping and reconversion are recognized as tangible assets when it is probable that they will increase the expected future economic benefits of the asset. Assets acquired for safety or environmental reasons, although not directly increasing the future economic benefits of any existing tangible asset, are recognized as assets when they are necessary for running the business.

The depreciation of a tangible asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Tangible assets are depreciated on a systematic basis over their useful life, intended as the estimated period of time in which the asset will be used by the company. When a tangible asset comprises more than one significant part with different useful lives, each part is depreciated separately.

The depreciable amount is the asset's carrying amount less its residual value at the end of the useful life, if significant and reliably determinable. Land is not depreciated, even when acquired together with a building. Tangible assets held for sale are not depreciated (see the accounting policy for "Asset held for sale and discontinued operations" below). Changes arising from the review of useful life, residual value or in the pattern in which the asset's future economic benefits are expected to be consumed are accounted for prospectively.

Assets to be handed over for no consideration are depreciated over the shorter term between the duration of the concession and the asset's useful life.

Replacement costs of identifiable parts in complex assets are capitalized and depreciated over their useful life; the residual carrying amount of the part that has been substituted is charged to the profit and loss account.

Non-removable leasehold improvements are depreciated over the earlier of the useful life of the improvements and the lease term. Ordinary maintenance and repair costs, other than the replacement of identifiable components, which reintegrate and do not increase the performance of the goods, are recognized in the income statement in the year in which they are incurred.

The carrying amount of tangible assets is derecognized on disposal or when no future economic benefits are expected from its use or disposal; the arising gain or loss is recognized in the profit and loss account.

[14] The costs of dismantling and restoring sites relating to tangible assets, taking into account the uncertainty of the time of abandonment of the assets, which prevents the estimate of the related discounted abandonment costs, are recognized when the date on which the charge is actually incurred can be determined. and the amount of the obligation can be reliably estimated. In this regard, Versalis periodically evaluates the conditions for carrying out the activity in order to verify the occurrence of changes, circumstances or events that may lead to the need to record dismantling and site restoration costs related to tangible assets.

Leases[15]

On the inception date of a contract the company checks whether it contains or represents a lease, that is, whether it confers the right to control the use of an identified asset for a set period of time in exchange for a fee. The right of use exists if the right to obtain substantially all the economic benefits deriving from the use of the asset, as well as the right to direct its use, is held during the period of use.

At the commencement date (i.e., the date on which an underlying asset is available for use), a lessee recognizes on the balance sheet an asset representing its right to use an underlying leased asset (hereinafter also referred as right-of-use asset) and a liability representing its obligation to make lease payments during the lease term (hereinafter also referred as "lease liability"). The duration of the lease is determined considering the non-cancellable period of the contract, as well as, where there is reasonable certainty, also the periods considered by the extension options or connected to the failure to exercise the options for early termination of the contract.

The lease liability is initially recognized at the present value of the following lease payments that are not paid at the commencement date: (i) fixed payments (including in-substance fixed payments), less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate ; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a call option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The latter is determined considering the term of the lease, the frequency and currency of the contractual lease payments, as well as the features of the lessee's economic environment (reflected in the country risk premium assigned to each country where Versalis operates).

After the initial recognition, the lease liability is measured at an amortized cost basis and is remeasured, normally, as an adjustment to the carrying amount of the related right-of-use asset, to reflect changes to the lease payments due, essentially, to: (i) modifications in the lease contract not accounted as a separate lease; (ii) changes in indexes or rates (used to determine the variable lease payments); or (iii) changes in the assessment of contractual options (e.g. options to purchase the underlying asset, extension or termination options).

The right-of-use asset is initially measured at cost, which comprises: (i) the amount of the initial measurement of the lease liability; (ii) any initial direct costs incurred by the lessee ; (iii) any lease payments made at or before the commencement date, less any lease incentives received; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. After the initial recognition, the right-of-use asset is adjusted for any accumulated depreciation[16], any accumulated impairment losses (see the accounting policy for "Impairment of non-financial assets") and any remeasurement of the lease liability.

Accounting estimates and significant judgments: leasing transactions

With regard to leasing contracts, the management has made accounting estimates and exercised significant judgments with reference to: (i) the setting of the lease term, taking into account the estimates to be made regarding the possible exercise of the extension and/or termination options provided for in the contract; (ii) the determination of the lessee's incremental financing rate; (iii) the identification and, where appropriate, the separation of non-lease components, in the absence of an observable stand-alone price for such components, also taking into account in-depth analyzes carried out with external experts; (iv) the identification of variable payments and of their characteristics to decide whether include them in the determination of the lease liability.

15 The criteria indicated in the following paragraph are not applied to leases involving intangible assets.

16 Amortization is carried out systematically starting from the commencement date and up to the most recent date between: (i) the end of the useful life of the right-of-use asset; and (ii) the end of the lease term. However, in the event that the lease transfers ownership of the leased asset to the lessee at the end of the lease term, or if the right-of-use asset value also takes into account the fact that the lessee will exercise the purchase option, the right-of-use asset is systematically amortized over the useful life of the underlying asset.

Intangible assets

Intangible assets are identifiable assets without physical substance, controlled by the Company and able to produce future economic benefits, and goodwill.

Intangible assets are initially recognized at cost as determined by the criteria used for tangible assets; if they are acquired through business combinations, they are recognized at fair value at the acquisition date. Intangible assets are not revalued for financial reporting purposes, not even in application of specific laws. Intangible assets with a finite useful life are amortized on a systematic basis over their useful life; the amounts to be amortized are determined in accordance with the criteria described in the accounting policy for "Tangible assets".

Goodwill and intangible assets with indefinite useful lives are not amortized; the recoverability of their book value is checked at least annually and, in any case, when events occur that suggest a reduction in value. Goodwill is tested for impairment at the lowest level within the entity at which it is monitored for internal management purposes. When the carrying amount of the cash-generating unit, including goodwill allocated thereto, calculated considering any impairment loss of the non-current assets belonging to the cash-generating unit, exceeds its recoverable amount[17], the excess is recognized as an impairment loss. The impairment loss is allocated primarily to the carrying amount of goodwill; any remaining excess is allocated to the other assets of the cash generating unit pro-rata on the basis of the carrying amount of each asset in the unit, up to the recoverable amount of assets with finite useful lives. An impairment loss recognized for goodwill cannot be reversed in a subsequent period.[18]

Costs of obtaining a contract with a customer are recognized in the balance sheet if the Company expects to recover those costs. The intangible asset arising from those costs is amortized on a systematic basis, that is consistent with the transfer to the customer of the goods or services to which the asset relates and is tested for impairment.

Costs of technological development activities are capitalized when: (i) the cost attributable to the development activity can be measured reliably; (ii) there is the intention and the availability of financial and technical resources to make the asset available for use or sale; and (iii) it can be demonstrated that the asset is able to generate future economic benefits.

The carrying amount of intangible assets is derecognized on disposal or when no future economic benefits are expected from its use or disposal; any arising gain or loss is recognized in the profit and loss account.

Significant accounting estimates and judgements: impairment of non-financial assets

The recoverability of non-financial assets is assessed whenever events or changes in circumstances indicate that carrying amounts of the assets are not recoverable.

The recoverability assessment is performed for each cash generating unit (hereinafter also CGU) represented by the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

CGUs may include corporate assets which do not generate cash inflows independently of other assets or group of assets, but which contribute to the future cash flows of more CGUs; the portions of corporate assets are allocated to a specific CGU or, if not possible, to a group of CGUs on a reasonable and consistent basis. Goodwill is tested for impairment at least annually, and whenever there is any indication of impairment, at the lowest level within the entity at which it is monitored for internal management purposes. Right-of-use assets, which generally do not generate cash inflows independently of other assets or groups of assets, are allocated to the CGU to which they belong; the right-of-use assets which cannot be fully attributed to a CGU are considered as corporate assets.

The recoverability of a CGU is assessed by comparing its carrying amount with the recoverable amount, which is the higher of the CGU's fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from continuing use of the CGU and, if significant and reliably measurable, the cash flows expected to be obtained from its disposal at the end of its useful life, after deducting the costs of disposal. The expected cash flows are determined on the basis of reasonable and supportable

[17] For the definition of recoverable amount, see the paragraph "Tangible assets".

[18] The write-down recorded in an interim period is not subject to reversal even if, based on the conditions existing in a subsequent interim period, the write-down would have been less, or not recognized at all.

assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the CGU, giving greater weight to external evidence.

The recoverability of non-financial assets is assessed whenever events or changes in circumstances indicate that carrying amounts of the assets are not recoverable. Such impairment indicators include changes in the Group's business plans, changes in commodity prices leading to unprofitable performance, a reduced capacity utilization of plants.

Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain and complex matters such as future commodity prices, future discount rates, future development expenditure and production costs, the effects of inflation and technology improvements on operating expenses, production profiles and the outlook for global or regional market supply-and-demand conditions.

With reference to commodity prices, management uses the price scenario adopted for economic and financial projections and for the evaluation of investments over their entire life. In particular, for the cash flows associated with oil, natural gas and petroleum products prices (and prices derived from them), the price scenario is approved by Eni's Board of Directors and it is based on assumptions relating to the evolution of market fundamentals and, in the short-medium term, it also considers the forecasts of market analysts and, when sufficiently liquid and reliable, the survey of forward prices inferable from the market.

For impairment test purposes, cash outflows expected to be incurred to guarantee compliance with laws and regulations regarding CO2 emissions (e.g. Emission Trading Scheme).

For the determination of value in use, the estimated future cash flows are discounted using a rate that reflects a current market assessment of the time value of money and of the risks specific to the asset that are not reflected in the estimated future cash flows. In particular, the discount rate used is the Weighted Average Cost of Capital (WACC) adjusted for the specific country risk of the CGU. These adjustments are measured considering information from external parties.

WACC differs considering the risk associated with each operating segment/business where the asset operates. In particular, taking into account the relative different risk levels compared to Eni's overall risk, specific WACCs were defined on the basis of a sample of comparable companies for the assets belonging to the Chemical business, adjusted to take into account the specific country risk in which the activity is carried out.

A single discount rate is used for all other businesses, considering the substantial coincidence of the risk level with Eni's overall risk. Value in use is calculated net of the tax effect as this method results in values similar to those resulting from discounting pre-tax cash flows at a pre-tax discount rate derived, through an iteration process, from a post-tax valuation.

When the carrying amount of the CGU, including goodwill allocated thereto, determined taking into account any impairment loss of the non-current assets belonging to the CGU, exceeds its recoverable amount, the excess is recognised as an impairment loss. The impairment loss is allocated first to reduce the carrying amount of goodwill; any remaining excess is allocated to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the CGU, up to the related recoverable amount.

When an impairment loss no longer exists or has decreased, a reversal of the impairment loss is recognised in the profit and loss account. The impairment reversal shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Similar remarks are valid for assessing the recoverability of deferred tax assets (see also the paragraph "Income taxes"), which requires complex processes for evaluating the existence of adequate future taxable profit.

Grants related to assets

Capital grants are recognized when there is reasonable certainty that the conditions envisaged by the granting government bodies for obtaining them will be met and they are recognized as a reduction in the purchase price or production cost of the assets to which they refer.

Inventories

Inventories, including compulsory stocks, are measured at the lower of purchase or production cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale or, with reference to inventories of crude oil and petroleum products (i.e., Virgin Naphtha) already included in binding sale contracts, the contractual sale price. Inventories which are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in prices are measured at fair value less costs to sell. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

The cost for chemical inventories is determined by applying the weighted-average cost on an annual basis.

Financial instruments

Financial assets

Financial assets are classified, on the basis of both contractual cash flow characteristics and the entity's business model for managing them, in the following categories: (i) financial assets measured at amortized cost; (ii) financial assets measured at fair value through other comprehensive income (hereinafter also OCI); (iii) financial assets measured at fair value through profit or loss.

At initial recognition, a financial asset is measured at fair value; trade receivables that do not have a significant financing component are measured at their transaction price.

After initial recognition, financial assets whose contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (the so-called hold to collect business model). For financial assets measured at amortized cost, interest income determined using the effective interest rate, foreign exchange differences and any impairment losses[19] are recognized in the profit and loss account (see the accounting policy for "Impairment of financial assets").

Conversely, financial assets that are debt instruments are measured at fair value through OCI (hereinafter also FVTOCI) if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the so-called hold to collect and sell business model). In these cases: (i) interest income determined using the effective interest rate, foreign exchange differences and any impairment losses are recognized in the profit and loss account (see the accounting policy for "Impairment of financial assets"); (ii) changes in fair value of the instruments are recognized in equity, within other comprehensive income. The accumulated changes in fair value, recognized in the equity reserve related to other comprehensive income, is reversed into the profit and loss account when the financial asset is derecognized.

A financial asset represented by a debt instrument that is neither measured at amortized cost nor at FVTOCI, is measured at fair value through profit or loss (hereinafter FVTPL); financial assets held for trading fall into this category. Interest income on assets held for trading contribute to the fair value measurement of the instrument and are recognized in "Finance income (expense)", within "Net finance income (expense) from financial assets held for trading".

When the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, the transaction is accounted for on the settlement date.

[19] Receivables and other financial assets measured at amortized cost are presented in the balance sheet net of their loss allowance.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, as well as financial assets originally due, generally, up to three months, readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

Impairment of financial assets

The expected credit loss model is adopted for the impairment of financial assets that are debt instruments, but are not measured at FVTPL[20].

In particular, the expected credit losses are generally measured by multiplying: (i) the exposure to the counterparty's credit risk net of any collateral held and other credit enhancements (Exposure At Default, EAD); (ii) the probability that the default of the counterparty occurs (Probability of Default, PD); and (iii) the percentage estimate of the exposure that will not be recovered in case of default (Loss Given Default, LGD), considering the past experiences and the range of recovery tools that can be activated (e.g. extrajudicial and/or legal proceedings, etc.).

With reference to trade and other receivables, Probabilities of Default of counterparties are determined by adopting the internal credit ratings already used for credit worthiness and are periodically reviewed using, inter alia, back-testing analyses. For customers without internal credit ratings, the expected credit losses are measured by using a provision matrix, defined by grouping, where appropriate, receivables into adequate clusters to which apply expected loss rates defined on the basis of their historical credit loss experiences, adjusted, where appropriate, to take into account forward-looking information on credit risk of the counterparty or clusters of counterparties.[21]

Considering the characteristics of the reference markets, financial assets with more than 180 days past due or, in any case, with counterparties undergoing litigation, restructuring or renegotiation, are considered to be in default. Counterparties are considered undergoing litigation when judicial/legal proceedings aimed to recover a receivable have been activated or are going to be activated. Impairment losses of trade and other receivables are recognized in the profit and loss account, net of any impairment reversal, within the line item of the profit and loss account "Net (impairment losses) reversals of trade and other receivables".

The recoverability of financial receivables related to operating activities, granted to associates and joint ventures, which in substance forms part of the entity's net investment in these investees, is evaluated considering also the underlying industrial operations and the macroeconomic scenarios of the countries where the investees operate.

Significant accounting estimates and judgments: impairment of financial assets

Measuring impairment losses of financial assets requires management evaluation of complex and highly uncertain elements such as, for example, probabilities of default (PD) of counterparties, the existence of any collaterals or other credit enhancements, as well as the expected exposure that will not be recovered in case of default (so-called Loss Given Default or LGD). Further details on the main assumptions relating to the impairment of financial assets are shown in note 3 - "Trade receivables and other receivables".

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[20] The expected credit loss model is also adopted for issued financial guarantee contracts not measured at FVTPL.

[21] For credit exposures arising from intragroup transactions, the recovery rate is normally assumed equal to 100% taking into account, inter alia, the Group central treasury function which supports both financial and capital needs of subsidiaries.

Minority interests

Financial assets representing minority interests, since they are not held for trading purposes, are measured at fair value with effects to other components of comprehensive income and without turnover to P&L in case of realization; conversely, dividends from such equity investments are recognized in the income statement under the item "Income (charges) on equity investments", unless they clearly represent a recovery of part of the investment cost. The valuation at cost of a minority investment is allowed in the limited cases where the cost represents an adequate estimate of the fair value.

Financial liabilities

At initial recognition, financial liabilities, other than derivative financial instruments, are measured at their fair value, minus transaction costs that are directly attributable, and are subsequently measured at amortized cost.

Derivative financial instruments and hedge accounting

Derivative financial instruments, including embedded derivatives which are separated from the host contract, are assets and liabilities recognized at their fair value.

With reference to the defined risk management objectives and strategy, the qualifying criteria for hedge accounting requires: (i) the existence of an economic relationship between the hedged item and the hedging instrument in order to offset the related value changes and the effects of counterparty credit risk do not dominate the economic relationship between the hedged item and the hedging instrument; and (ii) the definition of the relationship between the quantity of the hedged item and the quantity of the hedging instrument (the so called hedge ratio) consistent with the entity's risk management objectives, under a defined risk management strategy; the hedge ratio is adjusted, where appropriate, after taking into account any adequate rebalancing. A hedging relationship is discontinued prospectively, in its entirety or a part of it, when it no longer meets the risk management objectives on the basis of which it qualified for hedge accounting, it ceases to meet the other qualifying criteria or after rebalancing it.

When derivatives hedge the risk of changes in the fair value of the hedged item (fair value hedge, e.g., hedging of the variability in the fair value of fixed interest rate assets/liabilities), the derivatives are measured at fair value through profit and loss account. Consistent, the carrying amount of the hedged item is adjusted to reflect, in the profit and loss account, the changes in fair value of the hedged item attributable to the hedged risk; this applies even if the hedged item should be otherwise measured.

When derivatives hedge the exposure to variability in cash flows of the hedged item (cash flow hedge, e.g. hedging the variability in the cash flows of assets/liabilities as a result of the fluctuations of exchange rate), the changes in the fair value of the derivatives, that are designated as effective hedging instruments, are initially recognized in the equity reserve related to other comprehensive income and then reclassified to the profit and loss account in the same period during which the hedged transaction affects the profit and loss account. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the accumulated changes in fair value of hedge derivatives, recognized in equity, are included directly in the carrying amount of the hedged non-financial asset/liability (commonly referred to as a "basis adjustment").

The changes in fair value of derivatives, that are not designated as effective hedging instruments, including any ineffective components of hedge derivative financial instruments, are recognized in the profit and loss account. In particular, the changes in the fair value of non-hedging derivatives on interest rates and exchange rates are recognized in the profit and loss account line item "Finance income (expense)", conversely, the changes in the fair value of non-hedging derivatives on commodities are recognized in the profit and loss account line item "Other operating (expense) income".

The economic effects of the transactions relating to the purchase or sale of commodities stipulated for the company's needs for the normal conduct of business and for which settlement is envisaged through the physical delivery of the goods themselves, are recognized on an accrual basis (so-called normal sale and normal purchase exemption or own use exemption).

Offsetting of financial assets and liabilities

Financial assets and liabilities are set off in the balance sheet if the group currently has a legally enforceable right to set off and intends to settle on a net basis (or to realize the asset and settle the liability simultaneously).

Derecognition of financial assets and liabilities

Transferred financial assets are derecognized when the contractual rights to receive the cash flows from the financial assets expire or are transferred to another party. Financial liabilities are derecognized when they are extinguished, or when the obligation specified in the contract is discharged, cancelled or expired..

Provisions, contingent liabilities and contingent assets

A provision is a liability of uncertain timing or amount on the balance sheet date. Provisions are recognised when: (i) there is a present obligation, legal or constructive, as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) the amount of the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation or to transfer it to third parties on the balance sheet date; the amount recognised for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any compensation or penalties arising from failure to fulfill these obligations. Where the effect of the time value is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expected cash outflows determined taking into account the risks associated with the obligation. The change in provisions due to the passage of time is recognised within "Finance income (expense)" in the profit and loss account.

When the liability regards property, plant and equipment (e.g., dismantling and site restoration), the provision is recorded with a corresponding counter-entry, that is the asset to which it refers; the effects of the provision on the income statement are accounted for through the amortization process.

A provision for restructuring costs is recognized only when the Company has a detailed formal plan for the restructuring and has raised a valid expectation in the affected parties that it will carry out the restructuring.

Provisions are periodically reviewed and adjusted to reflect changes in the estimates of costs, timing and discount rates. Changes in provisions are recognized in the same profit and loss account line item where the original provision was charged or, when the liability relates to tangible assets (i.e., dismantling and restoration of sites), the changes in the estimate of the provision are recognized as a counter-entry to the assets to which they refer within the limits of the relative book values; any excess is recognized in the income statement.

The following contingent liabilities are described in the notes to the Consolidated Financial Statements: (i) possible obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or (ii) present obligations arising from past events, whose amount cannot be reliably measured or whose settlement will probably not result in an outflow of resources embodying economic benefits. Contingent assets, i.e. possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, are not recognized unless the inflow of the related economic benefits is virtually certain. If an inflow of economic benefits is probable, contingent assets are disclosed in the notes. Contingent assets are assessed continually to evaluate the probability of obtaining economic benefits.

Provisions for environmental risks

Environmental liabilities are recognized in the presence of current obligations, legal or implicit, connected to environmental remediation and restoration of the state of the soils and aquifers of areas owned or under concession of predominantly disused, closed and dismantled sites or in the process of being restructuring, provided that the remediation is considered probable, and the related costs and timing of support can be reliably estimated. The liability is valued on the basis of the costs that are assumed to be incurred to fulfill the obligation in relation to the situation existing at the balance sheet date, taking into account virtually certain future technical and legislative developments of which the Company is aware.

Employee benefits

Employee benefits are considerations given by the Group in exchange for service rendered by employees or for the termination of employment.

Post-employment benefit plans, including informal arrangements, are classified as either defined contribution plans or defined benefit plans depending on the economic substance of the plan as derived from its principal terms and conditions. Under defined contribution plans, the Company's obligation, which consists in making payments to the State or to a trust or a fund, is determined on the basis of contributions due.

The liabilities related to defined benefit plans, net of any plan assets, are determined on the basis of actuarial assumptions and charged on accrual basis during the employment period required to obtain the benefits. Net interest includes the return on plan assets and the interests cost to be recognized in the profit and loss account. Net interest is measured by applying to the liability, net of any plan assets, the discount rate used to calculate the present value of the liability; net interest of defined benefit plans is recognized in "Financial income (expense)".

Remeasurements of the net defined benefit liability, comprising actuarial gains and losses, resulting from changes in the actuarial assumptions used or from changes arising from experience adjustments, and the return on plan assets excluding amounts included in net interest, are recognized within statement of comprehensive income. Remeasurements of net defined benefit liability, recognized in the equity reserve related to other comprehensive income, are not reclassified subsequently to the profit and loss account. Obligations for long-term benefits are determined by adopting actuarial assumptions. The effects of remeasurements are taken to profit and loss account in their entirety.

Revenue from contracts with customers

Revenue from contracts with customers is recognized on the basis of the following five steps: (i) identifying the contract with the customer; (ii) identifying the performance obligations, that are promises in a contract to transfer goods and/or services to a customer; (iii) determining the transaction price; (iv) allocating the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each good or service; and (v) recognizing revenue when (or as) a performance obligation is satisfied, that is when a promised good or service is transferred to a customer; a promised good or service is transferred when (or as) the customer obtains control of it. Control can be transferred over time or at a point in time. With reference to the most important products sold by Versalis, the moment of recognition of the revenues generally coincides with the shipment.

Revenue is measured at the fair value of the consideration to which the company expects to be entitled in exchange for transferring promised goods and/or services to a customer, excluding amounts collected on behalf of third parties. In determining the transaction price, the promised amount of consideration is adjusted for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. The promised amount of consideration is not adjusted for the effect of the significant financing component if, at contract inception, it is expected that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

If the consideration promised in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods and/or services to a customer; in particular, the amount of consideration can vary because of discounts, refunds, incentives, price concessions, performance bonuses, penalties or if the price is contingent on the occurrence or non-occurrence of a future event.

If, in a contract, the company grants a customer the option to acquire additional goods or services for free or at a discount (for example sales incentives, customer award points, etc.), this option gives rise to a separate performance obligation in the contract only if the option provides a material right to the customer that it would not receive without entering that contract.

When goods or services are exchanged for goods or services that are of a similar nature and value, the exchange is not regarded as a transaction which generates a revenue.

Costs

Costs are recognized when the related goods and services are sold or consumed during the year, when they are allocated on a systematic basis or when their future economic benefits cannot be identified.

Costs associated with emission quotas, determined on the basis of the market prices, are recognized in relation to the amounts of the carbon dioxide emissions that exceed free allowances. Costs related to the purchase of the emission rights that exceed the amount necessary to meet regulatory obligations are recognized as intangible assets. Revenue related to emission quotas is recognized when they are sold. In the event of a sale, the purchased emission rights are deemed sold first. Monetary receivables granted to replace the free award emission rights are recognized as a contra to the line item "Other income and revenues"

The costs for the acquisition of new knowledge or discoveries, the study of products or alternative processes, new techniques or models, the planning and construction of prototypes or, in any case, costs incurred for other scientific research activities or technological development, which cannot be capitalized (see above the accounting policy for "Intangible assets"), are included in the profit and loss account when they are incurred.

Exchange differences

Revenue and costs associated with transactions in foreign currencies are translated into the functional currency by applying the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate on the balance sheet date and any resulting exchange differences are included in the profit and loss account, within "Finance income (expense)" or, if designated as hedging instruments for the foreign currency risk, in the same line item in which the economic effects of the hedged item are recognized. Non-monetary assets and liabilities denominated in foreign currencies, measured at cost, are not retranslated subsequent to initial recognition. Non-monetary items measured at fair value, recoverable amount or net realizable value, are retranslated using the exchange rate at the date when the value is determined.

Dividends

Dividends are recognized at the date on which they are approved by the shareholders' meeting.

Income taxes

Current income taxes are determined on the basis of estimated taxable income; the estimated liability is posted in the item "Current income tax payables". Current income tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences arising between the carrying amounts of the assets and liabilities and their tax bases, based on tax rates and tax laws that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized when their recoverability is considered probable, i.e., when it is probable that sufficient taxable profit will be available in the same year as the reversal of the deductible temporary difference. Similarly, deferred tax assets for the carry-forward of unused tax credits and unused tax losses are recognized to the extent that their recoverability is probable. The carrying amount of the deferred tax assets is reviewed, at least, on an annual basis.

Deferred tax liabilities related to the taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, are not recognized if the investor is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are included in non-current assets and liabilities and are offset at single entity level if related to off-settable taxes. The balance of the offset, if positive, is recognized in the line item "Deferred tax assets" and, if negative, in the line item "Deferred tax liabilities". When the results of transactions are recognized directly in the shareholders' equity, the related current and deferred taxes are also charged to the shareholders' equity.

For Versalis SpA, as part of the Eni Group's National IRES Tax Consolidation, it is applicable the remuneration mechanism for IRES tax losses, based on which, after having possibly offset its taxable amount, the company transfers previous tax losses to the parent company Eni SpA to offset positive taxable income of other companies participating in the National Tax Consolidation. The parent company Eni SpA, once the consolidation of the IRES tax positions of the companies participating in the National Tax Consolidation has been completed, recognizes the benefit deriving from the tax losses transferred by Versalis SpA, within the limits of the net deferred tax assets recoverable over the company's four-year plan.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (not in a forced liquidation or a distress sale) at the measurement date (exit price). Fair value measurement is based on the market conditions existing at the measurement date and on the assumptions of market participants (market-based measurement). A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market to which the entity has access, independently from the entity's intention to sell the asset or transfer the liability to be measured.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Highest and best use is determined from the perspective of market participants, even if the entity intends a different use; an entity's current use of a non-financial asset is presumed to be its highest and best use, unless market or other factors suggest that a different use by market participants would maximize the value of the asset.

The fair value of a liability, both financial and non-financial, or of the Company's own equity instrument, in the absence of a quoted price, is measured from the perspective of a market participant that holds the identical item as an asset at the measurement date.

The fair value of financial instruments takes into account the counterparty's credit risk for a financial asset (Credit Valuation Adjustment, CVA) and the entity's own credit risk for a financial liability (Debit Valuation Adjustment, DVA).

In the absence of available market quotation, fair value is measured by using valuation techniques, that are appropriate in the circumstances, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Significant accounting estimates and judgements: fair value

Fair value measurement, although based on the best available information and on the use of appropriate valuation techniques, is inherently uncertain and requires the use of professional judgment and could result in expected values other than the actual ones.

Financial statements

Assets and liabilities of the balance sheet are classified as current and non-current. Items of the profit and loss account are presented by nature.

The statement of comprehensive income (loss) shows net profit integrated with incomes and expenses that are recognized directly in the shareholders' equity according to IFRSs.

The statement of changes in shareholders' equity includes the total comprehensive income (loss) for the year, transactions with shareholders and other changes in shareholders' equity.

The statement of cash flows is presented using the indirect method, whereby net profit is adjusted for the effects of transactions of non-cash transactions[22].

Changes in accounting policies

The amendments to IFRSs effective from January 1, 2022 and adopted by Eni did not have a material impact on the Consolidated Financial Statements.

Recently issued accounting standards

IFRSs and interpretations issued by the IASB and adopted by the European Commission

By the Commission Regulation No. 2021/2036 issued by the European Commission on November 19, 2021, IFRS 17 "Insurance Contracts" (hereinafter IFRS 17), which replaces IFRS 4 "Insurance Contracts" and sets out the accounting for the insurance contracts issued and the reinsurance contracts held. IFRS 17 shall be applied for annual reporting periods beginning on or after January 1, 2023.

By the Commission Regulation No. 2022/357 issued on March 2, 2022, the European Commission adopted:

- the amendments to IAS 1 "Disclosure of Accounting Policies" (hereinafter the amendments), aimed to provide clarifications on identifying the material accounting policies to be disclosed in the financial statements. The amendments shall be applied for annual reporting periods beginning on or after January 1, 2023;
- the amendments to IAS 8 "Definition of Accounting Estimates" (hereinafter the amendments), which introduce the definition of accounting estimates essentially to clarify how to distinguish changes in accounting policies from changes in accounting estimates. The amendments shall be applied for annual reporting periods beginning on or after January 1, 2023.

By the Commission Regulation No. 2022/1392 issued on August 11, 2022, the European Commission adopted the amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (hereinafter the amendments), aimed to require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments shall be applied for annual reporting periods beginning on or after January 1, 2023.

IFRSs and interpretations issued by the IASB and not yet adopted by the European Commission

On January 23, 2020, the IASB issued the amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (hereinafter the amendments to IAS 1), which clarify how to classify debt and other liabilities as current or non-current. Further clarifications about the classification, as current or non-current, of liabilities with covenants have been provided by the amendments issued on October 31, 2022 ("Non-current Liabilities with Covenants"). The amendments to IAS 1shall be applied for annual reporting periods beginning on or after January 1, 2024.

On September 22, 2022, the IASB issued the amendments to IFRS 16 "Lease Liability in a Sale and Leaseback" (hereinafter the amendments), aimed to clarify the subsequent measurement of lease liabilities arising from sale and leaseback transactions. The amendments shall be applied for annual reporting periods beginning on or after January 1, 2024.

Eni is currently reviewing the IFRSs not yet adopted in order to determine the likely impact on the Consolidated Financial Statements.

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22 In the statement of cash flows, the tax cash outflow, practicably identifiable, arising from a disposal is presented separately within the net cash used in investing activities.

Current assets

1. Cash and cash equivalents

Cash and cash equivalents amount to €102 million (€99 million as at December 31, 2021) and are mainly deposited in Eni Group financial companies.

2. Other current financial assets

Other current financial assets of €10 million (€5 million as at December 31, 2021) mainly refer to the short-term portion of financial credit granted to the jointly controlled company Matrìca SpA.

3. Trade and other receivables

Trade receivables and other credit are detailed in the table below:

(€ million)	December 31, 2022	December 31, 2021
Trade receivables	602	803
Other receivables	118	218
	720	**1.021**

Generally, trade receivables don't bear any interest and provide payment terms within 150 days.

As at December 31, 2022, Versalis factored trade receivables without recourse for €130 million (€155 million as at December 31, 2021).

The company distinguishes credit exposures deriving from trade relationships and other relationships, according to a specific risk assessment of the counterparty. In particular, the probability of default is assessed on the basis of a defined internal rating, which considers the following: (i) specialist analysis of balance sheet, of current and prospective financial situation of clients; (ii) previous trade and administrative relationships (regularity of payments, presence of elements that mitigate the risk, etc.); (iii) any further qualitative information collected by the sales functions of each business unit and by specialized info-providers; (iv) any specific contractual clauses for credit protection; (v) performance of the reference sector; (vi) country risk that considers the probability of occurrence of events related to the debtor's operating context, over a medium-term time period, which may compromise the ability to fulfill the obligation towards Versalis. The internal ratings and the corresponding probability of default are updated through back-testing analysis and risk assessments of the current and forward-looking portfolio.

The loss given default of these customers is estimated by the company's businesses on the basis of historical experience in recovering commercial debts; for customers in default, estimates are used based, among other things, on the experience of recovering debts in litigation or restructuring.
For counterparties not subject to an individual reliance process, the expected loss is determined, by homogeneous clusters, on the basis of a generic model that summarizes in a single parameter (so-called expected loss ratio) the values of the probability of default and the ability to recover (loss given default) having regard to the company's historical debt recovery data, systematically updated, supplemented, where appropriate, with prospective considerations regarding the evolution of the risk of default.
The following table shows information on gross credit risk exposure and allowance for impairment with reference to trade and other receivables for which an analytical assessment and/or on the basis of the generic model, prepared on the basis of internal ratings, has been carried out:

(€ million)	Performing loans	Non-performing loans	Total
Business customers	514	209	**723**
Other counterparties	144		**144**
Gross amount as at December 31, 2022	**658**	**209**	**867**
Allowance for doubtful accounts	7	140	**147**
Net amount as at December 31, 2022	**651**	**69**	**720**

Trade and other receivables are stated net of the allowance for doubtful accounts of €147 million (€145 million as at December 31, 2021). Receivables from other counterparties refer to trade and other receivables from Eni Group companies. Changes in the allowance for doubtful accounts occurred in 2022 are disclosed as follows:

(€ million)	Total
Carrying amount at December 31, 2020	**148**
- additions	3
- deductions	(11)
- change in the consolidation area	5
Carrying amount at December 31, 2021	**145**

(€ million)	Total
Carrying amount at December 31, 2021	**145**
- additions	6
- deductions	(4)
Carrying amount at December 31, 2022	**147**

See paragraph "Credit risk" for further details on company's exposure to contingent losses deriving from counterparties' failure to fulfill their obligations.
Deductions of the allowance for doubtful accounts on trade receivables for the current year refer to credit losses.

Other receivables are disclosed as follows:

(€ million)	December 31, 2022	December 31, 2021
Receivables due from parent company	27	12
Receivables due from Eni Group companies	25	139
Advances for services and guarantee deposits	17	13
Receivables due from joint ventures	9	8
Receivables due from incentives to production of renewable energy	8	9
Receivables due from associated companies	3	5
Receivables for patents and royalties	2	9
Receivables due from personnel	2	2
Other receivables	25	21
	118	**218**

Receivables from the parent company Eni SpA mainly relate to receivables from participation to group VAT regime (€24 million). Receivables due from Eni Group companies mainly relate to Eni Rewind SpA for environmental remediation activities (€24 million). Receivables due from joint ventures of €9 million mainly relate to Lotte Versalis Elastomers for the sale of licenses (€6 million) and to Matrica for interests on financial receivables (€3 million).

Other receivables of €25 million are mainly related to chargebacks for remediation costs incurred at the Mantua plant (9 million euros) and receivables from the Gestore dei Servizi Energetici for incentives for the production of electricity from biomass (€8 million).

Fair value assessment of trade and other receivables has no material impact, given their short-term nature (i.e. the time between their occurrence and the due date). Receivables due from related parties are disclosed in Note 35.

4. Inventories

Inventories are detailed in the table below:

	December 31, 2022				December 31, 2021			
(€ million)	Oil derivatives	Chemicals	Other	Total	Oil derivatives	Chemicals	Other	Total
Raw and auxiliary materials and consumables	59	213	91	363	49	147	82	278
Work in progress and semi-finished products	1	7		8	1	8		9
Finished products and goods	30	763	21	814	24	605	18	647
	90	**983**	**112**	**1.185**	**74**	**760**	**100**	**934**

Other inventories mainly refer to technical materials and packaging. Changes in inventories and in allowances on inventories are disclosed as follows:

(€ million)	Opening balance	Changes over the period	Additions	Deductions	Currency translation differences	Change in consolidation area	Ending balance
December 31, 2022							
Gross inventories	969	365			(3)		1.331
Allowance on inventories	(35)		(111)				(146)
Net inventories	**934**	**365**	**(111)**		**(3)**		**1.185**
December 31, 2021							
Gross inventories	718	215			2	34	969
Allowance on inventories	(49)			14			(35)
Net inventories	**669**	**215**		**14**	**2**	**34**	**934**

There is no collateral on inventories. Additions to the allowance on inventories in 2022 mainly relate to adjustments made on the book values of finished products, to align them to the expected sale price at the end of the period.

5. Current income tax assets

Current income tax assets of €7 million (€5 million as at December 31, 2021) mainly relate to receivables due from tax authorities. Further details about income taxes are provided in note 34.

6. Other assets

Other assets are disclosed as follows:

(€ million)	December 31, 2022	December 31, 2021
Other current tax assets	72	11
Fair value of non-hedging derivatives	1	
Other assets	3	4
	76	**15**

Other assets of €76 million (€15 million as at December 31, 2021) mainly include the contribution for R&D costs and the contributions for the energy and gas-intensive companies, established by government decrees no. 4 of 27 January 2022, n.17 of 1 March 2022, n.21 of 21 March 2022 and subsequent amendments, which are accrued and not yet compensated at the end of the year (€50 million), VAT receivables (€18 million), prepaid services (€1 million) and prepayments for rents and instalments (€1 million).

Non-current assets

7. Property, plant and equipment

Property, plant and equipment are detailed as follows:

(€ million)	Opening net balance	Investments	Depreciation & amortization	Write-downs and reversal of impairment losses	Disposals	Currency translation differences	Change in consolidation area	Other changes	Ending net balance	Ending gross balance	Provision for impairment of assets
December 31, 2022											
Land	47			(9)				(4)	**34**	110	76
Buildings	37	4	(3)	(5)				4	**37**	390	353
Plant and machinery	570	118	(79)	(305)	(1)			81	**384**	5.984	5.600
Industrial and commercial equipment	11	2	(4)	(1)				1	**9**	128	119
Other assets	8	5	(1)					2	**14**	47	33
Assets under construction and advances	167	94		(63)				(86)	**112**	313	201
	840	**223**	**(87)**	**(383)**	**(1)**			**(2)**	**590**	**6.972**	**6.382**
December 31, 2021											
Land	49			(4)	(1)		2	1	**47**	114	67
Buildings	34		(3)	(17)			9	14	**37**	383	346
Plant and machinery	569	76	(76)	(99)	(1)	(1)	19	83	**570**	5.852	5.282
Industrial and commercial equipment	4	1	(2)				2	6	**11**	125	114
Other assets	11		2				2	(7)	**8**	42	34
Assets under construction and advances	187	106		(43)		1	1	(85)	**167**	305	138
	854	**183**	**(79)**	**(163)**	**(2)**		**35**	**12**	**840**	**6.821**	**5.981**

Investments of €223 million (€183 million as at December 31, 2021) are disclosed in the Management Report section of financial statements.

Financial expenses capitalized in the year of €2 million (same amount of 2021) were determined by applying an interest rate of 2,9% (2,1% as at December 31, 2021). Increase on internal work capitalized in the period of €10 million (€15 million as at December 31, 2021) refers to services provided by internal staff.

Assets under construction and advances mainly relate to: circular economy initiatives for mechanical recycling projects in Porto Marghera, adaptation of the plants of Brindisi, Ferrara, Mantua, Ravenna and Dunkerque in order to comply with safety and environmental regulations.

The main amortization rates adopted on annual basis, unchanged compared to the previous year, are within the following ranges:

(annual %)	2022	2021
Buildings	4 - 16	4 - 16
Plant and machinery	4 - 25	4 - 25
Industrial and commercial equipment	10 - 30	10 - 30
Other assets	12 - 20	12 - 20

There are neither mortgages, nor special rights on property, plant and equipment.

Reductions in property, plant and equipment of €6 million (€8 million as at December 31, 2021) refer to net government grants and reimbursement from third parties. Government grants are received upon certain constraints on assets they relate to. The above-mentioned constraints mainly consist of the obligation not to divert those assets from their original use for at least five years as of entry into operation. Not complying with these constraints may result in the withdrawal of the grant, to return plus interest.

Further details on the criteria used to determine impairment loss and write-backs are disclosed in Note 10.

8. Leasing transactions as a lessee

Right of use and Lease liability are disclosed as follows:

(€ million)	Right of use Land and buildings	 Plants and machinery	 Other assets	Total
Opening balance as at January 1, 2022	12		8	**20**
Increase			4	**4**
Amortisation	(1)		(6)	**(7)**
Write-downs			(1)	**(1)**
Other changes			(1)	**(1)**
Ending balance as at December 31, 2022	**11**		**4**	**15**

(€ million)	Lease liabilities Short-term	 Long-term	Total
Opening balance as at January 1, 2022	7	14	**21**
Increase		3	**3**
Decrease	(7)		**(7)**
Other changes	6	(7)	**(1)**
Ending balance as at December 31, 2022	**6**	**10**	**16**

The right of use of land and buildings mainly refers to land on which some industrial sites of the group are located. Other lease assets consist of the vehicle fleet conceded to employees. The remaining changes mainly concern the consolidation of Finproject group companies.

The total amount of cash flow from lease liabilities of €7 million mainly refers to repayment of principal; related interest expenses amount to about €1 million in 2022.

Lease items recorded in the consolidated income statement are disclosed as follows:

(€ million)	**2022**	**2021**
Purchases, services and other costs:		
- leases of modest value	1	
Depreciation		
- depreciation of right of use assets	7	(6)
Write-downs of right of use of assets	1	
Financial income (expense)		
- interest expense on lease liabilities	(1)	(1)

9. Intangible assets

Intangible assets are detailed as follows:

(€ million)	Net opening balance	Investments	Change in consolidation area	Amortization	Write-downs and write-backs	Disposals	Other changes	Net ending balance	Gross ending balance	Allowance for impairment
December 31, 2022										
Intangible assets with defined useful life										
- R&D costs	4						(2)	2	32	30
- Industrial patents and intellectual property rights	3			(1)				2	56	54
- Grants, licences, trademarks and similar rights	61	3		(11)			1	54	207	153
- Assets under construction and advances	9	18					(5)	22	26	4
- Other intangible assets	138	11		(10)	(1)	(5)	4	137	263	126
Intangible assets with undefined useful life										
- Goodwill	93							93	93	
- Other intangible assets with undefined useful life not held for disposal	24							24	24	
	332	32		(22)	(1)	(5)	(2)	334	701	367
December 31, 2021										
Intangible assets with defined useful life										
- R&D costs			2				2	4	34	30
- Industrial patents and intellectual property rights			10				(7)	3	56	53
- Grants, licences, trademarks and similar rights	13		36	(4)			16	61	203	142
- Assets under construction and advances	13	2	2				(8)	9	14	5
- Other intangible assets	27	5	112	(4)			(2)	138	254	116
Intangible assets with undefined useful life										
- Goodwill			93					93	93	
- Other intangible assets with undefined useful life not held for disposal			24					24	24	
	53	7	279	(8)			1	332	678	346

Grants, licenses and trademarks mainly relate to industrial licenses.

Other intangible assets of €137 million (€138 million as at December 31, 2021) mainly relate to customer relationship and to know-how of Finproject group (€101 million), to property rights linked to the use of the Gas Phase technology for the Brindisi plant and to capitalized excess emission rights for the remainder.

The other assets with an indefinite useful life of 24 million euros relate to the higher values of the Levirex® and Extralight® owned by Finproject group.

Other changes mainly concern reclassifications from assets under construction to completed assets.

Further information on the criteria used to determine net write-backs (impairment losses) and the related analysis are disclosed in note 10.

The main amortization rates adopted on annual basis, unchanged compared to the previous year, are within the following ranges:

(annual %)	2022	2021
- R&D costs	4 - 20	4 - 20
- Industrial patents and intellectual property rights	2 - 10	2 - 10
- Grants, licences, trademarks and similar rights	4 - 33	4 - 33
- Other intangible assets	4 - 15	4 - 15

There are no contributions that decrease the book value of intangible assets.

10. Net write-backs (impairment loss) of tangible and intangible assets and right of use assets

The impairment loss recorded in the financial statements are determined by comparing the book value of the assets with the related recoverable amount, represented by the greater between the fair value, net of disposal costs, and the value in use. Write-backs are carried out within the limits of the value they would have had if the impairment loss recognized in previous reporting periods had not been recognized. Given the nature of Versalis Group core activities, information on the fair value of the assets is difficult to establish, except for the case a trading activity is in progress with a potential buyer. Therefore, management is in charge of estimating the value in use.

For the current year, the management identified the following Cash Generating Units (CGUs): Intermediates, Polyethylene, Styrene, Elastomers, Biochem, Moulding & Compounding (the latter includes the activities of Finproject group).

Operations began in May 2022 to shut down the cracking and aromatics plants in Porto Marghera in order to proceed with a major transformation of the site, including: (i) the construction of the first plant for advanced mechanical recycling of post-consumer plastics; (ii) the installation of plants that will produce styrenic polymers from recycled raw material; and (iii) the construction of the first plant in Italy for the production of isopropyl alcohol. In addition, the supply of ethylene and propylene to the industrial sites of Mantua and Ferrara will be guaranteed through the logistics hub that currently manages the flow of ships for the supply of incoming raw materials and various outgoing products. For all of the above, the Porto Marghera site can no longer be considered part of the Intermediates CGU since it does not contribute organizationally, managerially and industrially to that BU, so the assets pertaining to the site have been subject to separate evaluation.

The net impairment loss of € 385 million is related to tangible assets for € 383 million and, for the remaining part, to intangibles and right of use assets; the result of the impairment test is divided on the individual Cash Generating Units as follows:

- CGU Intermediates: write-down of € 347 million;
- CGU Elastomers: write-down of € 13 million;
- CGU Biochem: write-down of € 3 million;
- CGU Styrene: write-back of € 34 million.

In addition, the assets of Porto Marghera site, undergoing industrial conversion, were written down by € 55 million.

On the other hand, no write-downs or write-backs were made in respect of assets attributable to the Polyethylene and Moulding & Compounding CGUs, whose impairment test showed recoverable values higher than the carrying amounts.

In general, the write-downs are mainly due to the deterioration of the contribution margins envisaged by the Business Plan due to the increase in the costs of utilities and raw materials, only partially absorbed by the increase in sales prices.

The write-downs as determined above were then allocated proportionally to the individual assets (tangible assets and intangible assets) belonging to the individual CGUs on the basis of the provisions of IAS 36.

The impairment loss was calculated by comparing the book value of each CGU with its value in use, which was determined with the Discounted Cash Flows model. The time horizon is 20 years (adequate for the economic-technical life which on average for the plants is equal to 20 years, as ascertained by independent appraisals).

With reference to the Eni 2023-2026 and long-term scenario, the trend for chemical commodities in the four-year period is expected to be similar to the previous plan.

The value in use of the CGUs is estimated by discounting the expected cash flows of the four-year Plan, excluding both research and development/enhancement outflows and their expected benefits.

Cash flows from contribution margin are developed on the basis of projected scenario spreads and of variable costs developed on the basis of projected scenario parameters. For years after Plan years, the normalized material balance is valued; a rate of increase equal to scenario inflation is applied to fixed costs; stay-in-business

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investments, until the end of the economic-technical life, are constant (real term) and equal to the average of planned plan investments and historical data.

Free allocations of EUAs to meet atmospheric CO2 emission commitments are projected to steadily decrease by 4 percent per year to reach the goal of zero emissions in 2050.

For the purposes of discounting the flows determined according to the aforementioned criteria, the management has adopted a WACC discount rate of 7.2%.

Considering the volatility of the scenario, management has tested the reasonableness of its assumptions and the outcome of the impairment test through sensitivity analysis, in particular on the WACC and on the expected cash flows.

Taking into account the significant impairment loss made in previous years and the sensitivity of the main assumptions related to issues of an uncertain nature, used for the purposes of the impairment test, a positive or negative change of 5% in the reference spread of the cracker margin would have a positive or negative economic impact of €130 and €118 million respectively, while a 20% positive or negative change in the WACC would have a negative or positive economic impact of €38 million respectively.

11. Equity-accounted investments

Equity-accounted investments are disclosed as follows:

(€ million)	Net opening balance	Acquisitions and subscriptions	Fair value adjustments	Share of profit (loss) on equity-accounted investments	Reclassifications	Other changes	Net ending balance
December 31, 2022							
Investments in:							
- subsidiaries	1						**1**
- associated companies	29	2		(53)	220	88	**286**
- joint ventures	52	7	(6)	(13)			**40**
	82	**9**	**(6)**	**(66)**	**220**	**88**	**327**
December 31, 2021							
Investments in:							
- subsidiaries	1						**1**
- associated companies	105	150	20	6		(252)	**29**
- joint ventures	49	44		(15)		(26)	**52**
	155	**194**	**20**	**(9)**		**(278)**	**82**

Acquisitions and subscriptions of €9 million relate to the payment for future capital increase in Matrica (€6 million), to the payment made by Versalis International for the future capital increase in VPM (€1 million) and to the capital increases in Ravenna Servizi Industriali and Brindisi Servizi Generali (€2 million).

Value adjustments of €6 million euros concern the write-down of the future share capital increase in Matrìca.

The negative effect from valuation of investments with the equity method of €66 million refers to Novamont for €53 million and to Lotte Versalis Elastomers for €13 million.

Reclassifications from other investments of €220 million refer to the investment in Novamont, which became an associate company after the acquisition of 10% and the signing of new shareholders' agreements. This amount includes the impact to OCI resulting from the re-expression at fair value of the stake held before the change in classification of €37 million.

Other changes of €88 million concern the acquisition of an additional 10 percent stake of Novamont, pursuant to the settlement agreement signed between the parties. For more information, please refer to section "37. Significant non-recurring events and transactions". Equity-accounted investments are held in the following companies:

(€ million)	December 31, 2022	December 31, 2021
Novamont	255	
Lotte Versalis Elastomers Co Ltd.	41	54
Priolo Servizi Industriali Scarl	21	20
Ravenna Servizi Industriali ScpA	4	2
Servizi Porto Marghera Scarl	3	3
IFM Ferrara Scarl	1	1
Brindisi Servizi Generali Scarl	1	1
Versalis Pacific (India) Private Ltd.	1	1
	327	**82**

Ownership percentages are shown in note 41.

12. Other investments

Other investments are held in the following companies:

(€ million)	December 31, 2022	December 31, 2021
Exeltium SAS	3	3
Novamont SpA		183
BKV Beteiligungs-und-Kunststoffverwertungsgesellschaft mbH	...	...
Genomatica Inc	...	...
IAS Industria Acqua Siracusana	...	...
Consorzio Crea Assemini	...	...
Sociedad Espanola de Materiales Plasticos SA	...	...
	3	**186**

(€ million)	Opening balance	Acquisitions and subscriptions	Value adjustments	Reclassifications	Other changes with effects to OCI	Closing balance
December 31, 2022						
- Exeltium	3					**3**
- Novamont	183			(220)	37	
- Others						
	186			**(220)**	**37**	**3**
December 31, 2021						
- Exeltium	3					**3**
- Novamont	77				106	**183**
- Others						
	80				**106**	**186**

Ownership percentages are shown in note 41.

The reclassification of € 220 million is entirely due to the switch of Novamont from other investments to associate company, following the increase in the shareholding and the signing of new shareholder agreements that led Versalis to exercise a significant influence over the company.

13. Other non-current financial assets

Other financial assets of €19 million (€1 million as at December 31, 2021) refer to the financial credit granted to the joint venture Matrica (€18 million) and to financial receivables for loans to employees with the parent company Eni (€1 million).

14. Deferred tax assets

Deferred tax assets of €41 million (€32 million as at December 31, 2021) are net of countervailable deferred tax liabilities of €65 million (€69 million as at December 31, 2021) and of impairment losses of €952 million (of which, €601 million related to tax losses).

(€ million)	December 31, 2022	December 31, 2021
Deferred tax assets	106	101
Countervailable deferred tax liabilities	(65)	(69)
Net deferred tax assets	**41**	**32**

Income taxes are disclosed in note 34.

The nature of temporary tax differences that gave rise to deferred tax assets is disclosed in the following table:

(€ million)	Amount as at Decemeber 31, 2021	Net increase	Net deductions	Amount as at Decemeber 31, 2022
Prepaid taxes:				
- non-deductible write-downs	235		119	354
- tax losses	649		(48)	601
- provisions for risk and charges	34	18		52
- other	77		(26)	51
Total prepaid taxes	**995**	**18**	**45**	**1.058**
(Write-down)/write-backs on deferred tax assets	(894)	(60)	2	(952)
Prepaid taxes net of write-downs	**101**	**(42)**	**47**	**106**
Deferred taxes:				
- excess amortisation/depreciation	42		7	49
- other	27	(11)		16
Total deferred taxes	**69**	**(11)**	**7**	**65**
Net deferred tax assets	**32**	**(31)**	**40**	**41**

Impairment losses of €60 million mainly refer to the results of the test for recoverability of the prepaid taxes of Versalis SpA.

15. Other non-current assets

Other assets of €8 million (€3 million as a December 31, 2021) mostly relate to the prepayment made to the supplier Foreverplast for the signing of the development contract in the field of plastics recycling in Porto Marghera, that will be realized in the next few years (€5 million), to the fair value of derivative contracts (€1 million), to receivables due from personnel and to other tax receivables.

Current liabilities

16. Short-term debt

Short-term debt of €1.354 million (€655 million as at December 31, 2021) mainly refer to financing granted by the parent company Eni SpA and by other subsidiaries of Eni Group; even if formally short-term, these loans are renewed at maturity for amounts that take into account the expected financial needs.

The average annual interest rate was 2.09% (0.45% as at December 31, 2021).

17. Current portion of long-term debt

For details on the current portion of long-term debt of €209 million (€9 million as at December 31, 2021), refer to note 21 - "Long-term lease liabilities and current portion of long-term debt".

18. Trade and other payables

Trade and other payables are disclosed in the following table:

(€ million)	December 31, 2022	December 31, 2021
Trade payables	743	821
Other payables		
- related to investment activities	28	43
- other	103	113
	874	**977**

Trade payables of €743 million refer to payables due to third-party suppliers (€391 million), payables due to associated companies, joint ventures and other Eni Group subsidiaries (€148 million) and payables to the parent company Eni SpA (€204 million).

Payables from investment activities amount to €28 million and refer to maintenance activities on the Versalis France plant for €15 million and on those of Versalis SpA for the remaining €13 million.

Other payables of €103 million are mainly due to personnel (€56 million), to the parent company Eni SpA for participation to Group VAT regime (€18 million), to social security institutions (€16 million), to factors (€3 million) and to consultants and professionals (€2 million).

Fair value measurement of trade and other payables does not have a significant impact, given the short period of time between the occurrence of the debt and its maturity.

Payables to related parties are disclosed in note 35.

19. Income tax payables

Income tax payables of €27 million (€24 million as at December 31, 2021) relate to the income taxes of foreign consolidated companies, such as Versalis Deutschland (€18 million), Finproject (€6 million) and Versalis International (€2 million).

20. Other current liabilities

Other current liabilities are disclosed as follows:

(€ million)	December 31, 2022	December 31, 2021
Other current tax liabilities	15	17
Deferrals on advanced income	8	8
Advances and prepayments	3	3
Fair value of non-hedging derivatives	2	1
	28	**29**

Fair value of derivatives (not classifiable as "hedging", but devoid of speculative purposes) is recorded on the basis of amounts that are determined and communicated by the parent company Eni SpA. Versalis holds derivative instruments that, despite not having speculative purposes, do not meet all the requirements of the IAS/IFRS principles to be considered as hedging derivatives.

The nominal values of derivatives don't depict the amounts actually exchanged between parties and therefore they don't represent a measure of the credit risk exposure of the company, which is limited to the negative market value (fair value) of the contracts at the year end, less the effects of any general offset arrangement.

Non-current liabilities

21. Long-term debt and current portion of long-term debt

Long-term debt, comprehensive of current portion of long-term debt, of €732 million (€741 million as at December 31, 2021) is detailed as follows:

	December 31, 2022			December 31, 2021		
(€ million)	Long-term portion	Short-term portion	Total	Long-term portion	Short-term portion	Total
Due to shareholders for financing	523	209	732	731	9	740
Due to other lenders				1		1
	523	**209**	**732**	**732**	**9**	**741**

The average effective interest rate for the year was 1.35% (same rate of 2021). For further details, refer to paragraph "Net financial debt and Leverage" of the Management Report.

The table below shows the maturity of long-term debt, inclusive of the current portion of long-term debt:

(€ million)	Values as at December 31		Long-term maturity					
	2021	2022	2023	2024	2025	2026	2027 Beyond	Total
Due to shareholders for financing	740	731	209	309	209	4		731
Due to other lenders	1	1						
	741	**732**	**209**	**309**	**209**	**4**		**731**

Financial liabilities are neither guaranteed by mortgages, nor privileges on tangible assets.

The breakdown of net borrowings displayed in the "Comments on the economic and financial results" in the "Management Report" is disclosed in the following table:

(€ million)

	December 31, 2022	December 31, 2021
A. Cash	102	99
B. Cash equivalents	-	1
C. Other current financial assets	1	-
D. Liquidity (A+B+C)	**103**	**100**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	1.354	655
F. Current portion of non-current financial debt	215	16
G. Current financial debt (E+F)	**1.569**	**671**
H. Net current financial debt (G-D)	**1.466**	**571**
I. Non-current financial debt (excluding current portion and debt instruments)	533	746
J. Debt instruments	-	-
K. Non-current trade and other payables	-	-
L. Non-current financial debt (I+J+K)	**533**	**746**
M. Total financial debt (H+L)	**1.999**	**1.317**

22. Provisions for risks and charges

(€ million)	December 31, 2022	December 31, 2021
Provision for environmental risks	169	51
Provision for financial risk and charges	28	6
Provision for disposal and restructuring	13	16
Provision for redundancy incentives	2	4
Provision for litigations	2	2
Provision for Everen insurance cover	2	2
Other provisions	12	13
	228	**94**

Provisions for risks and charges are detailed as follows:

(€ million)	Opening balance	Increase	Utilization for charges	Surplus utilization	Other changes	Ending balance
December 31, 2022						
Provision for environmental risks	51	136	(18)			**169**
Provision for financial risk and charges	6				22	**28**
Provision for disposal and restructuring	16			(3)		**13**
Provision for litigations	2	1		(1)		**2**
Provision for Everen insurance cover	2					**2**
Provision for redundancy incentives	4			(2)		**2**
Other provisions	13	2	(2)		(1)	**12**
	94	**139**	**(20)**	**(6)**	**21**	**228**
December 31, 2021						
Provision for environmental risks	48	15	(12)			**51**
Provision for financial risk and charges	25				(19)	**6**
Provision for disposal and restructuring	21		(5)			**16**
Provision for litigations	5			(3)		**2**
Provision for redundancy incentives	6	1	(1)	(2)		**4**
Provision for Everen insurance cover	2					**2**
Other provisions	10	3	(1)		1	**13**
	117	**19**	**(19)**	**(5)**	**(18)**	**94**

Provision for environmental risks of €169 million relate to environmental charges on various company sites for the portion which is not under the guarantee issued by Eni Rewind SpA, upon the transfer of the "Strategic Chemical Activity" business. The increase in the provisions for environmental risks of €136 million mainly concern the sites of Priolo (€48 million). Brindisi (€39 million) and Porto Marghera (€24 million). For further information, see the appropriate section of the Management Report.

Provision for financial risks and charges of €28 million relates to the commitment of Versalis to meet, within the scope of its responsibilities, the financial needs envisaged in the latest business plan of the jointly controlled company Matrìca.

Provisions for disposal and restructuring of €13 million mainly refer to the disposal of the Sarroch site following the sale of the "Aromatici" business branch in 2014 (€8 million) and to the restructuring of the Porto Marghera site (€4 million).

Provisions for legal proceedings of €2 million concerns disputes for revocatory actions.

Provisions for redundancy incentives of €2 million refer to expenses for ordinary mobility of personnel.

Provisions for Everen (former OIL) insurance cover of €2 million relate to the expenses related to the surcharge on insurance premiums to be paid in the next five financial years to "Mutua Assicurazione Oil Insurance Ltd" in which the Eni Group, along with other oil companies, has an interest.

Other provisions of €12 million mainly include mobility grants of €5 million, social security contributions and severance indemnities related to the deferred monetary incentives for managers of €3 million.

23. Provisions for employee benefits

Provisions for employee benefits of €63 million are detailed as follows:

(€ million)	December 31, 2022	December 31, 2021
Severance indemnity	33	41
Supplementary healthcare provision for Eni managers and other foreign medical plans	10	14
Foreign retirement plans	(2)	(3)
Other employee benefit plans	22	21
	63	**73**

Employee severance indemnities ("TFR") are regulated by Art. 2120 of the Italian Civil Code and represent the obligation, calculated on the basis of actuarial techniques, due to employees of Italian companies at the moment of termination of their employment. The indemnity, to be paid in capital lump sum, is calculated on the basis of the salary paid and revalued annually up until termination of employment. Following the legislative changes introduced with effect from January 1, 2007, the amount of severance indemnity accruing after that date is placed into pension funds, or into the treasury fund held by the Italian Pension Agency (INPS) or, in the case of companies with fewer than 50 employees, it can be placed with the employer. This means that a significant portion of this accruing amount will be classified as a defined contribution plan, because the entity's obligation corresponds exclusively to the payment of contributions to pension fund or to the INPS. The liability for termination indemnities set aside prior to January 1, 2007 continues to be a defined-benefit plan and must be assessed based on actuarial assumptions.

The liabilities related to the supplementary healthcare fund for Eni Group managers ("FISDE") and other foreign healthcare plans are determined on the basis of the contribution paid by the company for retired managers.

Other provisions for long-term employees benefit plans mainly relate to deferred monetary incentives, LTI plan and seniority rewards. Deferred monetary incentive plans are based on the estimate of variable remuneration, related to business performances, to be corresponded to managers who meet predetermined individual targets.

The Long-Term Incentive Plans provide for three assignments of ordinary shares each (respectively, in the years 2017, 2018 and 2019 and in the years 2020, 2021 and 2022) and are intended, among others, for executives of subsidiaries of Eni SpA falling within the scope of "critical managerial resources for the business", identified among those who occupy the positions most directly responsible for company results or who are of strategic interest, including executives with strategic responsibilities.

The Plans provide for the assignment of Eni shares, free of charge, to the beneficiaries at the end of a three-year vesting period, provided that they have remained in service. Consistently with the substantial nature of the remuneration, pursuant to the provisions of the international accounting standards, the cost of the plans is determined with reference to the fair value of the instruments assigned and the forecast of the number of shares to be assigned at the end of the vesting period; the cost is recognized on a pro-rata temporis basis over the vesting period.

With reference to the 2017-2019 Plan, the number of shares that will be assigned at maturity depends: (i) for 50%, on the performance of the Total Shareholder Return (TSR) of the Eni share, compared to the TSR of the FTSE Mib index of Borsa Italiana, compared with the one recorded by a group of Eni's competitors ("Peers Group") also compared with the TSR of the respective stock exchanges of reference; and (ii) for 50%, the annual percentage change in the Net Present Value (NPV) of proven reserves compared with the similar change of each company in the Peer Group.

With reference to the 2020-2022 Plan, the number of shares that will be assigned at maturity depends: (i) for 25%, on a market target connected to the three-year Total Shareholder Return (TSR) measured by the difference, over the three-year period , between the TSR of the Eni share and the TSR of the FTSE Mib index of Borsa Italiana, corrected for Eni's correlation index, compared with the similar differences recorded for each company of a group of Eni's competitors ("Peers Group"); (ii) for 20% of an industrial target measured in terms of the annual unit value ($/boe) of the Net Present Value of proven reserves (NPV), compared with the analogous values recorded for the companies of the Peer Group, with final result equal to the average of the annual results in the three-year period; (iii) 20% of an economic/financial target based on the organic Free Cash Flow (FCF) accumulated in the three-year reference period, compared to the equivalent cumulative FCF value envisaged in the first 3 years of the Strategic Plan approved by the Board of Administration and kept unchanged in the period.

The definitive value of the FCF is net of the effects of the exogenous variables and it is obtained by applying a methodology of analysis of the differences predetermined and approved by the Remuneration Committee, in order to enhance the actual business performance; (iv) for the remaining part (35%) of a target based on environmental sustainability and energy transition, divided into three 3-year objectives, namely: (a) for 15%, it consists of a decarbonization target based on the final value at the end of the three-year period of the intensity of GHG emissions upstream of Scope 1 and Scope 2 equity (tCO2eq/kboe), compared to the same value foreseen in the 3rd year of Strategic Plan approved by the Board of Directors and kept unchanged during the period; (b) for 10% from an energy transition target measured at the end of the three-year period in terms of Megawatt of installed capacity for electricity generation from renewable sources compared to the equivalent value envisaged in the 3rd year of the Strategic Plan approved by the Board of Directors and kept unchanged over the period; (c) for 10% of a circular economy target measured in terms of progress at the end of the three-year period of three major projects compared to the progress expected in the 3rd year of the Strategic Plan approved by the Board of Directors and maintained unchanged over the period.

Based on the performance of the parameters shown above, the number of shares that will be offered free of charge after three years from the award may be between 0% and 180% of the number of shares initially awarded; 50% of the shares that will actually be assigned to each beneficiary will be subject to a lock-up clause that prevents their transfer for one year from the assignment date.

At the grant date, Eni assigned as a whole: (i) in 2022, no. 152,001 shares; the weighted average fair value of these shares on the same date is equal to € 9.20 per share; (ii) in 2021, no. 159,308 shares; the weighted average fair value of these shares on the same date is equal to € 8.15 per share; (iii) in 2020, no. 206,786 shares; the weighted average fair value of these shares on the same date is equal to € 4.67 per share.

The fair value was determined by adopting appropriate valuation techniques, having regard to the different performance parameters envisaged by the plans (with reference to the 2017-2019 Plan, the stochastic method has been applied for the component of the plan relating to the TSR and the Black-Scholes model has been applied for the component pertaining to the NPV of the reserves; with reference to the 2020-2022 Plan, the stochastic method has been used) and taking into account the value of Eni shares at the grant date (€ 12.918 and € 14.324, depending on the grant date for the year 2022; € 11.642 and € 12.164 depending on the grant date for the year 2021; € 5.885 and € 8.303 depending on the grant date for the year 2020), reduced by the dividends expected in the vesting period (6.1% and 6.8% for the 2022 allocation, 7.1% and 7.4% for the 2021 allocation and 7.1% and 10.0% for the 2020 allocation of the share price at the grant date), considering the volatility of the share (30% and 31% for the 2022 grant; 44% and 45% for the 2021 grant; 41% and 44% for the 2020 grant), the forecasts relating to the trend of the performance parameters, as well as the lower value attributable to the shares characterized by transferability constraints at the end of the vesting period (so-called lock-up period).

The costs relating to the Long-Term Incentive Plans, recognized as a component of labor costs as they pertain to employees of the company, amount to € 1 million with a contra entry in the shareholders' equity reserves.

Provisions for employee benefits, measured with actuarial methods, are detailed as follows:

	December 31, 2022				
(€ million)	TFR	Foreign defined benefit plans	FISDE and foreign healthcare plans	Other provisions for long-term employee benefits	Total
Present value of obligations at the beginning of the year	**41**	**(3)**	**14**	**21**	**73**
Current service cost				3	3
Interest cost		1			1
Remeasurements:	(5)	(8)	(3)	(2)	(18)
- actuarial gains and losses due to changes in financial assumptions	*(7)*	*(8)*	*(3)*	*(2)*	*(20)*
- experience gains and losses	*2*				*2*
Costs for past services				7	7
Benefits paid	(3)	(1)	(1)	(7)	(12)
Currency translation differences and other changes		(2)			(2)
Present value of benefit liabilities at the end of the year (a)	**33**	**(13)**	**10**	**22**	**52**
Plan assets at the beginning of the year		**3**			**3**
Return on plan assets		(11)			(11)
Costs for past services					
Contributions to the plan:					
- Contribution of the employer	*3*			*5*	*8*
Benefits paid	(3)	(1)	(1)	(5)	(10)
Currency translation differences and other changes		(1)			(1)
Plan assets at the end of the year (b)		**(10)**	**(1)**		**(11)**
Redemption rights at the end of the year (c)		**(10)**	**(1)**		**(11)**
Assets/liabilities ceiling at the end of the year (d)					
Net liability recognized in the financial statements (a-b±d)	**33**	**(3)**	**11**	**22**	**63**

	December 31, 2021				
(€ million)	TFR	Foreign defined benefit plans	FISDE and foreign healthcare plans	Other provisions for long-term employee benefits	Total
Present value of obligations at the beginning of the year	**44**	**37**	**14**	**15**	**110**
Current service cost		1		3	4
Interest cost					
Remeasurements:	(1)	(2)	1		(2)
- actuarial gains and losses from changes in financial assumptions	*(1)*	*(2)*	*1*		*(2)*
- gains and losses from past experience					
Benefits paid	(4)	(2)	(1)	(2)	(9)
Currency exchange differences and other changes	2	3			5
Present value of benefit liabilities at the end of the year (a)	**41**	**37**	**14**	**16**	**108**
Plan assets at the beginning of the year		**37**			**37**
Interest income					
Return on plan assets		(2)			(2)
Benefits paid		2			2
Currency translation differences and other changes		3		(5)	(2)
Plan assets at the end of the year (b)		**40**		**(5)**	**35**
Redemption rights at the end of the year (c)		**40**		**(5)**	**35**
Assets/liabilities ceiling at the end of the year (d)					
Net liability recognized in the financial statements (a-b±d)	**41**	**(3)**	**14**	**21**	**73**

Other provisions for long-term employee benefits of €22 million (€21 million as at December 31, 2021) primarily concern the "Contratto di Espansione" for €9 million (€6 million as at December 31, 2021), deferred monetary incentives for €8 million (same amount as at December 31, 2021) and seniority rewards for €5 million (same amount as at December 31, 2021).

Costs related to liabilities for employee benefits, determined using actuarial assumptions and recorded in the income statement are detailed as follows:

(€ million)	TFR	Foreign defined benefit plans	FISDE and foreign healthcare plans piani medici esteri	Other provisions for long-term employee benefits	Total
December 31, 2022					
Current service cost				3	3
Costs for past services and gains/losses for extinction				7	7
Net interest expense (income):					
- Interest expense on the obligation		*1*			*1*
- Interest income on plan assets					
Total net interest expense (income)		1			1
Remeasurement of long-term plans					
Other costs				(1)	(1)
Total		**1**		**9**	**10**
- of which included in payroll costs				*9*	*9*
- of which included in financial gains (losses)		*1*			*1*
December 31, 2021					
Current service cost		1		3	4
Costs for past services and gains/losses for extinction				10	10
Net interest expense (income):					
- Interest expense on the obligation					
- Interest income on plan assets					
Total net interest expense (income)					
Remeasurement of long-term plans		(2)	1		(1)
Total		**(1)**	**1**	**13**	**13**
- of which included in payroll costs			*1*	*13*	*14*
- of which included in financial gains (losses)		*(1)*			*(1)*

Costs of defined-benefit plans included in the other comprehensive income/loss section are detailed as follows:

(€ million)	TFR	Foreign defined benefit plans	FISDE and foreign healthcare plans	Other provisions for long-term employee benefits	Total	TFR	Foreign defined benefit plans	FISDE and foreign healthcare plans	Other provisions for long-term employee benefits	Total
Remeasurements:										
- Actuarial gains and losses from changes in demographic assumptions										
- Actuarial gains and losses from changes in financial assumptions	7	8	3	2	20		1		1	2
- Experience gains and losses	(1)				(1)					
- Return on plan assets		(11)			(11)		2			2
	6	**(3)**	**3**	**2**	**8**		**3**		**1**	**4**

The main actuarial assumptions used to assess the liability at the end of the year and to determine the cost for the following period are disclosed as follows:

(%)	TFR	Foreign defined benefit plans	FISDE and foreign healthcare plans	Other provisions for long-term employee benefits
2022				
Discount rate	3,7	3,7-3,8	3,7	3,4-3,8
Salary growth-trend rate	3,4			
Inflation rate	2,4	2,0-2,2	2,4	2,0-2,2
2021				
Discount rate	1,0		1,0	1,0
Salary growth-trend rate	2,75			0-1,75
Inflation rate	1,75	1,75	1,75	0-1,75

The discount rate was determined on the basis of AA-rated corporate bond yields, for countries where the corresponding market is significant enough, otherwise on the basis of government bonds. Reference demographic charts are the ones used in each country to determine benefits for employees according to IAS 19. Inflation rate was determined on the basis of long-term forecasts issued by national and international financial institutions.

The effects deriving from a reasonably possible modification of the main actuarial assumptions at the end of the year are shown below:

	Discount rate		Inflation rate	Cost of living trend
(€ million)	Increase of 0.5%	Decrease of 0.5%	Increase of 0.5%	Increase of 0.5%
TFR	(1)	1	1	
Foreign defined benefit plans				
FISDE and other healthcare plans	(1)			
Other provisions				

The total contributions expected to be paid into defined-benefit plans in the next year amount to €8 million.

24. Deferred tax liabilities

Deferred tax liabilities of €32 million mainly refer to the tax effect of the higher cost paid for the acquisition of Finproject Group, which has been allocated to intangible assets.

25. Other non-current liabilities

Other non-current liabilities of €16 million (€18 million as at December 31, 2021) refer to deferred income on multi-annual revenues.

26. Shareholders' equity

Shareholders' equity of €67 million (€909 million as at December 31, 2021) is disclosed as follows:

(€ million)	December 31, 2022	December 31, 2021
Share capital	446	446
Legal reserves		
Other reserves	101	(150)
Gains (losses) from previous years	402	526
Gains (losses) of the year	(882)	87
	67	**909**

Net equity amounts to €67 million and decreases by €842 million compared to previous year. The variation was due to the following factors:

- recognition of the upward change in the fair value of the stake in Novamont previously held in the OCI, prior to the acquisition of an additional 10% share, for €37 million;
- recognition of the upward change of employee defined benefit plans for €8 million;
- net loss of the year of €882 million.

For further information on capital management, see the paragraph "Financial Risk Management - Capital Management".

Share capital

Share capital consists of 446,050,729 ordinary shares, without par value and exclusively owned by Eni SpA.

Legal reserve

The legal reserve was zeroed in the previous period.

Other reserves

Other reserves of € 101 million mainly include the negative consolidation reserve for € 20 million, the reserve for the remeasurement at fair value of the equity investment in Novamont SpA for € 143 million, the negative reserve for exchange rate differences from translations of financial statements in currencies other than the Euro for € 17 million and the portion of provisions for employee benefits suspended in shareholders' equity for €5 million. For further details, please refer to note no. 23 relating to the provisions for employee benefits.

27. Guarantees, commitments and risks

Guarantees

Guarantees are detailed as follows:

	December 31, 2022			December 31, 2021		
(€ million)	Sureties	Other personal guarantees	Total	Sureties	Other personal guarantees	Total
Guarantees	1	138	139	1	128	129
	1	**138**	**139**	**1**	**128**	**129**

Other personal guarantees of € 138 million are primarily related to indemnities granted to Eni SpA and Eni Rewind SpA, which in turn granted guarantees in favour of third parties on behalf of the Versalis Group companies.

Sureties provided on behalf of others relate to guarantees of € 1 million issued in favour of Eni SpA, on behalf of Versalis employees that received financing by Eni SpA.

Effective commitment as at December 31, 2022, amounts to € 139 million.

Commitments and risks

Commitments and risks are detailed as follows:

(€ million)	December 31, 2022	December 31, 2021
Risks		
Third party assets in custody	4	3
Other risks	39	39
	43	**42**

Other risks mainly refer to costs related to the divestment of the Aromatici business of Sarroch in 2014.

Financial risk management

Introduction

The following main financial risks are identified, monitored and, as regards those specified below, actively managed by Versalis Group: (i) market risk deriving from exposure to fluctuations in interest rates and exchange rates between the Euro and other currencies with which Versalis operates, and to the volatility of commodity prices; (ii) credit risk deriving from the possibility of default of a counterparty; (iii) liquidity risk deriving from the lack of financial resources to cover short-term commitments.

Financial risk management is based on guidelines issued centrally by the parent company Eni SpA with the aim of harmonizing and coordinating Eni's policies on financial risks.

The paragraphs below provide a description of the main financial risks, the methods adopted for the management thereof, as well as details of the exposure to market risks (the indication of the exposure to market risks is based on a sensitivity analysis[23] or through an indication of the Value at Risk results).

Market risk

Market risk is the possibility that changes in foreign currency exchange rates, interest rates or commodity prices will adversely affect the value of the assets, liabilities or expected future cash flows. Market risk management is regulated by the "Guidelines" approved by the company's Board of Directors and by internal procedures, which make reference to a centralized financial asset management model, based on distinct Operational Finance structures (Eni Corporate Finance, Eni Finance International, Eni Finance USA and Banque Eni, this last within the limits set by banking legislation on "Concentration Risk") which ensure coverage of the requirements and absorption of financial surpluses of the Italian and foreign Versalis Group companies.

Eni Global Energy Market manages all the Versalis Group's transactions in foreign currency and in derivatives, together with the trading of emission certificates.

Until 2020, Versalis was carrying out commodity risk hedging activities through derivatives transactions on Virgin Naphtha. In 2020, the Board of Directors of the parent company Eni SpA approved the classification of the commodity risk of Versalis as a strategic risk, therefore the company terminated all derivative contracts on commodities at the natural expiry date.

Exchange rate risk. Exchange rate risk derives from operations in foreign currencies (in particular, in US dollars) and has impact: on operating results, due to the different materiality of costs and revenues in foreign currencies at the moment when price conditions are determined (economic risk) and to translation of trade receivables/payables denominated in foreign currencies (transaction risk); on consolidated financial statements (net result and net equity), as a result of the translation into euros of assets and liabilities of companies whose financial statements are presented in foreign functional currency. In general, a US dollar gaining strength against the euro has a positive effect on the operating profit of Versalis Group and vice versa. The objective of Versalis management is to minimize the risk of exchange rate risk and to optimize the economic risk related to commodity prices.

Commodity risk. Versalis Group's results are affected by changes in prices of the products sold. A decrease in the prices of plastics and chemical intermediates generally has a negative impact on the company's operating profit and vice versa. Conversely, an increase in the costs of petroleum feedstock leads to a reduction in operating profit and vice versa. For example, it can be estimated that an increase of $10 per ton of petroleum feedstock would lead to a reduction in the annual operating profit of around €35÷45 million.

The automotive sector, which is the target market for elastomers and, to some extent, also for styrenics produced by Versalis, has weakened progressively since 2017 and experienced stagnation in 2022. Overall, 2022 was marked by a severe increase in energy costs, mainly due to the war in Ukraine and geopolitical tensions, which in Europe made industrial production, both upstream and downstream in the chain, unsustainable. In the second half of the fiscal year, production assets were opportunistically reduced.

[23] The sensitivity analysis is applied to financial instruments with variable interest rates, to instruments measured at fair value (non-hedging derivatives, cash flow edge derivatives, financial assets available for sale) and to financial instruments exposed to exchange rate risk.

Credit risk

Credit risk is the potential exposure of the Group to losses in the event that counterparties fail to fulfil their obligations. Versalis approaches the risks relating to counterparties for commercial transactions with different policies, with respect to those relating to counterparties for financial transactions, in accordance, as far as the latter are concerned, with the centralized finance model adopted.

With regard to the financial counterparty risk in commercial contracts, credit management is entrusted to the responsibility of the business units and dedicated corporate specialist functions, on the basis of formalized evaluation and assignment procedures of the commercial partners, including debt collection and possible litigation management. At Corporate level, the guidelines and methods for the quantification and control of customer risk are defined.

During 2022, the dynamics of trade receivables from third parties showed a slightly increasing trend compared to the previous year, with exposure decreasing towards the end of the year. The average exposure in 2022 is higher than in 2021, just as the average turnover in 2022 is higher than in the previous year.

The level of sales to factors was slightly lower than in the previous year and still allowed the reduction of the exposure in correspondence with the quarterly closings.

New litigations are decreasing compared to 2021; the average overdue level is essentially unchanged from the previous year, in the presence of a higher average exposure than in the previous year.

Average intercompany exposure has increased, along with an increase in average turnover compared to 2021.

Liquidity risk

Liquidity risk represents the risk that, due to the inability to find new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company is unable to meet its payment commitments, determining an impact on the economic result in the event that the company is forced to bear additional costs to meet its commitments or, as an extreme consequence, an insolvency situation that puts going concern at risk.

The risk management objective of Versalis SpA is to set up, within the "Financial Plan", a financial structure which, consistent with the business objectives and with the limits defined by the Board of Directors (in terms of maximum percentage level of leverage and minimum percentage levels of the ratio between medium/long-term debt on total debt and that between fixed rate debt on total medium/long-term debt), guarantees an adequate level of liquidity for the whole Group, minimizing the relative opportunity cost and maintaining a balance in terms of duration and composition of the debt.

Versalis SpA is wholly owned by Eni SpA, to whose management and coordination it is subject and has the right to access, without contractually defined credit limits, to the financial resources granted by Eni SpA, based on existing agreements with the latter. Eni SpA therefore grants its financial support by renewing the credit lines periodically, without applying covenants or penalties, depending on the cash needs of Versalis SpA and its subsidiaries., so that they can regularly fulfill their obligations.

The following tables show the amounts of payments contractually due relating to financial debts, including interest payments as well as the time horizon of disbursements for commercial and other debts.

Future payments against debt

	Year of maturity						
(€ million)	2023	2024	2025	2026	2027	Beyond	Total
Short-term debt	1.354						1.354
Long-term debt including current portion	209	309	209	5			732

Interest on financial liabilities is less than € 1 million for all the years shown in the above table.

Future payments against trade and other payables

	Year of maturity						
(€ million)	2023	2024	2025	2026	2027	Beyond	**Total**
Commercial debt	743						**743**
Advances and other payables	131						**131**
	874						**874**

Future payments against contractual obligations

In addition to financial and trade payables shown in the Balance Sheet, Versalis Group has a set of contractual obligations, which entail making payments in future years. The table below shows the non-discounted payments owed by Versalis Group in future years against the main existing contractual obligations.

	Year of maturity						
(€ million)	2023	2024	2025	2026	2027	Beyond	**Total**
Costs (charges) relating to environmental provisions	30	18	11	11	11	87	**168**
Other commitments	1792	455	60	8	6		**2.321**
	1.822	**473**	**71**	**19**	**17**	**87**	**2.489**

Other commitments of €2,321 million mainly refer to commitments for contracts to purchase petroleum products to be used in the production process.

Investment commitments

Over the next few years, Versalis Group plans to carry through a program of capital expenditure of €138 million. The table below shows the time schedule for the investments relating to the most significant committed projects. A project is committed when it has obtained the necessary approval from management and when the related purchase contracts have been awarded or are being finalized.

	Year of maturity						
(€ million)	2023	2024	2025	2026	2027	Beyond	**Total**
Other commitments	95	34	9				**138**
	95	**34**	**9**				**138**

Capital management

Versalis management uses leverage ratios to assess the degree of solidity and efficiency of the asset structure in terms of relative proportion of sources of financing between own and third-party assets, as well as to carry out benchmark analysis with the industry standards. Leverage measures the degree of company indebtedness and is calculated as the ratio between net borrowings and shareholders' equity.

Fair value of financial instruments

In carrying out its business, Versalis Group uses different kinds of financial instruments. The market value of the company's financial instruments is substantially in line with their carrying amount, for the following reasons.

Receivables included in current assets: the market value of trade, financial and other receivables falling due within one year are estimated to be practically equivalent to the respective carrying amount because of the short interval between the origin of the receivable and its due date.

Financial payables included in non-current liabilities: the market value of financial payables falling due after one year, including the short-term portion, is estimated to be substantially equal to the book value, because they were entered into at fixed market rates.

Trade, financial and other payables included in current liabilities: the market value of trade, financial and other payables falling due within one year is estimated to be practically equivalent to the book value because of the short interval between the origin of the payable and its due date.

Other non-current financial assets and liabilities: other non-current financial assets and liabilities are of immaterial amount.

Environmental regulations

Environmental, health and safety risks related to Versalis operating activities are disclosed in the paragraph "Risk and uncertainty factors - operating and associated risks in terms of HS&E" in the Management Report.

Regarding environmental risks, Versalis currently does not foresee any particularly significant negative effects on the financial statements arising from compliance with environmental legislation, taking into account the steps already taken, the insurance policies signed and the provisions for risks set aside. However, we cannot exclude the risk that Versalis may incur further costs or liabilities in the future, as it is currently impossible to foresee the effects of future developments considering the following: (i) the possibility of as yet unknown contamination; (ii) the results of the ongoing surveys and the other possible effects of statements required by Italian Decree No. 152/2006; (iii) new developments in environmental regulation; (iv) the effect of possible technological changes relating to future remediation; and (v) the possibility of litigation and the difficulty of determining the eventual consequences, also considering the responsibility of other parties and eventual insurance indemnity. As explained in greater detail in the section "Accounting policies - grants", the environmental costs of actions to be taken at the manufacturing facilities acquired by Versalis Group through the business conferral by Eni Rewind SpA are covered by a specific warranty issued by the latter.

Emission trading

Italian Legislative Decree no. 47 of April 9, 2020, repealing the legislative decree n. 30 of 13 March 2013, transposes the Emission Trading Directive 2003/87/EC on greenhouse gas emissions, as amended by Directive (EU) 2018/410, and Directive 2004/101/EC on the use of carbon credits deriving from projects based on the flexible mechanisms of the Kyoto Protocol.

The European Emission Trading Scheme (ETS) has been operational since 1 January 2005 and has been implemented through various stages. Phase I covered the period 2005-2007, Phase II covered the period 2008-2012, Phase III covered the period 2013-2020 and Phase IV covers the period 2021-2030. It should be noted that, through the different phases, there have been extensions and changes in the field of application as well as in the methods of monitoring and controlling emissions and defining the Free Allowances due to the so-called Carbon Leakage plants.

Versalis Group, as at 31 December 2022, based on the estimates of the emissions made and the purchases for the year, has an overall position of excess emission rights (the so-called "long position"); management, therefore, in compliance with the accounting criteria adopted, will proceed to the recognition of the related income at the time of the subsequent realization of the excess rights through their sale.

Litigations

Versalis is involved in civil and administrative proceedings and legal actions, related to the normal course of business. Based on the information currently available, Versalis believes that these proceedings and actions will not have material adverse effects on its financial statements. A summary of the most significant proceedings is shown below. Unless otherwise specified, provisions for risks have not been made, because it is believed that an unfavorable outcome of the proceedings is unlikely.

Porto Torres dock.

The proceeding no. 3684/2011 R.G.N.R. started from the original accusation of environmental disaster due to sea pollution in the service dock area of the port of Porto Torres, presumably connected to the operation of the hydraulic barrier of the Porto Torres site and its ability to prevent the dispersion of the benzene contamination present within the site.

On July 22, 2016, the Judge for preliminary investigations of the Court of Sassari acquitted the top management of Eni Rewind and all the representatives of Versalis, definitively excluding the two companies that were civilly liable from the trial. With the same ruling, however, the Judge sentenced three employees of Eni Rewind to one year of imprisonment with the benefit of suspended sentence for the crime of environmental disaster in the air, limited to the period March 2010/January 2011, and recognized money advances in favor of the civil parties.

The defense attorneys of Eni Rewind employees filed an appeal and, following numerous postponements also due to the Covid-19 emergency, the trial before the Court of Appeal of Cagliari - Detached section of Sassari began on May 5, 2021 and ended on December 14, 2021, confirming the sentencing if the three defendants to one year's imprisonment, with the benefit of suspended sentence, for the crime under Article 449 of the Criminal Code, with reference to Article 434 of the Criminal Code (culpable disaster), as well as the resulting civil statutes.

Versalis filed an appeal against the judgment in the Court of Appeals, because the scientific arguments put forward by the defense technical consultants were not considered by the Court in the issuance of the judgment.

The scheduling for the next hearing is still pending.

Preventive seizure at the Priolo Gargallo plant.

In February 2019 the Court of Syracuse, at the request of the Public Prosecutor, in the context of an investigation concerning the offenses involving the hazardous throw of things and environmental pollution, by the former plant manager, of Versalis pursuant to Legislative Decree 231/01 and the other industries of the Industrial Pole, relating to the emissions produced by the industrial complex of Priolo Gargallo, ordered the preventive seizure, allowing the faculty of use of the Versalis plants which, on the basis of the technical findings formulated by the appointed Technical Consultants by the Prosecutor's Office, present emission points that do not comply with the Best Available Techniques (BAT). The provision is based on the assumption that, according to the technical assessments of the public prosecutor's consultants, some of these emissions in the atmosphere are not compliant with regulatory requirements.

Versalis SpA has already been carrying out the plant improvements requested by the Public Prosecutor and his consultants for a few years and for this reason the proceeding was challenged before the Court of Review which on March 26, 2019 ordered the release from seizure of the plants with the cancellation of the decree. In March 2021, a notice of conclusion of the preliminary investigations was issued by the Syracuse Public Prosecutor's Office which, as regards Versalis and the former plant manager, confirms the hypothesis of offense previously formulated.

Environmental crime investigation (Mantua Site).

With regards to the Mantua site, where the company is proceeding with all appropriate environmental activities, the Prosecutor notified in August and in September 2020 the conclusion of the preliminary investigations relating to criminal proceedings 778/18 RGNR, in which other criminal proceedings were brought together. In the act of closing the preliminary investigations, it emerges that employees of Versalis SpA, Eni Rewind SpA and Edison SpA as well as the aforementioned companies Versalis, Eni Rewind and Edison have been entered in the register of suspects pursuant to administrative liability under Legislative Decree 231/2001. The Public Prosecutor's Office assumes, depending on some specific areas of the SIN, the crimes of unauthorized waste management, environmental damage/pollution, failure to communicate environmental contamination to Bodies and failure to reclaim.

Following the filing of defense briefs, some subjective positions were removed from the proceedings and filed. The Public Prosecutor's Office subsequently formulated a request for indictment, in which the crime hypotheses set forth in the act of closing of the investigation were substantially confirmed. At the Preliminary Hearing stage, MITE, the Province of Mantua, the Municipality of Mantua and the Mincio Regional Park have joined as civil parties, and Eni Rewind, Versalis and Edison have been sued as civil defendants. The Preliminary Hearing Phase was closed by order of the GUP of Mantua of 29 .04.2022, which ordered the indictment of all the defendants and the companies Versalis, Eni Rewind and Edison, with the exception of a former employee of Versalis and 2 people from Edison. The criminal trial is in the trial phase, with a hearing set for May 5, 2023.

ADMINISTRATIVE PROCEDURES

The Province of Mantua has identified Edison as the subject wholly or largely responsible for the contamination of the site, with the consequent burden of intervening for the remediation. This assessment led to a large and complex administrative dispute, which ended both in first instance (with sentence no. 802/2018 before the Brescia Regional Administrative Court) and in second instance (with sentence no. 2195/2020 of the State Council), which condemns Edison to implement the necessary remediation activities

Against the appeal proposed by Edison, the Council of State ruled on April 1, 2020 with sentence no. 2195/2020. The second degree administrative judge rejected the appeal, establishing in particular that: i) the rules on environmental protection also apply to distant past contaminations and - as a result of this application - the obligation to carry out the remediation must be placed on burden of the subject who in the past caused such contamination; ii) the provisions of the contract for the sale of the business unit or those of the settlement agreement (of 2003) are not relevant as they do not have an extinguishing effect (on the transferring subject, even after the sale, remain the obligations that arose before the transfer); iii) as regards to environmental matters, the subject identified as responsible for the pollution remains obliged to carry out the remediation, even if, after the episodes of contamination, it has transferred the company branch to third parties (the transfer of responsibility occurs only in the case of universal succession, for example in the case of incorporation); iv) the transaction between Edison and the Ministry of the Environment concerns only the environmental damage caused to the Sisma canal and not to the entire industrial site or to other bodies of water other than the canal.

Following the sentence of the Council of State, challenged by Edison in the Supreme Court and by revocation, Eni Group companies involved in the litigation have decided to lodge an application with the Ministry of the Environment for the transfer to Edison of all the Decrees and proceedings initiated for the areas affected by the provincial investigations. In June 2020, the Ministry of the Environment ordered Edison's takeover as the subject responsible for carrying out the remediation work in area R1, R2 and B+I.

These measures, together with the judicial rulings issued at the administrative stage, represent an essential turning point within the approach taken by Eni with respect to roles and responsibilities on the environmental liabilities of the Montedison derivation sites through the Enimont operation. Edison filed an appeal against the aforementioned MATTM provisions, without suspension, but with a request for referral to the Constitutional Court and the EU Court of Justice.

The company appeared in the proceedings and the hearing has not yet been set. Against the aforementioned sentence of the State Council, Edison filed an appeal in the Supreme Court and in the State Council. In March 2021, both appeals were rejected with Edison sentencing, in favor of the Eni companies, to pay the legal costs. As a result of the decisions, Edison formally took over the environmental activities on the site subject to the sentences on December 31, 2020. The company formally sent Edison the technical documentation necessary for the takeover. Following a number of meetings with Edison, all the contracts, the authorizations, the availability of the areas (on loan) and the assets needed to execute the remediations activities, as well as the necessary contractual instruments to operate in the area owned by Eni Rewind were transferred.

As a result of the aforementioned meetings, in November 2020 the Company delivered the "R2", "R1 Cratere" and former "Sala Celle" areas to Edison. An "O&M" contract was also signed for the continuation of activities by Eni Rewind in the "Collina" area on behalf of Edison. At the same time, the administrative dispute continues for some technical-environmental profiles and on areas newly identified by the entities.

At the same time, administrative litigation continues over some technical-environmental profiles, or over areas newly identified by civil bodies.

CIVIL PROCEDURES

As part of the reaction promoted by Edison to the Province's orders, in July 2018, it served Eni, Eni Rewind and Versalis with a writ of summons to the Court of Milan in order for the same to ascertain Eni's non-compliance with the Enimont settlement as "ultimate" with respect to any further environmental claims or liabilities related to the contributed sites. At the same time, the group companies have intimated, in special missives, to Edison the reimbursement of all costs incurred to date for environmental interventions at the site that can be traced to contamination prior to 1989.

By a non-final judgment pursuant to art. 279 co. 4 c.p.c. rendered on June 14, 2021, the Court rejected Edison's claims, establishing the right of Eni Rewind and Versalis to take action pursuant to art. 253 co. 4 TUA against Edison in relation to the costs incurred for the reclamation of the Mantua site. Specifically, the judge found that; i) the Enimont settlement is not final and does not include a waiver of the right of recourse due under art. 253 TUA to the owner, when blameless for the pollution of the site; ii) the right of recourse has a statute of limitations of 10 years from the occurrence of the event and not 5 as claimed by Edison; iii) in the specific case of Mantua, the settlement signed by Edison with the Ministry of the Environment on the cause of environmental damage is not relevant.

It should be noted that the Court's decision assumes positive significance in terms of the rehabilitation of the reputation and image for Eni and the two subsidiaries involved (Eni Rewind and Versalis) as well as in view of the de-risking of possible civil actions for environmental damage for all Enimont sites for which the origin of the contamination is referred to Edison, as well as for the correct charging of the remediation costs. In fact, the interpretative principles of the Enimont settlement offered therein assume relevance and potential application for all former Enimont sites.

The Court rejected Edison's petition for suspension and confirmed the start of the preliminary investigation phase by requesting an investigation into the origin of the contamination, also independent of the investigations already carried out by the administrative authorities. On June 30, 2022 with the swearing-in hearing of the CTUs (these are two environmental consultants), therefore, an accounting-environmental CTU was initiated; On November 25, 2022, an inspection of the site was held in the presence of the company's CTUs, the CTUs and Edison's CTP. The CTUs will send, by early February 2023, a conciliatory proposal to be submitted to the parties to verify the existence of the prerequisites for reaching an agreement. The outcome of this CTU is particularly significant because of the potential impacts on the ongoing criminal proceedings at the Mantua site. The next hearing is scheduled for May 2023.

Investigation into environmental crime (Brindisi Site).

On May 18, 2018, the manager of the Versalis plant in Brindisi and two other employees were summoned by the carabinieri of the Noe in order to provide brief testimonial information regarding two upsets which occurred in April 2018, and which led to the activation of the factory torch system. The company has collaborated with the judicial authorities to provide useful information to exclude that such events may have had a negative and significant impact on air quality. Moreover, the company is continuing with the analysis on the available data, as well as carrying out some important projects for the minimization of any detrimental effect, even if only visual, of the flaring phenomenon with the construction of a new torch plant on the ground. At the end of May 2020, in conjunction with a scheduled shutdown of the Versalis plant, anomalous concentrations of benzene and toluene were found, underlying an order by which the mayor of Brindisi ordered the shutdown of the cracking plant. The order was issued without any technical checks on the real correlation between the peaks detected and the activities in progress at the plant. After a close discussion with the competent authorities, the order was revoked. However, the Public Prosecutor's Office acquired information and documents, also produced by the company, on the subject underlying the aforementioned trade union order in order to verify, also from a criminal law point of view, any links and responsibilities. The company provided all the competent local authorities, including the Public Prosecutor's Office, with all the information and data useful for the correct reconstruction of the facts.

Subsequently, as part of the criminal proceedings, the two pro-tempore directors of the plant and the person in charge of Operation were registered as suspects for the offenses under Articles 29 - quaterdecies of Legislative Decree 152/06 and 674 of the Criminal Code. On May 19, 2022, the GIP, upholding a request made by the Public Prosecutor's Office, ordered the case to be dismissed, pointing out that the flashlight ignitions that occurred as of 2018 were due to inefficiencies or momentary failures, always in compliance with AIA requirements, and specifying that the consultants' investigations did not reveal any violations of the constraints imposed by the regulations in force.

Bay of Augusta.

With the 2005 Service Conferences, the Ministry of the Environment prescribed that companies belonging to the petrochemical complex of Priolo, including Eni Rewind SpA, Versalis SpA and Eni (R&M), to carry out safety measures emergency with removal of the sediments of the Augusta harbor against the pollution found there, in particular due to the high concentration of mercury, generally attributed to the industrial activities carried out in the petrochemical area. The aforementioned companies challenged the Ministry's documents for various reasons, objecting in particular to the methods by which the rehabilitation interventions were designed, and the characteristics of the Bay acquired. This resulted in various administrative proceedings brought together at the TAR which, in October 2012, accepted the appeals lodged by the companies present on the site, in relation to the removal of sediment from the Bay and the realization of the physical barrier. In September 2017, the Ministry notified all co-settled companies of a formal notice and formal notice to start the Bay environmental remediation and restoration within 90 days.

In June 2019, a permanent technical table was set up at the Ministry of the Environment for the reclamation of the Augusta roadstead after which the related report was made public. The report refers to the warning of 2017, confirms the thesis of the Bodies on the liability of the companies settled for the contamination of the Bay and states a failure to comply with the same warning by the companies that would also have been communicated to the Public Prosecutor for the consequent actions. In agreement with all the business lines concerned and in coordination with the other companies present, an appeal is underway for this report and further parallel internal technical insights for defensive purposes will be executed. Also following the outcome of a meeting with the Minister at the site, Eni Rewind made itself available, with the Ministry of the Environment, to start a discussion table with the involvement of all the interested parties and aimed at identifying any appropriate measures on the new environmental data acquired by CNR/ISPRA during 2019.

At the same time, the company urged, in accordance with the regulatory provisions of the environmental code, the start of the process to identify the parties responsible for the pollution and their respective shares of responsibility, for the purpose of implementing the remediation project. In September 2020, the company took part in the Investigation Services Conference convened by the Ministry of the Environment on the results of the technical investigations carried out by CNR/ISPRA and exhibited, together with its consultants, the in-depth analyzes on the environmental state of the Rada and its observations to the ISPRA-CNR relationship which would lead to the exclusion of any involvement of the Group companies in the contamination detected. In January 2021, the Company, having received communication of the calling of the second meeting of the Investigation Services Conference on the same subject for February 10, 2021, formulated a request to also take part in the work of this second meeting and to be able to view the technical documents that would have been the subject of discussion.

On September 23, 2020, the company took part in the preliminary CdS with the MATTM and relevant bodies, and presented, together with the appointed technical consultants, insights on the issue of the environmental status of the Augusta Bay.

In January 2021, the Company, upon receiving notice of the convening of the second meeting of the Investigative Committee on the same subject as the first one set for February 10, 2021, made a request to also take part in the work of this second meeting and to be able to view the technical documents that would be discussed.

However, in February 2021, the General Directorate for Environmental Remediation of the Ministry deemed the request not acceptable. Following a conference held in April 2021, the Ministry decided that it could intervene in the procedure aimed at identifying any remediation activities to be carried out in the area to the detriment of the coinsediate companies, on the basis of questionable assumptions, such as the alleged non-compliance of the companies with the formal notice issued on September 7, 2017.

The Company filed an appeal and urged the Free Municipal Consortium of Syracuse (LCCS) to start the process of identifying the subject responsible for the pollution. The Consortium postponed the assessment until the conclusion of technical investigations into contamination.

<u>Priolo sewage treatment plant operated by IAS SpA.</u>

On March 2, 2022 Versalis was notified of a request for extension of the term of the preliminary investigation by the Public Prosecutor's Office of Syracuse, which - in relation to the discharges of industrial effluents from the Versalis plant into the Priolo purification plant operated by IAS SpA - hypothesized the crimes of environmental disaster (452 quater of the Criminal Code) and of violation of discharge regulations, according to the accusatory assumption in progress, against two former directors of the Versalis plant in Priolo, as well as an employee of Versalis, having a managerial role in Priolo Servizi at that time.

Similar charges were alleged against other employees of the co-subsidiary companies at the Priolo Gargallo industrial site as well as IAS SpA, while the legal entities Versalis, Priolo Servizi and the other co-subsidiary companies were placed under investigation pursuant to Legislative Decree 231/01.

On June 15, 2022, the order for the application of precautionary measures and the preventive seizure decree were notified, with which the Judge for Preliminary Investigations at the Court of Syracuse ordered the seizure of the purification plant, and the company shares of IAS SpA, with the appointment of a judicial administrator of the seized assets. With the same act, an interdictory measure of prohibition from carrying out duties in the companies involved in the investigations as well as in competing companies or in any case operating in the same production sector, for the duration of 12 months, was also ordered against several individuals under investigation, including a former Versalis director of the Priolo plant and the former technical director of Priolo Servizi. In addition, on June 15, 2022, Versalis was notified of a "Request for Delivery" issued by the Public Prosecutor's Office in relation to implementation protocols of organizational models as well as any related documentation relevant to D. Lgs.231/01 and Versalis promptly delivered the requested documents. The company submitted a technical memorandum aimed at demonstrating that Versalis SpA's contribution to the purification plant operated by IAS is fully compliant with regulations and in any case irrelevant with respect to the accusatory hypothesis

Subsequently, in September 2022, by accepting a defense petition, the Judge for Preliminary Investigations revoked the prohibitory measure previously ordered against Versalis SpA employees. At the same time, interlocutions continued with the Judicial Administrator of IAS, the Public Prosecutor's Office and the Preliminary Investigation Judge of the Court of Syracuse, to highlight Versalis SpA's extraneousness to the alleged criminal offenses, as well as to illustrate the Company's projects for the purpose of improving its effluent discharge. On September 23, 2022, a request for an evidentiary incident was served by the Syracuse Public Prosecutor's Office, with a request to the Judge for Preliminary Investigations to proceed with an expert assignment in relation to questions related to the crime allegations under investigation. From that request it was learned that the investigation was extended to the current Director of the Versalis Plant and the CEO of Priolo Servizi, an employee of Versalis SpA. With the hearing on December 6, 2022, the Judge for Preliminary Investigations appointed the experts and set the start of the related activities for January 2023 with a duration of at least 6 months. At the same time, on October 31, 2022, Versalis SpA challenged before the Catania Regional Administrative Court the AIA issued to IAS only for the part in which the measure is interpreted as imposing new and different limits on discharge than those contained in the authorizations held by the company. Meanwhile, the AIA issued for IAS's operation of the purification plant has been suspended by the Region of Sicily. Criminal proceedings are still pending at the investigation stage. Given the general framework of the litigation, no implications on the industrial structure of the site and possible repercussions on the downstream production chain can be seen.

Tax litigations

Registration tax

On February 17, 2011 the Siracusa Tax Office served a demand for payment of registry tax of €731 thousand relating to the sale of shares in the consortium Priolo Servizi; together with other companies in the consortium, the company appealed to the Tax Commission and has not set accrued any provisions, having reasonable confidence in a positive outcome for the dispute. The CTUs appointed by the judge deposited their report; the Provincial Tax Commission of Syracuse with sentence no. 1302/2018 ordered the acceptance of appeals and the annulment of the contested deeds; the National Tax Authority (Agenzia delle Entrate) has filed an appeal and the company has filed the counterclaims. In 2019, the tax paid pending judgment was reimbursed.

Transfer prices for intragroup transactions

On June 5, 2020 the Company was notified of Questionnaire no. Q00178 / 2020 of 05.03.2020, issued by the National Tax Authority - Regional Directorate of Lombardy - Large Taxpayers Office, pursuant to Articles 32 of the Presidential Decree n. 600/73, for the purpose of controlling transfer prices for intragroup transactions that took place in the year ended December 31, 2015.

The first cross-examination with the Regional Directorate of Lombardy took place on December 11, 2020, regarding the results of the control carried out on the documentation produced on July 9, 2020.

During the cross-examination, the Directorate communicated that, from the examination of the overall documentation produced, critical issues emerged in relation to some intragroup transactions, in particular, as reported in the attached Examination Report, the critical issues concern the following transactions:

- Sale of raw materials to Dunastyr: the Office agrees with the Party's choice to use as a basis in the calculation of the price formula for the sale of raw materials the evidence of the price lists for the European market, published by independent operators such as ICIS (Independent Commodity Information Service) but does not agree with the choice of using a multiplier lower than one (0.885), which actually results in a discount on the list price applied by the independent operator, as no supporting documentation or motivation is capable of justifying this reduction. The Office therefore considered it correct to bring the multiplier used by the Company back to at least one, thereby neutralizing the discount applied.

- Sale of finished products to Versalis International: the Office agrees with the Party in the use of the Transactional Net Margin Method "TNMM", in the choice of the tested foreign party (VI) as a functionally less complex subject and in the adoption as a profit level ROS (Return of Sales) indicator. Since the Company has not provided a benchmark to demonstrate compliance with the free competition value of the transaction in question, the Office used the results of its own analysis conducted for the chemical sector in the wholesale branch with the 2013-2015 observation period. As a result of this analysis, it was found that the VI ROS of 6.35% for the 2015 tax period was higher than the third quartile of the identified range (2.72%). The Office therefore reduced the profitability to the median value (2.06%).

During the meeting, the Officials anticipated that the higher taxable amount deriving from the aforementioned criticalities amounts to 14.5 million euros for Dunastyr and 2.7 million euros for Versalis International, therefore, against positive components declared in 437 million euro, the higher taxable amount ascertained is less than 10% of the same and the relief will not have repercussions in the criminal law field.

On 9 June 2021, the Office notified the Company of the assessment notices for IRES and IRAP purposes that were challenged in the Provincial Tax Commission. Anyway, the higher income ascertained for IRES purposes is covered by the tax losses of the Company transferred to the Tax Consolidation, while for IRAP purposes the higher ascertained value decreases the result for the period, which remains negative.

At the beginning of December 2021, the IRES and IRAP appeals were presented, by means of which Versalis intends to demonstrate the illegality of the findings raised by the Tax Authority, with reference to both the above transactions and, at the same time, request the cancellation of the Deed of assessment on transfer prices for intragroup transactions that took place in the 2015 financial year.

In particular, the complaints made by the Company concern the fact that, regarding the sale of raw materials to Dunastyr, the multiplier of less than 1 applied in the formula for the sale of styrene to the Hungarian subsidiary is consistent with the large quantities of material that it has purchased from Versalis in 2015; for third-party customers, the multiplier applied was slightly higher, but still lower than 1, since they ordered lower quantities of goods; consequently, the discount applied to them was also lower in terms of percentage.

For further support, the company provided the Agency with the results of a similar assessment carried out by the Hungarian Tax Authority on the transfer prices of Dunastyr, relating to the period 2012-2018; in this document, the Hungarian Tax Authority recommends that the affiliate be particularly cautious in determining intercompany transfer prices, so as not to compromise the profitability of Dunastyr's manufacturing activity, whose business essentially consists in the purchase of raw material from Versalis SpA and resale to third parties at the end of the transformation cycle. The orientation of the Hungarian tax authorities is therefore substantially opposite to that of the Italian Tax Authority.

As regards the sale of finished products to Versalis International, the dispute raised by the Company relates to the fact that the basket of peers chosen by the Agency to determine the median ROS is made up predominantly of Italian companies, while the subsidiary Versalis International carries out its own commercial activity directly in the Benelux market and, indirectly, through its network of branches and subsidiaries, in the EMEA area.

The chosen group of peers should therefore have included a greater presence of companies established under foreign law. Furthermore, the ROS taken as a reference by the Italian Tax Authority is not relevant as it is calculated taking into account all the revenues produced by the company Versalis International SA, instead of only the revenues related to the resale activity.

On July 22, 2022 the judgment of the Milan Provincial Tax Commission No. 2289/2022 was filed; it fully upheld the company's arguments against the two findings represented above. Despite this, following an unfounded petition filed by the Tax Authority in relation to the failure to file the IPEC petition (petition for the use of tax losses from the consolidated tax return, which also entails the extension of the time limit for filing the appeal), the judge of first instance for IRES purposes declared "inadmissible the appeal". In contrast, the appeal for IRAP purposes was upheld in its entirety. The company appealed for IRES purposes.

For the year 2016, on the basis of the same assumptions as in 2015, Notices of Assessment No. TMB0E4F00586/2022 for IRES and No. TMB0C4F00593/2022 for IRAP with higher taxable income and higher value of production of 17,265,074.00 euros were notified on December 14, 2022. For IRES purposes, an IPEC Application has been filed for the use of tax losses from the consolidated tax return, resulting in the extension of the deadline for filing an appeal. The company will appeal for the notices.

Excise duties for the production of electricity

The Brindisi Customs Office has issued notices of payment of taxes and penalties for the years from 2012 to 2022, supporting the taxation of gaseous hydrocarbon mixtures that remain from the processing plants of the Brindisi site, used for the production of electricity, according to the rates set out in Table A attached to Legislative Decree 504/95 (TUA), in application of art. 21.9 of the TUA, according to the equivalent fuel principle. Therefore, disregarding the validity of the D.L. 323/96, art. 11.3 which establishes a specific tax rate equal to zero.

The company initiated the dispute by paying the requested amounts and by notifying it to the Tax Collection Agency.

IMU tax of the Sarroch municipality

Following the notification of the Notice of assessment of Provision No. 162000053 of 11/23/2021, Protocol No. 16266, the company prudently set aside the total amount of € 124,586.00 for IMU tax due for the year 2016 and presented an "Istanza di accertamento con adesione" (meaning, an application to seek an agreement with the Municipality) coming to a settlement of the assessment with the reduction of the amount due to 38 thousand euros (resulting in the release of the provision set aside).

Income statement

28. Revenues

The main items that compose the income statement are detailed below. The most significant changes in revenues are disclosed in the "Comments on financial results" of the Management Report.

Net sales from operations

Net sales from operations are detailed in the table below:

(€ million)	2022	2021
Sales of petrochemical products	5.640	5.376
Other services	245	141
Sales of other products	330	73
	6.215	5.590

The breakdown of net sales among business lines is shown in the section "Comments to financial results" of the Management Report. The geographical breakdown of net sales from operations is the following:

(€ million)	2022	2021
Italy	2.999	2.678
Rest of Europe	2.694	2.415
Asia	235	300
Americas	180	123
Africa	104	72
Other areas	3	2
	6.215	5.590

Other income and revenues

Other income and revenues are detailed as follows:

(€ million)	2022	2021
Income from emission rights	42	30
Licence rights and royalties	30	18
Recovery of other costs and expenses	21	30
Sale of electricity	5	
Income from sale of Energy Efficiency Certificates	5	16
Sale of precious metal	5	2
Research grants	4	2
Income from investment properties	3	2
Capital gain from disposal of assets		9
Insurance compensations		1
Other	4	2
	119	112

The recovery of other costs and expenses refers to the chargeback of operating expenses to Eni Rewind SpA in virtue of the guarantees issued at the time of conferral in 2002 of the "Strategic Chemical Activities" business unit (€6 million, for further details see the paragraph "Accounting policies - Grants"), to the chargeback of sundry costs and expenses to other companies working at the Group's production sites (€ 12 million) and to income for leased assets of Versalis France (€ 3 million).

29. Operating expenses

The most significant items that compose operating expenses are detailed as follows:

Purchases, services and other costs

Purchases, services and other costs are disclosed in the table below:

(€ million)	2022	2021
Production costs - raw, ancillary and consumable materials and goods	4.244	3.501
Service costs	2.062	1.551
Net provisions for risks and charges	115	(3)
Other expenses	72	83
Leasing and rental charges	30	23
Increase (decrease) in allowance for doubtful accounts	4	(1)
Increase (decrease) in fixed assets for internal works	1	(4)
Changes in inventories	(255)	(229)
	6.273	**4.921**

Costs for raw materials, ancillary materials, consumables and goods amounting to €4.244 million mainly refer to the purchase of Virgin Nafta and other raw materials used in the production cycle.

Service costs of €2.062 million mainly refer to costs for utilities (€1.434 million, net of the extraordinary contribution to energy-intensive companies, totaling €228 million), logistics and transport (€283 million), maintenance (€132 million), ICT, supplying and administrative centralized services (€59 million), consulting and industrial services (€22 million), professional services (€19 million) and industrial insurance (€13 million).

Other expenses of €72 million mainly include charges for environmental remediation (€34 million), costs for the purchase of emission rights (€19 million), indirect taxes and duties (€13 million), customs duties (€3 million) and membership fees (€3 million).

Information on provisions for risks and charges is provided in Note 22.

Leasing and rental charges of €30 million mainly include expenses for concessions and licenses (€13 million), rentals (€8 million), leases of land and buildings (€6 million) for the portion that does not fall within the application of IFRS 16.

Change in inventories is expressed as the sum of the change in working capital and utilization of the provision for inventory write-downs. Further information relating to the change in inventories is indicated in note no. 4.

Research and development costs that do not meet the conditions established for their capitalization amount to €42 million (€39 million in 2021). This amount is to be considered net of the contribution deriving from the tax credit of €4 million, provided for by law no. 160/2019 and extended by the recent law no. 234/2021. This contribution is included among other revenues and income.

Payroll and related costs

Payroll and related costs are detailed as follows:

(€ million)	2022	2021
Payroll	330	293
Social security contributions	88	81
Provisions for severance pay (TFR)	16	15
Costs related to defined benefit plans and defined contribution plans	10	14
Other costs	8	8
	452	**411**
Less:		
Increase in fixed assets for internal work	(8)	(8)
	444	**403**

Expenses for defined-contribution and defined-benefit plans are analyzed in Note 23.

Compensations for persons responsible for the planning, direction and control functions of the company, including executive and non-executive directors, managers and senior managers with strategic responsibilities (so-called key management personnel) in office as at December 31, 2022 amount to €5 million and are disclosed as follows:

(€ million)	2022	2021
Payroll	3	4
Costs related to employees benefits	2	1
	5	**5**

The average number of employees, splitted up by category, is the following:

	2022	2021
Senior management	124	130
Middle management and staff	3.753	3.580
Workers	3.284	3.432
	7.161	**7.142**

The average number of employees is calculated as a semi-sum of the employees of Versalis group at the beginning and at the end of the period, on a constant basis of consolidation compared to 2021.The average number of executives includes managers hired and operating abroad whose organizational position is similar to the position of executive.

30. Other operating income (expenses)

There were no other operating expenses nor income during the year, as the company did not carry out derivative transactions on commodities.

31. Depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

(€ million)	2022	2021
Depreciation and amortization:		
- Property, plant and equipment	87	79
- Intangible assets	22	8
- Lease assets	7	6
	116	**93**
Impairment losses (restatements):		
- Property, plant and equipment	383	163
- Intangible assets	1	
- Lease assets	1	
	385	**163**
	501	**256**

Information on restatements of tangible, intangible and right of use assets is disclosed in Note 8. Depreciation ratios of tangible assets are shown in Note 7, while ratios of intangible assets are shown in Note 9.

32. Financial income (expenses)

Financial income (expenses) is detailed as follows:

(€ million)	2022	2021
Financial income	68	33
Financial expenses	(48)	(30)
Derivatives	5	5
	25	**8**

The net amount of financial income (expenses) is analyzed below:

(€ million)	2022	2021
Financial income (expenses) on net financial debt		
- Interest and other expenses towards banks and other lenders	(20)	(12)
Positive (negative) exchange rate differences		
- Positive exchange rate differences	66	30
- Negative exchange rate differences	(60)	(26)
Derivatives	5	5
Other financial income and expenses		
- Capitalized financial expenses	2	2
- Interest and other income on financial receivables and securities related to operations	35	10
- Other financial income (expenses)	(3)	(1)
	25	**8**

Net income (expenses) on derivatives relate to derivative contracts that do not meet the formal conditions to be classified as "hedges" as specified by IFRS 9 and, therefore, the related fair value changes are stated in the income statement. Net income on derivative instruments refers to contracts on currencies.

Income (expenses) on derivative contracts is determined as a result, essentially, of the recording in the income statement of the effects of measurement at fair value of those derivative contracts that cannot be considered for hedging according to the IFRSs, because they relate to the net exposure to exchange rate and interest-rate risks and, therefore, are not related to specific commercial or financial transactions. The same lack of formal requirements for being considered derivative hedging contracts entails the recording of the net payable exchange differences, given that the effects of the adjustment of assets and liabilities in foreign currencies to the year-end exchange rate are not offset in the accounts by the change in fair value of the derivative contracts.

Interest and other charges on financial receivables and securities used in operating activities of €35 million are mainly related to the use of the allowance for financial receivables owed by Matrìca, following the settlement agreement with Novamont.

33. Income (expenses) from investments

Income (expenses) from investments is detailed as follows:

(€ million)	2022	2021
Effects from measurement at equity method	(66)	(9)
Effects from measurement at fair value		20
Other net income (expenses)	60	(6)
	(6)	**5**

Effects from measurement at equity method are analyzed in Note 11.
Other net income of €60 million refers to the acquisition of the additional 10%-share in Novamont, pursuant to the settlement agreement signed between the parties, for €88 million euros, partially offset by charges related to the commitment made to financially support the Joint Venture Matrìca SpA for €28 million.

34. Income taxes

Income taxes are detailed as follows:

(€ million)	2022	2021
Current taxes:		
- italian companies	4	3
- foreign companies	28	42
	32	**45**
Net deferred (prepaid) taxes:		
- italian companies	(27)	
- foreign companies	11	3
	(16)	**3**
Total income taxes	**16**	**48**

Net deferred tax assets are disclosed in Notes 14 and 24. The difference between the theoretical tax rate and the effective rate for the last two periods is detailed as follows:

(%)	2022	2021
Theoretical tax rate	**23,4**	**21,3**
Items increasing (decreasing) compared to theoretical tax rate:		
- (impairments) restatements of prepaid taxes	(4)	(2)
- income (expenses) from investments	(1)	7
- permanent tax differences	7,3	(4,6)
- different tax burden on foreign companies	0,6	1,1
- benefits from the application of tax relief rules	0,4	(2,3)
- previous years taxes		0,1
- other changes	(28,5)	15
Total changes	**(25,2)**	**14,3**
Effective tax rate	**(1,8)**	**35,6**

35. Related party transactions

Transactions with related parties carried out by Versalis SpA mainly regard the trading of goods, the provision of services, the provision/receipt of funding and the use of financial resources with the parent company Eni SpA and with companies directly or indirectly controlled by the latter, as well as with its own non-consolidated subsidiaries and associated companies, and with other companies owned or controlled by the Italian State. All of the transactions are part of core operations and take place at arm's length, that is, at conditions that would have been applied by independent parties on the open market, and are carried out in the best interest of the Versalis Group.

The main transactions (i.e. revenues-costs exceeding €5 million) were carried out with the following companies:

a) Eni SpA: purchase of petroleum feedstock and virgin naphtha for crackers plants; purchase of natural gas; sale of basic chemicals and transactions of an administrative and financial nature, procurement and information technology services, legal services, research services and services for personnel, treasury services and administrative activities;
b) Azule Energy Angola SpA (controlled by Eni SpA): marketing of products and services;
c) Brindisi Servizi Generali Scarl (associated company of Versalis SpA): supply of general and auxiliary services at sites where Versalis SpA is also present;
d) Ecofuel SpA (controlled by Eni SpA): sale of olefin cycle products, transactions deriving from rental of the "MTBE/ETB and BTH" business unit in Ravenna;
e) Eni Congo SA (controlled by Eni SpA): marketing of products;
f) Eni Global Energy Markets (controlled by Eni SpA): purchase of energy certificates;
g) Eni Insurance DAC (controlled by Eni SpA): insurance cover for risks;
h) Eni Petroleum Co Inc (controlled by Eni SpA): marketing of products;
i) EniPower SpA (controlled by Eni SpA), EniPower Mantova SpA and Società EniPower Ferrara Srl (controlled by EniPower SpA): purchase of electricity and steam; provision of auxiliary and general services;
j) EniServizi SpA (controlled by Eni SpA): provision of general services;
k) Eni Rewind SpA (controlled by Eni SpA): marketing of products, purchase and sale of products and exchange of services and utilities;
l) Eni Trade & Biofuels SpA (controlled by Eni SpA): transport by sea, purchase and sale of raw materials of basic chemical products, as well as derivative contracts on commodities;
m) IFM Ferrara ScpA (associated company of Versalis SpA): supply of general and auxiliary services at sites where Versalis SpA is also present;
n) Matrìca SpA (joint venture): financing of assets held for operating activities, industrial services;
o) Lotte Versalis Elastomers Co Ltd (joint venture): marketing of products and services;
p) Priolo Servizi Scarl (associated company of Versalis SpA): supply of general and auxiliary services at sites where Versalis SpA is also present;
q) Ravenna Servizi Industriali ScpA (associated company of Versalis SpA): supply of general and auxiliary services at sites where Versalis SpA is also present;
r) Servizi Porto Marghera Scarl (associated company of Versalis SpA): supply of general and auxiliary services at sites where Versalis SpA is also present;
s) Enel Group: supply of utilities in the sites where Finproject is present;
t) Ferrovie dello Stato: rail transport;
u) GSE - Gestore dei Servizi Energetici: incentives relating to the production of electricity from renewable sources.

Trade and other transactions with the parent company, consolidated subsidiaries, unconsolidated subsidiaries, associated companies and jointly controlled companies and with other companies owned or controlled by Eni SpA or by the State are detailed as follows:

(€ million)	2022			2022					
				Expenses			Revenues		
Company name	Receivables and other assets	Payables and other liabilities	Derivatives	Goods	Services	Other operating expenses	Goods	Services	Other revenues
Associated companies									
Brindisi Servizi Generali Scarl	1	2			8				
IFM Ferrara ScpA		1			6				
Priolo Servizi Scarl		1			36				
Ravenna Servizi Industriali ScpA	2	3			13		1		1
Servizi Porto Marghera Scarl		8			34		2		
Subtotal	**3**	**15**			**97**		**3**		**1**
Joint ventures									
Matrìca SpA	28			1				11	
LOTTE Versalis Elastomers Co Ltd	6	1		21					1
Subtotal	**34**	**1**		**22**				**11**	**1**
Parent company									
Eni SpA	50	226		233	1.173	6	12	136	3
Subtotal	**50**	**226**		**233**	**1.173**	**6**	**12**	**136**	**3**
Eni Group companies									
CE P.I.M. SpA					1				
Ecofuel SpA	23	6		40	2		133	12	1
Azule Energy Angola SpA	11						13	1	
Eni Congo SA	9						14	2	
Eni Corporate University SpA		1			2				
Eni Gas & Power France SA		1			2				
Eni Ghana Exploration & Production Ltd	1						5		
Eni Global Energy Markets SpA		1		1		42			43
Eni Insurance Designated Activity Co		1			11				
Eni International Resources Ltd					1				
Eni Mediterranea Idrocarburi SpA							1	1	
Eni Mexico S. de RL de CV	3						7		
Eni Petroleum Co Inc	13	1			1		26		
EniPower SpA	2				2			10	1
Eni UK Ltd							1		
EniPower Mantova SpA	1							4	
EniProgetti SpA					1				
EniServizi SpA		1			9				
Eni Rewind SpA	28	28			63	1		4	7
Eni Trade and Biofuel SpA	6	109		1.081	98	2	97		
Raffineria di Gela SpA	1								
Societa' EniPower Ferrara Srl					1				
Subtotal	**98**	**149**		**1.122**	**194**	**45**	**297**	**34**	**52**
State-owned or State-controlled companies									
Enel Group		2			12				
Ferrovie dello Stato Group		1			5				
Snam Group								2	
Terna Group					2			1	
GSE - Gestore Servizi Elettrici	6								5
Subtotal	**6**	**3**			**19**			**3**	**5**
Total	**191**	**394**		**1.377**	**1.483**	**51**	**312**	**184**	**62**

Financial transactions with the parent company, consolidated subsidiaries, non-consolidated subsidiaries, associated companies and jointly controlled companies and with other companies owned or controlled by Eni SpA or by the State include the following:

(€ million)	December 31, 2022		2022		
Company name	**Receivables**	**Payables**	**Expenses**	**Revenues**	**Derivatives**
Parent company					
Eni SpA	36	1.937	(19)	1	5
Eni Group companies					
Banque Eni SA	2				
Eni finance international SA	6	121			
Joint ventures					
Matrica SpA	26			34	
Total	**70**	**2.058**	**(19)**	**35**	**5**

The impact of transactions and balances with related parties on the Group's balance sheet, income statement and cash flow statement are disclosed in the table below:

(€ million)	December 31, 2022			December 31, 2021		
	Total	Related parties	%	Total	Related parties	%
Cash and cash equivalents	102	43	42	99	53	54
Trade and other receivables	720	191	27	1.021	264	26
Other current assets	76	2	3	15	1	7
Other financial assets	10	10	100	5	5	100
Other non-current financial assets	19	16	84			
Short-term financial liabilities	1.354	1.327	98	655	629	96
Trade and other payables	874	394	45	977	510	52
Other current liabilities	28			29	1	3
Long-term financial liabilities	523	522	100	741	740	100
Short-term portions of long-term financial liabilities	209	209	100	9	8	89

The impact of transactions with related parties on the income statement is shown in the table below:

	December 31, 2022			December 31, 2021		
(€ million)	Total	Related parties	%	Total	Related parties	%
Revenues from operating activities	6.215	496	8	5.590	589	11
Other income	119	62	52	112	75	67
Purchases, services and other costs	(6.269)	(2.911)	46	(4.922)	(2.355)	48
Payroll and related costs	(444)			(403)		
Financial income	68	35	51	33	11	32
Financial expenses	(48)	(19)	40	(30)	(11)	38
Gains/losses on derivatives	5	5	100	5	5	100

The main cash flows with related parties are disclosed in the following table:

(€ million)	2022	2021
Revenues and other income	558	664
Expenses and other costs	(2.911)	(2.355)
Changes in trade and other receivables and in other assets	72	(56)
Changes in trade and other payables and in other liabilities	(117)	160
Dividends, interest and taxes	(18)	10
Net cash flow from operating activities	**(2.416)**	**(1.577)**
Investiments:		
- investments and securities	(8)	(173)
- financial receivables	20	1
- changes in payables and receivables related to investment activities		7
Cash flow from investments	*12*	*(166)*
Net cash flow from investment activities	**12**	**(166)**
- Changes in financial debt	689	(101)
- Capital injection		500
Net cash flow from financing activities	**689**	**399**
Total cash flow to related parties	**(1.715)**	**(1.344)**

L'incidenza dei flussi finanziari con parti correlate è indicata nella seguente tabella di sintesi:

	2022			2021		
(€ million)	Total	Related parties	%	Total	Related parties	%
Net cash flow from operating activities	(423)	(2.414)	n.s	76	(1.577)	n.s
Net cash flow from investment activities	(259)	(27)	10	(387)	(166)	43
Net cash flow from financing activities	685	689	101	339	399	118

36. Public funds - Statement ex art. 1, paragraphs 125-129, Law no. 124/2017

Versalis group companies have not granted disbursements to public and private companies, persons and entities, falling within the scope of Law No. 124/2017.

In particular, the following do not fall within the scope of the aforementioned legislation: (i) the forms of incentives/subsidies received in application of a general aid scheme for all those entitled; (ii) fees relating to works/services, including sponsorships; (iii) reimbursements and allowances paid to subjects engaged in training and orientation internships; (iv) contributions received for continuing education from inter-professional funds set up in the legal form of association; (v) membership fees for joining category and regional associations as well as in favor of foundations, or equivalent organizations, functional to the activities connected with the core business; (vi) (where applicable to the company) the costs incurred for social projects connected with the investment activities carried out.

Disbursements are identified on a cash basis. The information presented below includes disbursements of an amount greater than €10 thousand made by the same provider in 2022, also through a plurality of deeds. Pursuant to the provisions of art. 3-quater of Legislative Decree 135/2018, converted with amendments by Law 11 February 2019, n. 12, for the disbursements received, please refer to the indications contained in the National State Aid Register pursuant to article 52 of the Law of 24 December 2012, no. 234.

For disbursements received, in addition to what is indicated in the National State Aid Register referred to in Article 52 of the Law of 24 December 2012, no. 234, there are no further cases.

37. Significant non-recurring events and operations

In 2022, Versalis Group benefited from the tax credits recognized in Italy for energy and gas-intensive companies established by Decree-Laws No. 4 of January 27, 2022, No. 17 of March 1, 2022, and No. 21 of March 21, 2022, as amended, to meet the higher costs incurred for the purchase of natural gas and electricity. The economic benefit accounted for in reducing the purchase costs of these commodities during the year was € 229 million, while the share already financially recovered in 2022 was € 180 million.
In March 2022, the settlement agreement and the new Shareholders' Agreement signed with Novamont definitively ended the arbitration over the stake in the jointly controlled company Matrìca. As a result of this agreement, on the one hand Novamont acknowledged the debt to Versalis for the non-proportional contributions made in Matrìca over the years; on the other hand, Versalis increased its shareholding in Novamont by 10% , from 25% to 35%. The net effect on the income statement was €88 million, equal to the fair value of the stake acquired. The value of the investment in Novamont thus increased from € 183 million to € 308 million, as a result of (i) the fair value adjustment of the previously held 25%-share, in light of the elimination of the contingent liability arising from the arbitration against Novamont (€ 37 million recognized in OCI) and (ii) the recognition of the fair value of the 10%-share acquired (€88 million).
The difference between the equity of the investee and the Equity Value recognized for the transaction was subject to Purchase Price Allocation (PPA); as a result, Versalis allocated higher values to intangible assets (trademarks and patents) for about € 172 million and the residual part to goodwill for about €65 million. The recognition of these higher values is consistent with the revaluation to which Novamont availed itself in accordance with Decree Law 104/2020 (general revaluation of business assets and equity investments).

38. Positions or transactions deriving from atypical and/or unusual operations

During the year, there were no positions or transactions deriving from atypical and/or unusual operations.

39. Assets held for sale and disposals

As at December 31, 2022, there were no assets held for sale and disposals.

40. Main events subsequent to December 31, 2022

There are no subsequent events that could have a material impact on the company's financial statements.

41. List of investments

Versalis SpA investments as at December 31, 2022

In accordance with articles 38 and 39 of Legislative Decree 127/1991, by art. 126 of Consob resolution no. 11971 of 14 May 1999 and subsequent amendments and by Consob communication no. DEM/6064293 of July 28, 2006, the lists of controlled and associated companies of Versalis SpA as of December 31, 2022, as well as the significant investments, are disclosed below.

The companies are divided between residents in Italy and abroad, and in alphabetical order. For each company the following details are disclosed: name, registered office, share capital or the consortium fund, shareholders and the respective percentages of ownership; for consolidated companies, the consolidated percentage pertaining to Versalis SpA is indicated; for non-consolidated companies in which consolidated companies own stakes, the valuation criterion is shown (equity, fair value or cost).

Versalis shareholdings as at December 31, 2022

CHANGES IN THE CONSOLIDATION AREA

In 2022, there were no changes in the consolidation area.

CONSOLIDATING COMPANY

Name		Registered office	Currency	Share capital	Shareholders	% of ownership	% of conoslidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Versalis SpA		San Donato Milanese (MI)	EUR	446.050.728,65	Eni SpA	100,00	100,00	L.b.L

(*) L.b.L. = line by line consolidation, N.E. = net equity method, Co. = measurement at cost, F.V. = measurement at fair value

Main business conducted

Intermediates

Polyethylene

Elastomers

Styrenics

Oilfield chemicals

Biochem

Moulding & Compounding

Other services

 English translation for reference only. Should there be any inconsistency between the Italian and English versions, the Italian version shall prevail.

SUBSIDIARIES

In Italy

Name		Registered office	Currency	Share capital	Shareholders	% of ownership	% of conoslidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Finproject SpA	●	Morrovalle ((MC)	EUR	18.500.000	Versalis SpA	100,00	100,00	L.b.L

Abroad

Name		Registered office	Currency	Share capital	Shareholders	% of ownership	% of conoslidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Asian Compounds Ltd	●	Hong Kong (Hong Kong)	HKD	1.000	Finproject Asia Ltd	100,00	100,00	L.b.L
Dunastyr Polystyrene Zrt	●	Budapest (Hungary)	HUF	1.577.971.200	Versalis SpA	96,34	100,00	L.b.L
					Versalis International	1,83		
					Versalis Deutschland GmbH	1,83		
Finproject Asia Ltd	●	Hong Kong (Hong Kong)	USD	1.000	Finproject SpA	100,00	100,00	L.b.L
Finproject Brasil Industria De Solados Eireli	●	Franca (Brasil)	BRL	1.000.000	Finproject SpA	100,00	100,00	L.b.L
Finproject Guangzhou Trading Co Ltd	●	Guangzhou (China)	USD	180.000	Finproject SpA	100,00	100,00	L.b.L
Finproject India Pvt Ltd	●	Jaipur (India)	INR	100.000.000	Asian Compounds Ltd	99,00	100,00	L.b.L
					Finproject Asia Ltd	1,00		
Finproject Romania Srl	●	Valea Lui Mihai (Romania)	RON	67.730	Finproject SpA	100,00	100,00	L.b.L
Finproject Singapore Pte Ltd	●	Singapore (Singapore)	SGD	100	Versalis Singapore Pte. Ltd.	100,00	100,00	L.b.L
Finproject Viet Nam Company Limited	●	Hai Phong (Vietnam)	VND	19.623.250.000	Finproject Asia Ltd	100,00	100,00	L.b.L

Name	Registered office	Currency	Share capital	Shareholders	% of ownership	% of consolidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Foam Creations (2008) Inc	Quebec City (Canada)	CAD	1.215.000	Finproject SpA	100,00	100,00	L.b.L
Foam Creations México SA de CV	León (Mexico)	MXN	19.138.165	Foam Creations (2008) Finproject SpA	99,99 0,01	100,00	L.b.L
Padanaplast America Llc	Wilmington (USA)	USD	70.000	Finproject SpA	100,00	100,00	L.b.L
Padanaplast Deutschland GmbH	Hannover (Germany)	EUR	25.000	Finproject SpA	100,00	100,00	L.b.L
Versalis Americas Inc	Dover, Delaware (USA)	USD	100.000	Versalis International SA	100,00	100,00	L.b.L
Versalis Congo Sarlu	Pointe-Noire (Congo)	XAF	1.000.000	Versalis International SA	100,00	100,00	L.b.L
Versalis Deutschland GmbH	Eschborn (Germany)	EUR	100.000	Versalis SpA	100,00	100,00	L.b.L
Versalis France SAS	Mardyck (France)	EUR	126.115.582,90	Versalis SpA	100,00	100,00	L.b.L
Versalis International SA	Bruxelles (Belgium)	EUR	15.449.173,88	Versalis SpA Versalis Deutschland GmbH Dunastyr Polystyrene Zrt Versalis France SAS	59,00 23,71 14,43 2,86	100,00	L.b.L
Versalis Kimya Ticaret Limited Sirketi	Istanbul (Turkey)	TRY	20.000	Versalis International SA	100,00	100,00	L.b.L
Versalis México S. de R.L. de CV.	Mexico City (Mexico)	MXN	1.000	Versalis International SA Versalis SpA	99,00 01,00	99,00	L.b.L
Versalis Pacific (India) Private Limited	Mumbai (India)	INR	238.700	Versalis Singapore PTE. LTD. Third parties	99,99 0,01	99,99	N.E.
Versalis Pacific Trading (Shanghai) Co Ltd	Shanghai (China)	CNY	15.237.236	Versalis SpA	100,00	100,00	L.b.L
Versalis Singapore Pte. Ltd.	Singapore (Singapore)	SGD	80.000	Versalis Spa	100,00	100,00	L.b.L
Versalis UK Ltd	London (UK)	GBP	4.004.042	Versalis SpA	100,00	100,00	L.b.L
Versalis Zeal Ltd	Takoradi (Ghana)	GHS	5.650.000	Versalis International SA Third parties	80,00 20,00	80,00	L.b.L

(*) L.b.L. = line by line consolidation, N.E. = net equity method, Co. = measurement at cost, F.V. = measurement at fair value

ASSOCIATED COMPANIES

In Italy

Name	Registered office	Currency	Share capital	Shareholders	% of ownership	% of consolidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Brindisi Servizi Generali Scarl	Brindisi (BR)	EUR	1.549.060	Versalis SpA	49,00	49,00	N.E.
				Eni Rewind SpA	20,20		
				EniPower SpA	8,90		
				Third parties	21,90		
Novamont SpA	Novara (NO)	EUR	20.000.000	Versalis SpA	35,00	35,00	N.E.
				Third parties	65,00		
Priolo Servizi ScpA	Melilli (SR)	EUR	28.100.000	Versalis SpA	37,22	37,22	N.E.
				Eni Rewind SpA	5,65		
				Third parties	57,13		
Ravenna Servizi Industriali ScpA	Ravenna (RA)	EUR	5.597.400	Versalis SpA	42,13	42,13	N.E.
				EniPower SpA	30,37		
				Ecofuel SpA	1,85		
				Third parties	25,65		
Servizi Porto Marghera Scarl	P.to Marghera (VE)	EUR	8.695.718	Versalis SpA	48,44	48,44	N.E.
				Eni Rewind SpA	38,39		
				Third parties	13,17		

Abroad

Name	Registered office	Currency	Share capital	Shareholders	% of ownership	% of consolidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
LVE China Co. Ltd.	Shanghai (China)	USD	250.000	Lotte Versalis Elastomers Co. Ltd	100,00	50,00	N.E.

(*) L.b.L. = line by line consolidation, N.E. = net equity method, Co. = measurement at cost, F.V. = measurement at fair value

JOINT VENTURES

In Italy

Name		Registered office	Currency	Share capital	Shareholders	% of ownership	% of consolidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Matrìca SpA	●	Porto Torres (SS)	EUR	37.500.000	Versalis SpA	50,00	50,00	N.E.
					Novamont SpA	50,00		

Abroad

Name		Registered office	Currency	Share capital	Shareholders	% of ownership	% of consolidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Lotte Versalis Elastomers Co Ltd	●	Yeosu (Jeollanam)	KRW	551.800.000.00	Versalis SpA	50,00	50,00	N.E.
		(South Korea)			Third parties	50,00		
Versalis Chem-invest limited liabilited partnership	●	Uralsk City	KZT	64.194.000	Versalis International SA	49,00	49,00	N.E.
		(Kazakhstan)			Third parties	51,00		
VPM Oilfield Specialty Chemicals LLC	●	Abu Dhabi	AED	1.000.000	Versalis International SA	49,00	49,00	N.E.
		(United Arab Emirates)			Third parties	51,00		

(*) L.b.L. = line by line consolidation, N.E. = net equity method, Co. = measurement at cost, F.V. = measurement at fair value

OTHER COMPANIES

In Italy

Name		Registered office	Currency	Share capital	Shareholders	% of ownership	% of consolidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
IFM Ferrara ScpA	O	Ferrara (FE)	EUR	5.304.464	Versalis SpA	19,61	19,61	Co.
					Eni Rewind SpA	11,51		
					S.E.F. Srl	10,63		
					Third parties	58,25		
Consorzio Crea Assemini	O	Cagliari (CA)	EUR	70.000	Versalis SpA	7,14	7,14	Co.
					Third parties	92,86		
IAS Industria Acqua Siracusana SpA	O	Siracusa (SR)	EUR	102.000	Versalis SpA	1,00	1,00	Co.
					Third parties	99,00		

Abroad

Name		Registered office	Currency	Share capital	Shareholders	% of ownership	% of consolidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Sociedad Espanola de Materiales Plasticos SA	O	Madrid (Spain)	EUR	61.002	Versalis International SA	7,88	7,88	Co.
					Third parties	92,12		
BKV Beteiligungs-und Kunststoffverwert-ungsgesellschaft mbH	O	Frankfurt am Main (Germany)	EUR	14.147.400	Versalis Deutschland GmbH	1,22	1,22	Co.
					Third parties	98,78		
EXELTIUM SAS	O	Paris (France)	EUR	12.358.090	Versalis France SAS	1,67	1,67	Co.
					Third parties	98,33		
Genomatica Inc	●	San Diego (USA)	USD	31.308.448	Versalis SpA	0,36	0,36	F.V.
					Third parties	99,64		

(*) C.I. = consolidamento integrale, P.N. = valutazione al patrimonio netto, Co. = valutazione al costo, F.V. = valutazione al *fair value*

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the sole shareholder of Versalis SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Versalis Group (the Group), which comprise the balance sheet as of 31 December 2022, the income statement, statement of comprehensive income (loss), statement of changes in equity, statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent of Versalis SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is

necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Versalis SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional skepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Versalis SpA are responsible for preparing a report on operations of the Versalis Group as of 31 December 2022 including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Versalis Group as of 31 December 2022 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Versalis Group as of 31 December 2022 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 11 April 2023

PricewaterhouseCoopers SpA

Andrea Crespi
(Revisore legale)