Versalis
Annual Report
2021

Our mission

Versalis SpA 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. The Versalis of the future will be an even more sustainable and differentiated chemical company, strongly oriented towards the generation of shareholder value.

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[5]

CHIEF EXECUTIVE OFFICER

Adriano Alfani[3]

DIRECTORS (NON-EXECUTIVE)

Cristiana Argentino
Rosanna Fusco
Luigi Piro

BOARD OF STATUTORY AUDITORS [1]

CHAIRMAN

Giulia De Martino

STATUTORY AUDITORS

Angelo Cremonese

Alberto Luigi Gusmeroli

ALTERNATE STATUTORY AUDITORS

Roberto Colussi
Livia Anna Schivardi

SUPERVISORY BODY [4]

Francesco di Ciommo CHAIRMAN
Alberto Maria Mosca
Michele Brancadoro

INDIPENDENT AUDITORS [2]

PwC SpA

(1) Appointed by the Shareholders' Meeting of April 15, 2019 for a three-year period which expires upon the approval of the financial statements for the year 2021.
(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 co-option by the Board of Directors of December 23, 2020 with effects from January 1, 2021.
(4) Organizational Notice N°5/2021 of December 22, 2021.
(5) Appointed by co-option by the Board of Directors of February 1, 2021.

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Disclaimer

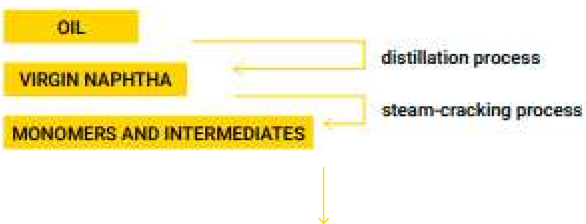
The Annual Financial Report contains forward-looking statements in the section "Business outlook" which by their nature have a component of risk and uncertainty because they depend on the occurrence of future events and developments. The actual results may differ even significantly from those announced 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.

THE PRODUCTION CYCLE



Products addressed to Versalis downstream production cyclesand to the market.

POLYMERS

POLYETHYLENE

Plastic bags, film for greenhouses, film for industrial packaging, film for foodstuffs, agricultural film for the protection of fields, laminating film, toys, flexible containers, phials, lids, irrigation piping, compounds for civilian use and for use in the automotive industry

STYRENICS

Insulating materials for the building industry, electrical and electronic appliances and household appliances, industrial and food packaging, large and small household appliances, car components, sports equipment, furniture, piping and extensions, illuminating engineering, medical and pharmaceutical products, toys.

ELASTOMERS

Tyres, footwear, adhesives, piping, components for the building industry, electrical cables, components and parts for cars, household appliances, technical products, as modifiers of plastics materials and bitumens, additives for lubricating oils, carpet underlay, paper coating, printed foam..

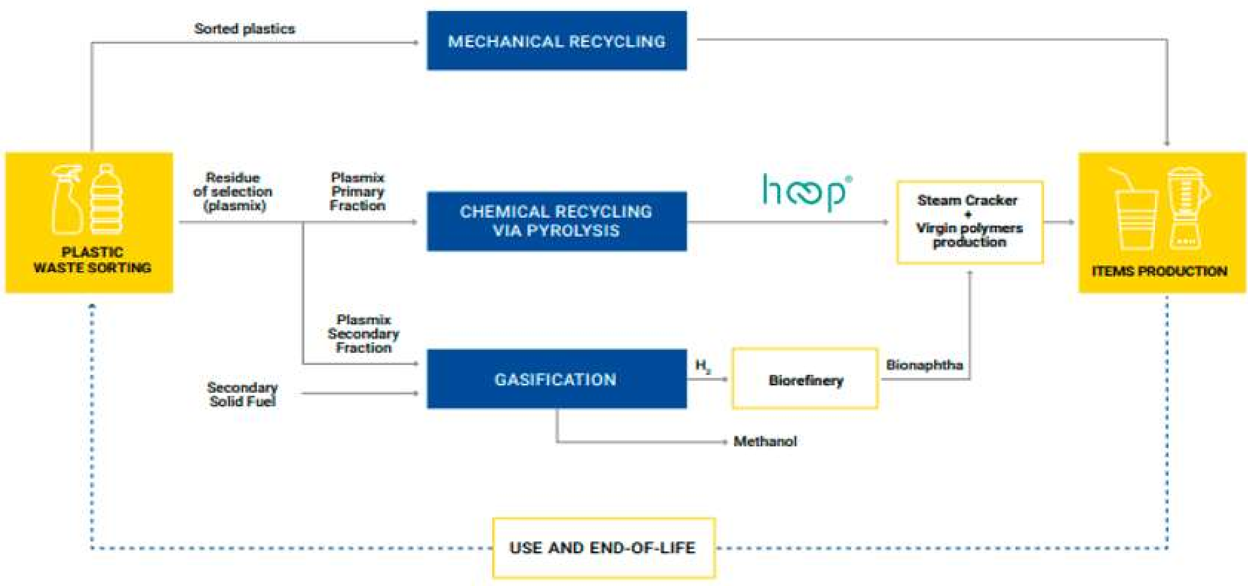
COMPOUNDING Production of PVC and expanded polyolefin compounds

MOULDING Expanded polyolefin molding for the footwear and manufactured articles in ultralight materials.

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.

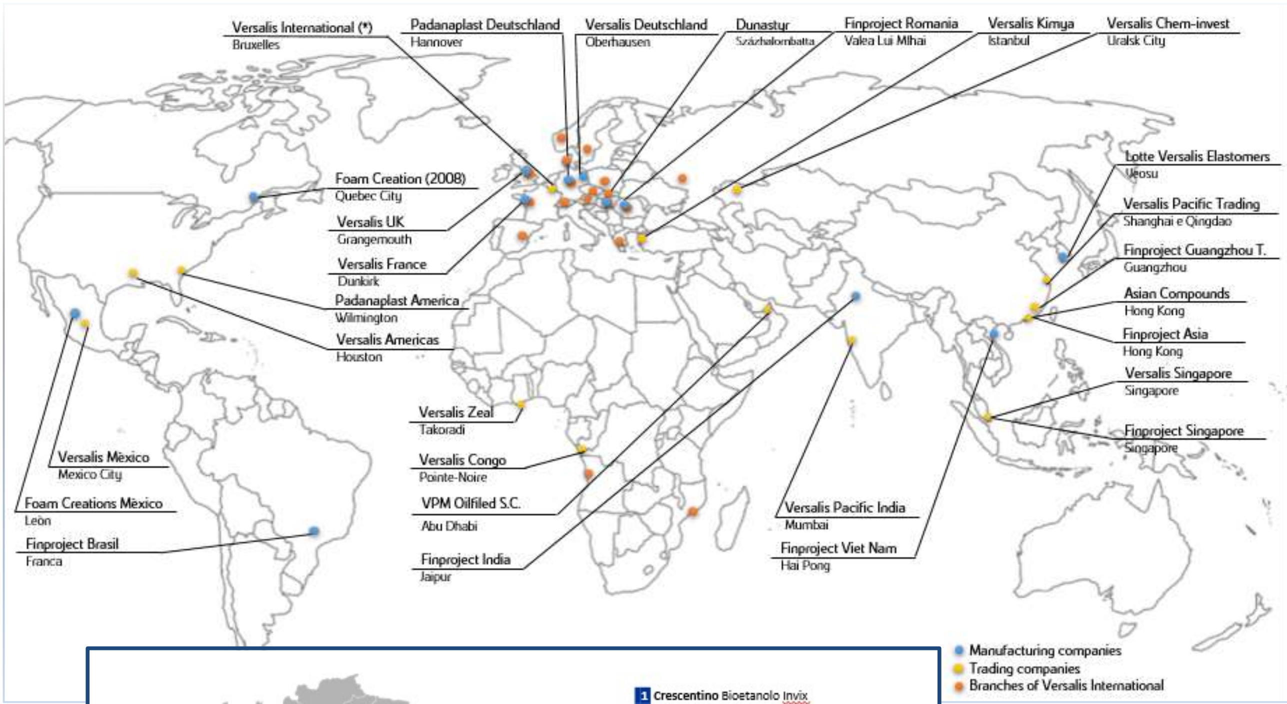
In basic chemistry, the main objective of the business is to ensure the adequate availability of monomers (ethylene, butadiene and benzene) to cover the needs of the businesses downstream of the process: in particular, the olefins are mainly integrated with the polyethylene and elastomers, aromatics 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.
In this context, in 2021, knowledge of the mechanical recycling technology of plastic waste was expanded thanks to the acquisition of assets and know-how from Ecoplastic. An agreement was also signed with AGR, an Italian company that owns a technology for the treatment of used elastomers, for the development of new products and applications in recycled rubber and with COREPLA (National Consortium for the Collection, Recycling and Recovery of Packaging in Plastics) with the aim of enhancing used plastics through technologies under development by Eni for gasification and chemical recycling processes (pyrolysis). Versalis has also joined the Circular Plastics Alliance (CPA) to actively contribute to the European goal of using 10 million tons of recycled plastic in new products by 2025. The Alliance, promoted by the European Commission, has the mission of encouraging recycling of plastics in Europe and at the same time developing the market for secondary raw materials.
As evidence of Eni's commitment to the development of green chemistry from renewable sources, in 2021 Versalis entered the agricultural protection products market, thanks to the alliance with AlphaBio Control, a research and development company specialized in the production of formulations. for the protection of crops, up to the production of herbicides and biocides for the disinfection of plant-based and biodegradable surfaces, using the active ingredients produced by the chemistry platform from renewable sources of Porto Torres.

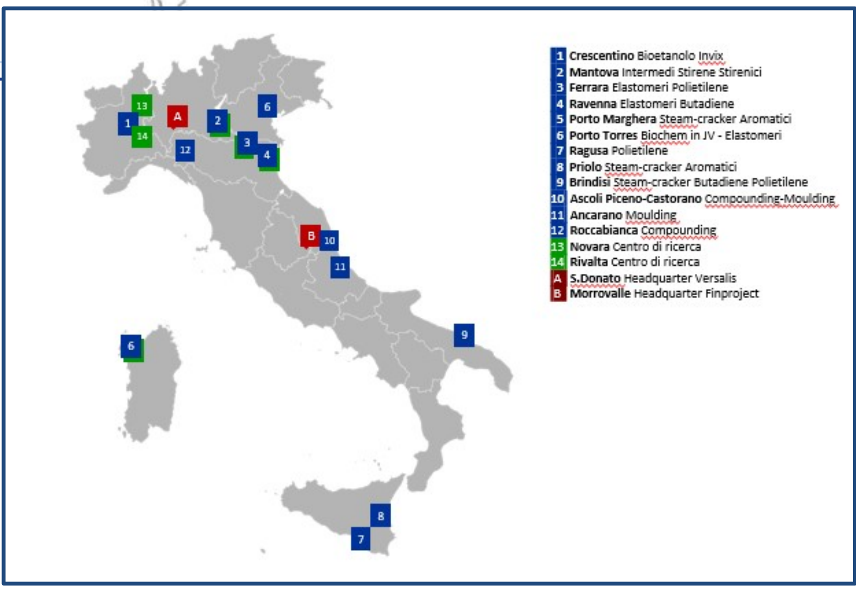
INTEGRATED PLATFORM FOR PLASTIC WASTE RECYCLING



THE INTERNATIONAL PRESENCE OF VERSALIS

Versalis Group is present with manufacturing plants in Italy (Ancarano, Ascoli Piceno, Brindisi, Crescentino, Ferrara, Mantua, 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 on the President, Marco Petracchini: Communication and Institutional Relations; Quality, Health, Safety and Environment; Compliance Business Support; Procurement and contract service and HR Business partner. The company Versalis International s.a. also reports to the President.

The Business Units: Elastomers, Intermediates, Polyethylene[1], Styrenics and the Biochem[2] units depend on the Chief Executive Officer, Adriano Alfani; Supply Chain; Industrial; Planning, Administration and Control; Research, Development and Technological Innovation; Development strategies & Licensing and Circular Economy & Sustainability.

[1] With effect from 1 February 2022, the activities related to the Polyethylene and Intermediate businesses are integrated and the Polyethylene and Intermediate Business Unit is established.
[2] With effect from 1 February 2022, the Biochem unit is renamed Green Chemistry & Oilfield Chemicals.

Business model

Below is a brief representation of Versalis' main businesses:

| 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.

| 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

| 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.

| 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 and 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 2021. Ten accidents occurred in 2021, of which five related to contractor personnel, linked to episodes mainly attributable to behavioral reasons. During the year, 21 out of 23 sites achieved the goal of "one year without employee accidents", including Brindisi (eleventh consecutive year) and Szàzhalombatta (tenth consecutive year).

NEWS OF THE YEAR

Agreement with Bridgestone for the development of innovative elastomers

Versalis joined the Circular Plastics Alliance (CPA) to actively contribute to boost plastic recycling in Europe and, at the same time, develop the market for secondary raw materials. By joining CPA, Versalis submitted its voluntary pledges in line with its circular economy strategy that is defined by three main pillars: eco-design, recycling technologies and alternative feedstocks.

Launch of a new Revive® product made of 75% recycled polystyrene

In April Versalis announced the expansion of the Revive® range with a new product intended for food packaging and made of 75% recycled polystyrene obtained from domestic separate waste collection. The product, called Versalis Revive® PS Air F - Series Forever, is the result of the collaboration with Forever Plast, a leading Italian company in the requalification of post-consumer products in high quality raw materials. The collaboration resulted in an innovative recyclable food tray generated from recycled polystyrene developed by the companies of the Pro Food group.

Agreement with Saipem for sustainable bioethanol

Versalis and Saipem have signed an agreement to promote PROESA®, the Versalis proprietary technology for the production of sustainable bioethanol and chemical products from lignocellulosic biomass on a worldwide scale.

Acquisition of mechanical recycling plants from Ecoplastic

Versalis has exclusively acquired the technology and plants of Ecoplastic, an Italian company of the De Berg group specialized in the recovery, recycling and transformation chain of styrenic polymers. The agreement constitutes a concrete step for the start of the first phase of construction of the advanced mechanical recycling pole as part of the transformation project of the Porto Marghera site, which from next year will see the installation of the plants acquired by Ecoplastic for the production of styrenic polymers obtained entirely from recycled raw material and already selected and pre-treated. The overall capacity of this first phase will be around 20 thousand tons / year.

Sunpower, the new herbicide from renewable sources

From pelargonic acid produced by Matrìca, Versalis, thanks to the agreement with AlphaBio Control, a research and development company specialized in the creation of natural formulations for crop protection, offers on the market the product that, starting from vegetable oils, controls weeds acting in synergy with solar radiation. Sunpower is authorized by the Ministry of Health as a phytosanitary product for professional use only and it is biodegradable. The product acts quickly by contact, drying up the weed flora present and, given its properties, it can be used in parks and public gardens and in tourist areas, avoiding the use of mechanical means.

Technology to produce styrene polymers licensed to the Indian company Supreme Petrochem Ltd

Versalis has licensed to Supreme Petrochem Ltd., leader in the Indian market of compact and expandable polystyrene, the continuous mass technology for the construction of a plant in the state of Maharashtra (India). This is a technology that allows the production of styrene polymers with a reduced environmental impact, thanks to the very low emissions and reduced energy consumption.

Versalis and BTS Biogas to produce biogas and biomethane from lignocellulosic biomass

Versalis and BTS Biogas, an Italian company active in the design and construction of biogas production plants, have signed an agreement to develop and market an innovative technology to produce biogas and biomethane from residual lignocellulosic biomass. This technology will be based on the integration of the proprietary Versalis technology for the thermomechanical pretreatment of biomasses, with the BTS Biogas technology for the fermentative production of biogas and biomethane. BTS Biogas has the know-how to produce biogas and biomethane from different types of biomass and the suitable research and development infrastructures for the evaluation on an experimental basis of the relative processability and yields.

Finproject obtains the ISCC Plus certification for productions produced from sustainable raw materials

Finproject has obtained ISCC-Plus certificates in its industrial sites in the Marche and Abruzzo for Bio, Biocircular, Circular Compound and Bio, Bio-circular, Circular Plastic Products, obtained using sustainable raw materials. This result represents an important step towards the goal of offering the market decarbonized and circular products. The ISCC Plus certification activity will be extended by Finproject during the year 2022 to the Italian site of Padanaplast and to foreign sites, to certify the concreteness of the circular economy strategy aimed at an ever-greater use of sustainable raw materials.

LANXESS and Matrìca together to produce sustainable biocides from renewable raw materials

An agreement signed between Matrìca and Lanxess, leader in the specialty chemicals sector to produce biocides from renewable raw materials. From January 2022, the supply of raw materials from renewable sources to the Porto Torres plant was started, obtained from vegetable oils that Lanxess will use to produce industrial additives with biocidal action for the consumer goods sector.

Startup of bioethanol production from lignocellulosic biomass in Crescentino

The Crescentino plant has started the production of advanced bioethanol, in compliance with the European legislation for the development of renewable energy RED II, as it derives from raw materials that do not compete with the food chain. Bioethanol, produced through Proesa® technology, one of the most innovative in the world on an industrial scale in the biomass chemistry sector, is ISCC-EU certified and will be used for the formulation of gasoline with a renewable component. The plant is able to treat 200,000 tons / year of biomass, for a maximum production capacity of about 25,000 tons / year of bioethanol.

TECHNOLOGICAL INNOVATION

During 2021, research and technological innovation activities were aimed, in continuity with previous years, at improving the processes and products of the existing business lines. Research and development activities in the chemical from renewable sources sector were also consolidated. The commitment to sustainability and the circular economy has become the core of the new projects. New specific activities have been launched relating to advanced chemical recycling of non-mechanically recyclable mixed plastics (Hoop® Project) and industrialization of the new range of Versalis Revive® products has continued.

In the biochem area, research and development activities continued aimed at improving the Proesa® proprietary industrial technology for converting biomass (not in competition with the food chain) into second-generation sugars to bioethanol, in particular as regards the evaluation of new enzymatic cocktails and the optimization of fermentation operating conditions.

PRODUCTION

Production in the year 2021, equal to 8,496 thousand tons, increased by 423 thousand tons (+ 5.2%), mainly due to the greater availability of plants in the intermediates (+ 7.2%) and elastomers (+13,4%), offset by the production of styrene which fell by 7.9% due to the multi-year scheduled shutdown at the Mantua site.

RESULTS

In 2021 the global shortage situation, the reduction in imports and the recovery of demand in some segments (in particular in plastics) favored the recovery of margins and an inversion of results driven by the recovery in post-pandemic consumption, by the greater availability of Versalis plants in a market context which experienced a temporary unavailability of products. In this macroeconomic context, the Versalis group achieved an operating profit of 122 million euros and a net cash flow from operating activities of 75 million euros. For an illustration of the results for the year, please refer to the paragraph "Comment on the economic and financial results of the Versalis group".

STRATEGY

Our strategy is to transform Versalis into a completely sustainable and differentiated company. Chemistry plays a vital role in every aspect of our daily life and will be a key element in the energy transition. Chemicals from renewable sources and circularity applied to processes and products throughout the life cycle will be the turning point of our business and of the entire value chain. In particular, Versalis pursues the following strategic guidelines, consistent with the sustainable development goals defined by the United Nations Organization:

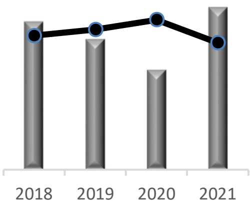
- **Specialization** of the portfolio towards high performance products with greater added value:
- **Development of chemistry from renewables** with new processes and products
- **Initiative of circular economy** by the developing of mechanical and molecular recycling
- **Gradual reduction of emissions,** increasing the energy efficiency
- **Optimization of internal processes** to improve resilience to fluctuations in the scenario.

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

KEY PERFORMANCE INDICATORS

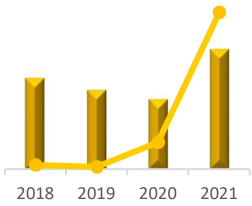
2.2

Basic chemicals: revenues in mld€



1.5

Polyetilene: revenues in mld€



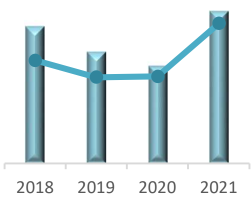
2019	amounts in millions of euros	2020	2021
4.123	Net sales from operations	3.387	5.590
(478)	Operating profit (loss)	(489)	122
(534)	Net profit (loss)	(588)	87
(214)	Net cash flow provided by operating activities	(364)	75
118	Capital expenditures	182	190
2.650	Total assets	2.657	3.575
507	Shareholder's equity	222	909
1.071	Net borrowings	1.404	1.317
1.578	Net capital employed	1.626	2.226
2,11	Leverage	6,32	1,45

Key operating and sustainability indicator

2019			2020	2021
5.324	Employees	(number)	5.268	7.075
0,26	Accident frequency rate	(accidents/hours worked x 1,000,000)	0,64	0,64
2,84	Direct emission of greenhouse gases	(mm tonnes CO2 eq)	2,72	2,85
42	Cost of research and development	(amount in millions of euros)	42	39
8.068	Production	(k tonnes)	8.073	8.496
66,8	Plant utilization rate	(%)	64,9	66,0
64,30	Average price of Brent Dated FOB	(dollars/barrel)	41,67	70,73
481	Average price of Virgin Naphtha FOB Med	(dollars/tonne)	330	518
1,12	Average EUR/USD exchange rate		1,14	1,18

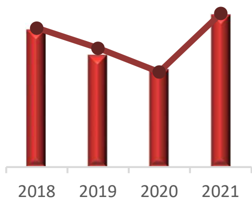
0.8

Stirenics: revenues in Mld€



0.7

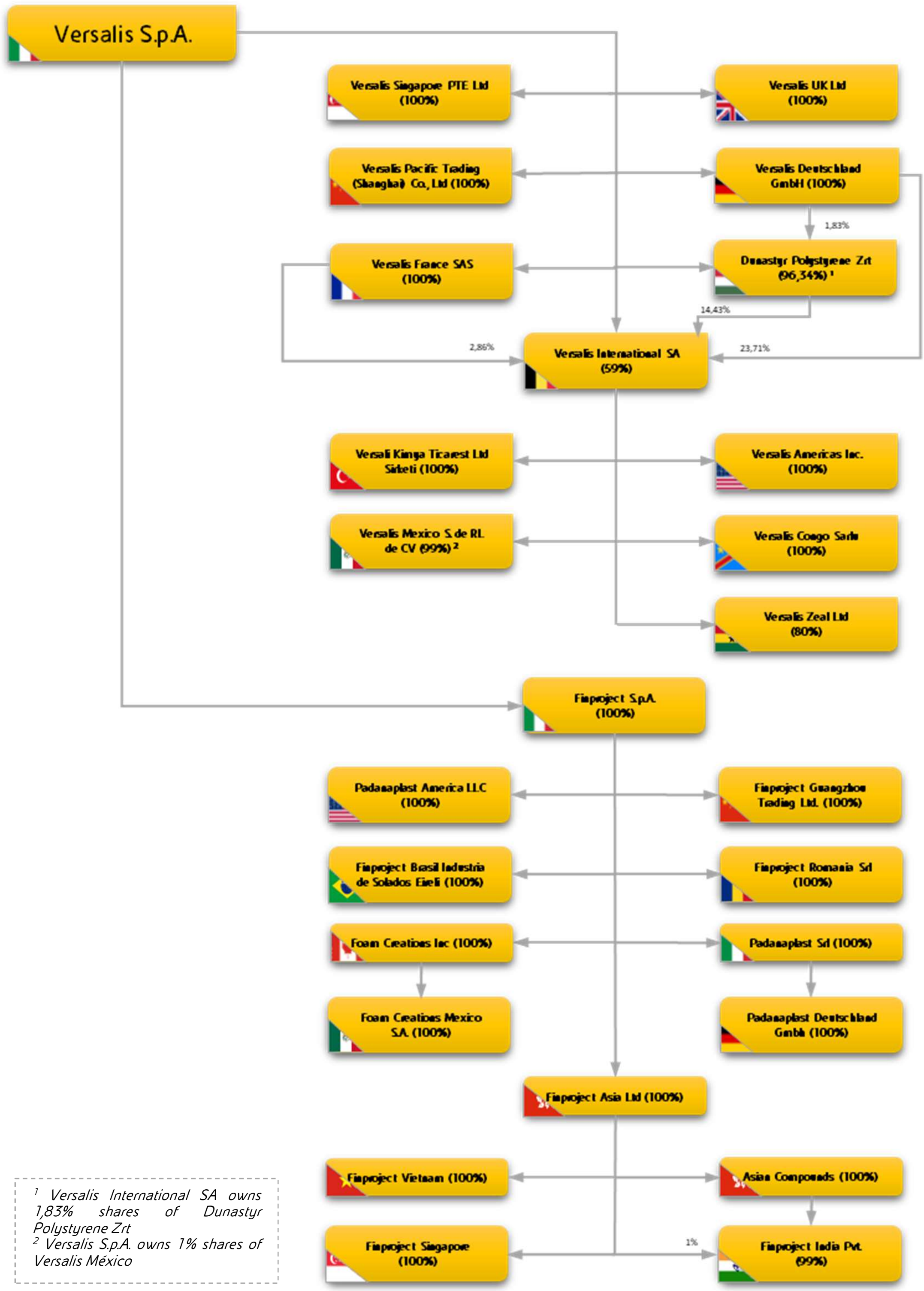
Elastomers: revenues in Mld€



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.

In October 2021, the companies of the Finproject group also became part of the Versalis consolidation area, following the acquisition of the residual stake equal to 60% of the share capital (Versalis had already acquired a 40% stake in the 2020 in the same Finproject).



[1] Versalis International SA owns 1,83% shares of Dunastyr Polystyrene Zrt
[2] Versalis S.p.A. owns 1% shares of Versalis México

Operating review

2021 was characterized by a European and global economic recovery that followed the 2020 recession caused by the Covid-19 pandemic.

In fact, the growth rate of the global economy recorded a strong recovery in 2021, going from-3.5% in 2020 to + 5.6% in 2021. As in the previous fall, the recovery involved all geographic areas without distinction. , with the United States going from -3.4% in 2020 to + 5.6% in 2021, while the Far East countries, after the modest fall in GDP in 2020 (-0.9%), have made a recovery even higher (+ 6.1%) than the world average. In this context, China's economic growth went from 2.3% in 2020 to 8.1% in 2021. Conversely, in the Middle East after the 2020 retreat (-4.9%), it achieved in 2021 a more than limited improvement (+ 3.2%). At the European level (EU 27), the decline in GDP in 2020 (-6.1%) - the heaviest recession in recent decades - was only partially recovered in 2021 (+5.2).

The EU 27 area therefore recorded an increase in GDP in line with that of the global economy, thanks to the partial overcoming of the restrictive measures imposed by the authorities of the various countries to contain the spread of the pandemic. Italy recorded an improvement in GDP even higher than that of the European area (+ 6.3%), although the decline in the Italian economy in 2020 was in turn well above the European average (-8.9%).

In the last part of the year, the general picture and the climate of confidence underwent a progressive deterioration due to the international tensions caused by the Ukrainian crisis, and the increase in energy prices.

In this context, in 2021 the scenario of the chemical sector benefited from the improvement of the general macroeconomic framework and confirmed an excellent level of resilience with respect to the crisis caused by the pandemic. In general, most of the main Versalis chemicals businesses benefited from the recovery in demand which basically followed the trend of the recovery of GDP in the various areas.

Globally, the production of the chemical sector in 2021 recorded an increase of 5.0% compared to 2020, with an improvement of 2.8% in Europe, of 6.9% in North America and a strong increase of 7.1 % in the Far East. At a European level, the increase in the average operating rate of the plants (from 76% to 79%) has led to an improvement in the profitability of the sector, partially absorbed by the worsening of Net Trade (negative balance between imports and exports).

Going into the specifics of the major businesses, it is noted that Ethylene benefited from the good trend in demand, which limited the negative impact on product margins due to the sharp increase in the price of Virgin naphtha (almost doubled compared to 2020).

Polyethylene continued to benefit from good demand in the packaging and medical sectors following the aforementioned pandemic. Furthermore, the problems recorded in the international logistics system, amplified by the increase in container transport and rental costs, have allowed the business to take advantage of limited competitive pressure from extra-European producers, favored by lower production costs (Ethane crackers in USA and availability of low-cost raw materials in the Middle East). This allowed polyethylene to record "record" levels of prices and spreads compared to ethylene.

For the Styrenics, despite the full application of the legislation on the use of Single Use Plastics during the year, the stimuli of the various countries for economic recovery led to a good performance in the thermal insulation sector as well as in the compact polystyrene which performed well in the consumer electronics sector.

Finally, with reference to elastomers, the recovery of the automotive sector, driven by the growth of the electric vehicle segment, has allowed the business to improve its profitability compared to 2020, at least in the first three quarters of the year. However, there was a slowdown especially in Europe in the fourth quarter of 2021.

In summary, Versalis' results, in financial year 2021, benefited from the favorable reversal of the scenario driven by the recovery in post-pandemic consumption, by the greater availability of Versalis plants in a market context that recorded a temporary unavailability of products.

Annual performance

The 2021 **revenues** from the core business of the Versalis group amounted to € 5,590 million, against € 3,387 million in 2020 (+ 65%). This increase is due to the strong increase in the average unit sales prices of the Intermediate business (+ 56.3%) and of Polymers (+ 66.6%).

Sales of petrochemical products of 4,451 thousand tons increased compared to 2020 (112 thousand tons; equal to + 2.6%). In particular, the main changes were recorded in olefins (+ 7.6%) and elastomers (+ 11.4%), while sales of styrenics (-7.9%) were affected by the lower product availability due to the maintenance and investment halt on the Mantua production site. In the molding & compounding business, sales amounted to 20,000 tons.

The **production** of petrochemical products of 8,476 thousand tons increased by 403 thousand tons (+ 5.0%), mainly due to the higher production of the olefins business (+ 7.2%), partly offset by the production of polymers which are dropped by 1.2%. About the moulding & compounding business, the productions amounted to 20 thousand tons.

The main production decreases were recorded in the sites of Priolo (down by11.0%), due to the prolonged scheduled shutdown, and Grangemounth (down by 22.3%), partially offset by the recovery in the production at Porto Marghera site (up by 20.9%).

The nominal production capacity is in line with 2019. The average plant utilization rate, calculated on the nominal capacity, was 64.9% lower than in 2019 (66.8%).

Sales Revenues

2019	(amount in millions of euros)	2021	2020	Var. ass.	Var. %
1.740	Intermediates	2.166	1.329	837	63,0
2.201	Polymers	3.114	1.888	1.226	64,9
	Biochem	60	6	54	900,0
	Moulding & Compounding	70		70	..
51	Oilfield chemicals	65	56	9	16,1
131	Other income (a)	115	108	7	6,5
4.123		5.590	3.387	2.203	65,0

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

Production & availability

2019	(k tonnes)	2021	2020	Var. ass.	Var. %
5.818	Intermediates	6.284	5.861	423	7,2
2.250	Polymers	2.184	2.211	(27)	(1,2)
	Biochem	8	1	7	...
8.068	Production of petrochemical products	8.476	8.073	403	5,0
	Moulding & Compounding	20		20	...
8.068	Production	8.496	8.073	423	5,2
(4.307)	Consumption & Losses	(4.590)	(4.366)	(224)	5,1
534	Purchases & Stock Variances	565	632	(67)	(10,6)
4.295	Total availability	4.471	4.339	132	3,0
2.529	Intermediates	2.648	2.539	109	4,3
1.766	Polymers	1.771	1.790	(19)	(1,1)
10	Oilfield Chemicals	24	9	15	...
	Biochem	8	1	7	...
4.305	Sales of petrochemical products	4.451	4.339	112	2,6
	Moulding & Compounding	20		20	...
4.305	Total sales	4.471	4.339	132	3,0

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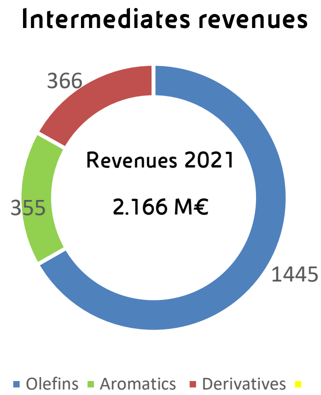
Business Unit Review

Intermediates Business Unit



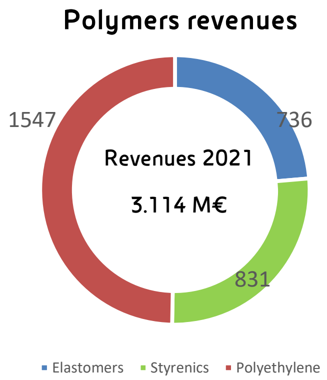
Intermediate revenues (2,166 million euros) increased by 63% (+837million euros compared to 2020) due to the increase in prices.

Sales (2,648 thousand tons) increased by 4.3%, especially in olefins (+ 7.6%) and in aromatics (+ 0.7%), while they decreased in derivatives (down by 5.9%).

Average prices increased by 56.3%, in particular aromatics (+ 84.7%), olefins (+ 52.9%) and derivatives (+50.1%).

Intermediates production (6,284 thousand tons) registered an increase of 7.2% from 2020. Increases were registered in aromatics (+14.2%) and olefins (up by 7.2%), while derivatives decreased by 7.3%.

Polymers Business Unit



Polymer revenues (3,114 million euros) increased by 64.9% (+1.226 million euros compared to 2020) due to the rise in average unit prices (+ 66.6%).

The increase in sales volumes of elastomers (11.4%) is attributable to the recovery of demand in some sectors affected by the crisis in 2020, and to the increase in the customer portfolio. There was an increase in sales of EPR (+ 40.5%), latexes (+ 23.6%) and NBR rubbers (+ 14.8%). Average sales prices increased by 46.0%.

The decrease in sales volumes of styrenics (-7.9%) due to lower product availability due to maintenance stops in Mantua, led to lower sales volumes of GPPS (-23.0%), of ABS (-16.6%) and compact polystyrene (-3.3%), offset by higher sales of styrene (+ 13.4%); there was also an increase in average sale prices (+68.9%).

Overall sales volumes of the polyethylene business were in line (-1.4%), due to the increase in sales volumes of EVA (+ 6.4%) offset by lower sales of HDPE (down by10.3%) and LDPE (down by 3.4%). Average selling prices increased by 73.9%.

The production of polymers (2,184 thousand tons) decreased by 1.2% compared to 2020, mainly due to the lower production of styrenics (-7.9%), partially offset by the higher production of elastomers (+13.4%).

Oilfield chemicals

Revenues from the oilfield chemicals business (65 million euros) increased by 16.1% (9 million euros compared to 2020) due to the increase in sales volumes (15 thousand tons) for new contracts.

Biochem

Revenues from the biochem business (60 million euros) increased by 54 million euros compared to 2020 due to the fully operational production of disinfectants and the sale of electricity with the plant at full capacity. In the year, the electricity production in Crescentino plant was around 71 GWh, of which around 51.8 GWh sold to the grid. In the year 2021, the delivery of the INVIX® disinfectant to Italian schools continued. In August 2021, authorization was obtained to produce and market PMC disinfectant in liquid format for surfaces.

Moulding e compounding

Revenues from the moulding & compounding business (70 million euros) related to the consolidation of Finproject group which took place on 1 October 2021 and referred to compounding activities for 21 million euros, moulding for 24 million euros and to ex Padanaplast activities for 25 million euros.

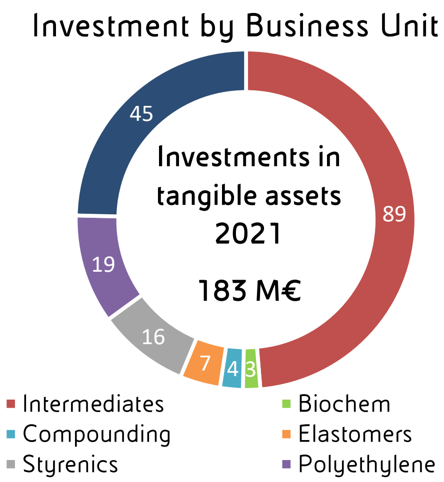
Technical investments

Net investments in tangible and intangible fixed assets of the year, equal to 190 million euros, are analyzed by business in the following table and by type in the following chart.

2019	(milion of euro)	2021	2020	Var. ass.	Var. %
37	Olefins	83	80	3	3,8
9	Aromatics	1	19	-18	(94,7)
2	Derivatives	5	2	3	...
12	Styrenics	16	14	2	14,3
14	Elastomers	7	9	(2)	(22,2)
4	Polyethylene	19	8	11	...
	Biochem	3	3		
	Compounding	4		4	...
28	Industrial Services	39	33	6	18,2
4	Staff and financial charges	6	5	1	20,0
110	Investments in tangible assets	183	173	10	5,8
8	Investments in intangible assets	7	9	(2)	(22,2)
118	Total	190	182	8	4,4

The main technical investments of the year concerned:

- adaptation of plants to safety and environmental and asset integrity regulations (76 million euros);
- scheduled maintenance work on the Mantua and Brindisi plants (50 million euros);
- decarbonisation works amounting to 21 million euros relating to the upgrading project of 2 furnaces at the Brindisi cracking plant and Auxiliary boiler on gas in Dunkirk;
- development interventions equal to 13 million euros mainly related to the GAS project for the reorganization of the Mantua production lines with the aim of maximizing the production of ABS and minimizing the production of GPPS and SAN, in the future less in demand on the market;
- cyclical maintenance interventions mainly for recoil on the furnaces of the ethylene plants in Brindisi, Dunkerque and Priolo (7 million euros);
- Finproject investments for 4 million euros;
- new endowments in the research centers of Ferrara, Mantua and Ravenna for 3 million euros.



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

Financial review of Versalis Group

PROFIT AND LOSS ACCOUNT

2019	(amounts in millions of euros)	2020	2021	Var. ass.	Var. %
4.123	Net sales from operations	3.387	5.590	2.203	65,0
115	Other income and revenues	96	112	16	16,7
(4.522)	Operating expenses	(3.825)	(5.324)	(1.499)	39,2
(2)	Other operating (expense) income	(15)		15	..
(192)	Depreciation, depletion, amortization and impairments	(132)	(256)	(124)	93,9
(478)	Operating profit (loss)	(489)	122	611	..
7	Net financial income (expense)	(7)	8	15	..
(51)	Net income (expense) from investments	(74)	5	79	..
(522)	Profit (Loss) before income taxes	(570)	135	705	..
(12)	Income taxes	(18)	(48)	(30)	..
(2,3)	*Tax Rate (%)*	*(3,2)*	*35,6*	...	..
(534)	Net profit (loss)	(588)	87	675	..

Net profit

In 2021 the Versalis Group achieved a **net profit** of 87 million euros, with an improvement of 675 million euros compared to 2020.

The operating result registered an improvement of 611 million euros mainly due to:

- Significant growth in **Polyethylene** business profitability determined by the increased demand in packaging sector and by reduced supply from European competitors due to the prolonged standstill of European crackers;
- Improvement in **styrenics** business due to the recovery of the demand;
- Improvement in **Elastomer** business due to the slight recovery of automotive sector;
- Increase in **Biochem** business profitability due to the sales of disinfectants and to the rise in sales of electricity from biomass;
- higher sundry income deriving mainly from the sale of licenses and the sale of emission rights and lower charges relating to derivatives for hedging price risk.

These positive phenomena were partially absorbed by:

- Higher economic effect deriving from the outcome of the impairment test on fixed assets, which resulted in impairment loss of 163 million euros on production plants against impairment loss of 46 million euros in the previous year (write-down of 70 million of euros on production plants and recovery of 24 million euros in value of intangibles asset);
- Worsening of **intermediate** business profitability deriving from the reduction in cracking margin due to the significant rise in virgin naphtha price, not fully compensated by the simultaneous increase in the main products (in particular, ethylene and propylene)
- Higher depreciation of 7 million euros, due mainly to the consolidation of Finproject group companies and to the recovery in value of intangible assets of the previous year.

Analysis of profit and loss account items

Net sales from operations

2019	(amounts in millions of euros)	2020	2021	Var. ass.	Var. %
1.168	Olefins	879	1.445	566	64,4
293	Aromatics	191	355	164	85,9
279	Derivatives	259	366	107	41,3
51	Oilfields chemicals	56	65	9	16,1
567	Elastomers	452	736	284	62,8
611	Styrenes	534	831	297	55,6
1.022	Polyethylene	902	1.547	645	71,5
	Biochem		60	60	..
	Moulding & Compounding		70	70	..
131	Corporate and services	114	115	1	0,9
4.123		3.387	5.590	2.203	65,0

Net sales from operations increased by 2.203 million euros mainly as a result of the rise in the average unit sales prices of polymers (66.6%) and intermediates (56.3%) and polymers (15.0%). Quantities sold increased by 3%, mainly due to elastomers (11.4%) and intermediates (4.7%).

Other income and revenues

Other income and revenues increased by 16 million euros compared to 2020, mainly due to higher revenues from sale of: licenses (16 million euros), emission trading (17 million euros), tangible assets (9 million euros), Energy Efficiency Certificates (4 million euros) and due to grants received to produce renewable energy (3 million euros). These positive effects were partially offset by the lower recovery of costs from third parties and from Eni group companies (22 million euros) and by lower insurance indemnities (6 million euros).

Operating expenses

2019	(amounts in millions of euros)	2020	2021	Var. ass.	Var. %
2.856	Production costs - raw, ancillary & consumable materials and goods	2.241	3.268	1.027	45,8
1.204	Service costs	1.119	1.535	416	37,2
22	Operating leases and other	21	23	2	9,5
5	Net provisions for contingencies	6	14	8	..
52	Other expenses	55	82	27	49,1
5	Net depreciation (write-ups of value) of trade receivables and other receivables	4	(1)	(5)	..
378	Payroll and related costs	379	403	24	6,3
4.522		3.825	5.324	1.499	39,2

Operating expenses increased by 1.499 million euros, equal to 39.2%, as illustrated in the previous table.

The 45.8% increase in costs for the **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 2020 and to the increase in purchased quantities.

Service costs increased by 37.2% mainly due to the increase in prices of utilities (methane, electricity, steam, natural gas and water) and in logistics costs. These effects were only partially offset by reduction in maintenance costs, ecological treatments, planning and construction management costs and in consultancy and service costs.

The increase of 8 million euro in **net provisions for risks and charges** is mainly due to lower net uses of provisions for environmental risks and charges (8 million euros) and of provisions for risks and charges for restructuring (2 million euros), partially offset by higher net uses of the provision for disputes and litigations (2 million euros).

Other **net expenses** increased by 27 million euros mainly for higher charges incurred to purchase emissions rights (24 million euros) and for indirect duties and taxes (3 million euros).

Net uses of bad debt provisions increased by 5 million euros mainly for higher credit losses.

Labor costs

Labor costs increased by 24 million euros mainly due to the consolidation of Finproject group companies, the early retirement programme (so called "Contratto di espansione", provided for by Italian Government) joined by the company Versalis spa and to higher cost for redundancy and mobility.

Other operating (expense) income

Other operating expenses of 15 million euros in 2020 were related to derivatives to hedge the price risk of virgin naphtha.

Depreciation, amortization and impairment

2019	(milioni di euro)	2020	2021	Var. ass.	Var. %
73	Tangible assets	80	79	(1)	(1,3)
7	Depreciation of leasing right-of-use asset	5	6	1	20,0
9	Intangible assets	1	8	7	..
89	Depreciation	86	93	7	8,1
103	Impairment (value recovery) net	46	163	117	..
192		132	256	124	93,9

Depreciation of intangible assets increased by 7 million euros compared to last year, mainly due to the consolidation of Finproject group companies, occurred in last quarter of the year (5 million euros), and due to the outcome of 2020 impairment test, which resulted in write-backs on CGU Polyethylene intangible assets.

The impairment test carried out in 2021 resulted in net impairment loss for a total of 163 million euros and impacted only tangible assets and in particular the following Cash Generating Units (CGUs): Elastomers (impairment loss of 91 million euros), Styrenics (impairment loss of 35 million euros), Intermediates (impairment loss of 33 million euros) and Biochem (impairment loss of 4 million euros).

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

2019	(milion of euros)	2020	2021	Var. ass.	Var. %
(6)	Financial income (expenses) related to net borrowing	(9)	(12)	(3)	33,3
11	Financial income (expenses) from receivables and securities- operating activities	2	10	8	...
1	Financial income (expenses) on derivative contracts	(2)	5	7	...
1	Foreign exchange gains (losses)		4	4	...
(3)	Other financial income (expenses)	(1)	(1)		
3	Capitalized financial expenses	3	2	(1)	(33)
7		(7)	8	15	...

Net financial income of 8 million euros increased by 15 million euros mainly due to the increase in financial income related to the financial receivable from the jointly controlled company Matrìca and to the increase in financial income on derivative contracts.

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

2019	(milion of euros)	2020	2021	Var. ass.	Var. %
(33)	Income (losses) from equity valuations	(49)	(9)	40	82
	Income (losses) from fair value valuations		20	20	..
(18)	Other income (expense) from investments	(25)	(6)	19	76
(51)		(74)	5	79	107

Net income from investments of 5 million euros mainly relate to the effects of the valuation of investments in the company Finproject until the moment of consolidation (capital gain of 25 million euros), the effects of the valuation of investments in the jointly controlled company Lotte Versalis Elastomers (capital loss of 15 million euros) as well as the provision made to meet the net financial requirement of the jointly controlled company Matrìca (6 million euros).

Income taxes

The tax rate analysis is as follows:

2019	(milion of euros)	2020	2021	Var. ass.
	Loss before income taxes			
(428)	Italy	(598)	(74)	524
(94)	Abroad	28	209	181
(522)		(570)	135	705
	Income taxes			
20	Italy	(2)	3	5
(8)	Abroad	20	45	25
12		18	48	30

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

RECLASSIFIED BALANCE SHEET (*)

(milion of euro)	31.12.2020	31.12.2021	Var. ass.
Fixed assets			
Property, plants and equipment	854	840	(14)
Leasing Right of use	17	20	3
Intangible assets	53	332	279
Investments	235	268	33
Receivables and securities held for operating purposes	6	6	
Net payables related to capital expenditures	(74)	(43)	31
	1.091	1.423	332
Net working capital			
Inventories	669	934	265
Trade receivables	495	803	308
Trade payables	(575)	(821)	(246)
Tax receivables (payables) and deferred tax	43	(45)	(88)
Provision for contingencies	(117)	(94)	23
Other current asset (liabilities)	93	99	6
	608	876	268
Provision for employee benefits	(73)	(73)	
NET CAPITAL EMPLOYED	1.626	2.226	600
Net Equity	222	909	687
Net financial debt (surplus)	1.404	1.317	(87)
TOTAL LIABILITIES AND SHAREHOLDERS'EQUITY	1.626	2.226	600

(*) See "Reconciliation of reclassified balace sheet, income statement and cash flow statement with the statutory financial statements".

Fixed Assets

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

Property, plants and equipment, amounting to 840 million euros, decreased by 14 million euros mainly due to the outcome of the impairment test, which resulted in a net devaluation of plant of 163 million euros, and to the depreciation for the year (79 million euros). Such effects were partially offset by technical investments for the year (183 million euros) and by the consolidation of Finproject group companies (50 million euro).

The **right to use** leased assets of 20 million euros mainly refers to the right to use land (9 million euros), industrial buildings (6 million euros) and to the right to use motor vehicles (4 million euros).

Intangible assets, equal to 332 million euros, increased by 279 million euros mainly due to the acquisition of Finproject group companies and to the technical investments for the year. These effects were partially offset by depreciation for the period (8 million euros).

Investments, equal to 268 million euros, increased by 33 million euros mainly due to the fair value measurement with reserve effects of the shares held in Novamont SpA (106 million euros), to the effect of the valuation of the investment held in Finproject until the consolidation date (25 million euros) and to the payment for the share capital increase of the jointly controlled company Lotte Versalis Elastomers Co. Ltd (19 million euros). Such positive effects were offset by the change in scope of consolidation (98 million euros) resulting from the complete acquisition of Finproject group, by the effects of valuation of the investments in the jointly controlled company Lotte Versalis Elastomers Co. Ltd (losses for 15 million euros) and by the reduction of the investments held in the associated company Ravenna Servizi Industriali. For the jointly controlled company Matrìca, the payment to the future share capital increase of the company (25 million euros), was offset by the use of the related provision for future risks and charges (25 million euros); despite the fact that the shareholders' equity of the jointly controlled company Matrìca held by Versalis spa is equal to 9 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 6 million euros mainly related to the financial credit granted to the jointly controlled company Matrìca SpA. The non-current portion of this financial receivable, amounting to 32 million euros, was fully written down, while the short-term portion wasn't since the jointly controlled company Matrìca is deemed to be able to repay it in 2022.

Net payables related to capital expenditures decreased by 31 million euros mainly due to the payment of the second part of the 40% shareholding acquisition in Finprojects SpA (52 million euros) occurred in 2020 and due to the decrease in payables related to capital expenditure (12 million euros). These effects were partially offset by the increase in payables for subscribed and still to be paid investments related to the purchase of the remaining 60% of Finproject shares whose payment was deferred to 2022 and by the decrease in receivables for insurance indemnities related to tangible assets (7 million euros).

Net working capital

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

The 265 million euro increase in **inventories** is attributable to the increase in weighted average cost of inventories, partially offset by reduction in quantities in stock, and to the consolidation of Finproject group companies. The increase mainly concerns finished products and raw materials. These amounts include net release of the provision for impairment losses on inventories for 14 million euro, for adjustment to the market value of the quantities in stock.

The 308 million euro increase in **trade receivables** is essentially caused by the increase in turnover, due to higher sale prices, and by the inclusion of Finproject group companies in scope of consolidation.

Trade payables increased by 246 million euros due to the increase in operative costs and to the above-mentioned change in consolidation scope.

The change in **tax receivables and net tax provision** of 88 million euros is mainly due to the increase in net VAT payables (24 million euros) and in income tax payables (23 million euros), to the deferred tax liabilities related to the Purchase price allocation of Finproject group acquisition (35 million euros) and to the reduction of net deferred tax assets (4 million euros).

The 23 million euro decrease in **provisions for risks and charges** is mainly due to the net decrease of 19 million euros in provision for Matrìca financial support, of 5 million euros in provision for disposals and restructuring and of 3 million euros in the provision for disputes. These effects were partially offset by the increase of 3 million euro in the provision for environmental risks and charges.

The 6 million euro increase in **other current assets** is mainly due to the increase of 9 million euros in advances to suppliers, in other current receivables of 3 million euros from third parties and of 7 million euros from Eni Group companies. These effects are partially offset by the 10 million euro rise in other payables from third parties and from Eni group companies (3 million euros).

Statement of Comprehensive Income

(amounts in million of euros)	2020	2021
PROFIT (LOSS) FOR THE PERIOD	(588)	87
Other items of comprehensive profit (loss)		
Valuation of defined-benefit plan for employees	(2)	4
Foreign currency translation differences	(6)	(4)
Amount related to equity-accounted investments	5	(5)
Fair value measurement of minority shareholding		106
Tax effects related to other components of the comprehensive loss that cannot be reclassified in profit and loss account	1	(1)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR	(590)	187

Shareholders' equity

(amounts in million of euros)	
Shareholders equity as at December 31, 2020	222
Total comprehensive profit (loss)	187
Shareholder payment	500
Shareholders equity as at December 31, 2021	909

Shareholders' equity amounted to 909 million euros and increased by 687 million euros compared to 2020 due to the comprehensive profit for the year and to the payment of 500 million of euros made in favor of Versalis spa by its sole shareholder to partially cover previous years' losses.

Net financial debt

(amounts in millions of euros)	31.12.2020	31.12.2021	Var. ass.
Financial debt - short term	995	655	(340)
Financial debt - medium long term	450	741	291
Lease liabilities	21	21	
Cash and cash equivalent	(62)	(99)	(37)
Financial assets made for non-operating purposes		(1)	(1)
Net financial debt	1.404	1.317	(87)
Net Equity	222	909	687
Leverage	6,32	1,45	(4,88)

The 87 million euro decrease in **net financial debt** is essentially due to the cash requirements for technical (190 million euros) and financial (173 million euros) investments, to the changes in net borrowings on acquired companies (106 million euros) and to the change in payables and receivables related to investment activities of 23 million euros (of whom 9 million in financial credit repayment and 7 million in change of receivables from asset divestments). These effects were offset by net cash flow from operating activities (75 million euros) and by equity cash flow (500 million euros). The increase in long term financial debts, compared to 2020, is mainly due to the taking out of a medium-long term loan of 300 million euros, with capital repayment term in 2024. 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

	Net Profit (loss)		Shareholders' equity	
(amounts in millions of euros)	2020	2021	31.12.2020	31.12.2021
As recorded in the annual Financial Statements of Versalis SpA	(633)	(116)	432	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	(88)	224	(296)	(236)
Consolidation adjustments:				
- elimination of tax adjustments and compliance with accounting policies	144	(21)	64	237
- deferred taxation	(12)	(1)	24	(14)
- elimination of intercompany profits	1	1	(2)	(2)
As recorded in the Consolidated Financial Statements	(588)	87	222	909

RECLASSIFIED CASH FLOW STATEMENT (*)

In 2021, the **net cash flow from operating activities** is positive for 75 million euros. Disbursements for technical investments (190 million euros), investments in equity investments (173 million euros) and the change in receivables relating to investment activities (39 million) , only partially offset by the change in receivables relating to divestment activities (17 million) and by financing credit repayment (9 milion euros), generated a negative free cash flow of 301 million euros, covered thanks to the financing lines guaranteed by the parent company Eni SpA and thanks to its payment of 500 million to partially cover previous years' losses.

2019	(amounts in millions of euros)	2020	2021	Var. ass.
(534)	Net profit (loss) for the period	(588)	87	675
	Adjustments to reconcile net profit (loss) to net cash provided by operating activities:			
231	- depreciation and amortization and other non monetary items	207	244	37
	- net gains on disposal of assets		(9)	(9)
13	- dividends, interest, taxes and other charges	22	56	34
68	Changes in working capital	(23)	(272)	(249)
8	Dividends received, taxes (paid) received, interest (paid) received	18	(31)	(49)
(214)	Net cash flow provided by operating activities	(364)	75	439
(118)	Investments in fixed assets	(182)	(190)	(8)
(76)	Investments and purchase of consolidated subsidiaries and businesse	(139)	(173)	(34)
	Disposals		10	10
	Financial investments			
9	Financing receivable repayment	5	9	4
(15)	Other cash flow related to investing activities	49	(39)	(88)
	Other cash flow related to divesting activities		7	7
(414)	Free cash flow	(631)	(301)	330
425	Change in short-term and long-term debt	361	(142)	(503)
(14)	Reimbursement of lease liabilities	(10)	(20)	(10)
	Cash flow from capital and reserves	300	500	200
(3)	NET CASH FLOW FOR THE PERIOD	20	37	17

2019	(amounts in millions of euros)	2020	2021	Var. ass.
(414)	Free cash flow	(631)	(301)	330
(4)	Exchange differences on net borrowings and other changes	3	(3)	(6)
(14)	Reimbursement of lease liabilities	(10)	(20)	(10)
	Change in financial debts and credits on acquired companies		(106)	(106)
	Cash flow from capital and reserves	300	500	200
(432)	CHANGE IN NET BORROWINGS ANTE IFRS16	(338)	70	408
(22)	First application IFRS 16			
14	Reimbursement of lease liabilities	10	20	10
(1)	New leasing liabilies and other variation	(5)	(3)	2
(9)	Variation in lease liabilities	5	17	12
(441)	CHANGE IN NET BORROWINGS POST IFRS16	(333)	87	420

* See "Reconciliation of the reclassified balance sheet, income statement and cash flow statement with the statutory".

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)) (amounts in millions of euros)	Ref. to notes to the consolidated financial statements	31.12.2020		31.12.2021	
		Partial amounts from the consolidated financial statements	Amounts from the reclassified financial statements	Partial amounts from the consolidated financial statements	Amounts from the reclassified financial statements
Fixed assets					
Property, plant and equipment			854		840
Right of use			17		20
Intangible assets			53		332
Equity accounted investments			155		82
Other investments			80		186
Receivables & securities for operating activities, made up of:			6		6
- other non-current financial assets		6		6	
Net payables related to capital expenditures, made up of:			(74)		(43)
- payables related to capital expenditures	(see note 18)	(81)		(43)	
- receivables for insurance indemnities for tangible fixed asset		7			
Total fixed assets			1.091		1.423
Net working capital					
Inventories			669		934
Trade receivables			495		803
Trade payables			(575)		(821)
Tax receivables (payables) & provisions for tax, made up of:			43		(45)
- income tax payables	(see note 19)	(1)		(24)	
- other tax payables	(see note 20)	(11)		(18)	
- deferred tax liabilities	(see note 24)			(34)	
- payables for tax transparency v/s joint ventures	(see note 20)				
- payables for Group VAT	(see note 18)	(10)		(27)	
- current tax assets	(see note 5)	2		5	
- other current tax assets	(see note 6)	11		11	
- deferred tax assets	(see note 14)	36		32	
- other non current tax assets				1	
- receivables for tax consolidation					
- receivables for Group VAT	(see note 3)	16		9	
Provisions for risks and charges			(117)		(94)
Other current assets and liabilities, made up of:			93		99
- other receivables	(see note 3)	190		209	
- other (current) assets	(see note 6)	3		4	
- other receivables and other assets (non current)	(see note 15)	1		2	
- advances, other payables	(see note 18)	(75)		(89)	
- other (current) liabilities	(see note 20)	(7)		(9)	
- other payables and other liabilities (non current)	(see note 25)	(19)		(18)	
Total net working capital			608		876
Provisions for employee benefits			(73)		(73)
NET CAPITAL EMPLOYED			1.626		2.226
Shareholders' equity			222		909
Net borrowings					
Total debt, made up of:					
- long-term debt	(see note 21)	441		732	
- current portion of long-term debt	(see note 21)	9		9	
- short-term debt	(see note 16)	995		655	
Lease liabilities			21		21
- Long term lease liabilities		13		14	
- Short term lease liabilities		8		7	
Less:					
Cash and cash equivalent	(see note 1)	(62)		(99)	
Financial assets made for non operating purposes				(1)	
Total Net finacial debt			1.404		1.317
NET FINANCIAL DEBT AND SHAREHOLDERS' EQUITY			1.626		2.226

Reclassified Consolidated Cash Flow Statement

Items of the Reclassified Cash Flow Statement and confluence/reclassification of items in the statutory format (amounts in millions of euros)	2020		2021	
	Partial amounts from statutory	Amounts from the reclassified financial	Partial amounts from statutory	Amounts from the reclassified financial
Net Profit (Loss)		(588)		87
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:				
Depreciation and amortization and other non-monetary items		207		244
- depreciation and amortization	86		93	
- net impairment of tangible and intangible assets	46		163	
- eliminations				
- impairments (write-backs) of investments	74		15	
- currency translation differences from alignment			(5)	
- economic effects on securities and financial receivables			(9)	
- valuation of equity investments valued at cost			(20)	
- net change in provision for employee benefits	1		7	
Net gains on disposal of assets				(9)
Dividends, interest, income taxes and other charges		22		56
- dividends				
- interest income	(2)		(2)	
- interest expense	6		10	
- income taxes	18		48	
Changes in working capital		(23)		(272)
- inventories	150		(229)	
- trade receivables	(42)		(251)	
- trade payables	(79)		203	
- provisions for risks and charges	(10)		(5)	
- other assets and liabilities	(42)		10	
Dividends received, taxes paid, interest (paid) received during the period		18		(31)
- dividends received				
- interest received	1		2	
- interest paid	(6)		(10)	
- Income taxes received (paid) including tax credits recharged	23		(23)	
Net cash flow provided by operating activities		(364)		75
Capital expenditures		(182)		(190)
- tangible assets	(173)		(183)	
- intangible assets	(9)		(7)	
Investments and purchase of consolidated subsidiaries and businesses		(139)		(173)
- non consolidated investments			(45)	
- investments and purchase of consolidated subsidiaries and businesses	(139)		(128)	
- branch companies				
Divestments and partial disposals of consolidated investments		0		10
- tangible assets			10	
- intangible assets				
- subsidiaries excluded from the scope of consolidation				
- investments	0			
Other changes related to investment activity		54		(23)
- Repaymentt of financial receivables	5		9	
- financial investments: financial receivables				
- change in payables and receivables related to divestments			7	
- change in payables and receivables related to investments	49		(39)	
Free cash flow		(631)		(301)
Change in short-term and long-term debt		351		(162)
- proceeds from long-term finance debt	400		300	
- payments from long-term finance debt	(9)		(60)	
- payments from lease liabilities	(10)		(20)	
- change in short-term finance debt	(30)		(383)	
- foreign currency exchange differences	0		1	
- change in the consolidation of cash & cash equivalents				
Cash flow from equity capital:		300		500
- net capital contribution (repayments) by/to third parties	300		500	
Net cash flow for the period		20		37

Financial review of Versalis SpA

PROFIT AND LOSS ACCOUNT

2019	(amounts in millions of euros)	2020	2021	Var. ass.	Var. %
3.259	Net sales from operations	2.681	4.236	1.555	58,0
109	Other income and revenues	86	103	17	19,8
(3.665)	Operating expenses	(3.106)	(4.212)	(1.106)	(35,6)
(2)	Other operating (expense) income	(15)		15	..
(48)	Depreciation, amortization and impairment	(163)	(209)	(46)	(28,2)
(347)	Operating Profit (Loss)	(517)	(82)	435	84,1
7	Net finance income (expense)	(5)	4	9	..
(67)	Net income (expense) from investments	(113)	(37)	76	67,3
(407)	Profit (Loss) before income taxes	(635)	(115)	520	81,9
(20)	Income taxes	2	(1)	(3)	..
(427)	Net Profit (Loss)	(633)	(116)	517	81,7

Net Loss

The financial statements of Versalis SpA closed with a net loss for the year of 116 million euros (loss of 633 million euros in 2020), determined by the operating loss of 82 million euros, net financial income of 4 million euros, due to net charges on equity investments of 37 million euros and income tax charges of 1 million euros.

The operating result registered an improvement of 435 million euros mainly due to:

- Significant increase in **Polyethylene** business profitability determined by the increased demand in packaging sector and by reduced supply from European competitors due to the prolonged shutdown of European crackers and to the Covid-19 pandemic;
- Improvement in the **styrenics** business due to the recovery of the demand;
- Improvement in the **Elastomer** business due to the slight recovery of automotive sector;
- Increase in **Biochem** business profitability due to the sales of disinfectants and to the increase in sales of electricity from biomass;
- higher sundry income deriving mainly from the sale of licenses and the sale of emission rights and lower charges relating to derivatives for hedging price risk.
- lower depreciation of tangible assets mainly due to the write-downs occurred in 2020 and due to a review of the residual useful life of the plants.

These positive phenomena were partially absorbed by:

- Worsening of **intermediate** business profitability deriving from the reduction in cracking margin due to the significant increase in virgin naphtha price, not fully compensated by the simultaneous increase in the main products (in particular ethylene and propylene);
- Higher economic effect deriving from the outcome of the impairment test on fixed assets, which resulted in impairment loss of 149 million euros on production plants, against impairment loss of 98 million euros in the previous year (write-down of 122 million of euros on production plants and recovery of 24 million euros in value of intangibles asset).

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

2019	(amounts in millions of euros)	2020	2021	Var. ass.	Var. %
874	Olefins	679	994	315	46,4
293	Aromatics	191	355	164	85,9
276	Derivatives	259	366	107	41,3
33	Oilfields Chemicals	31	40	9	29,0
449	Elastomers	360	582	222	61,7
587	Styrenes	492	779	287	58,3
618	Polyethylene	560	949	389	69,5
	Biochem		60	60	..
129	Corporate and services	109	111	2	1,8
3.259		2.681	4.236	1.555	58,0

Net sales from operations increased by 1.555 million euros mainly because of the increase in average unit sales prices and a slight increase in volume sold.

Other income and revenues

Other income and revenues increased by 17 million euros compared to 2020, mainly due to higher revenues from sale of: licenses (15 million euros), emission trading (12 million euros), tangible assets (9 million euros), Energy Efficiency Certificates (4 million euros) and due to grants received to produce renewable energy (4 million euros). These effects were partially offset by the lower recovery of costs from third parties and from Eni group companies (25 million euros) and by lower insurance indemnities (3 million euros).

Operating expenses

2019	(amounts in millions of euros)	2020	2021	Var. ass.	Var. %
2.223	Production costs - raw, ancillary and consumable materials and goods and inventory changes	1.739	2.427	688	39,6
1.077	Service costs	998	1.386	388	38,9
19	Operating leases and other	18	22	4	22,2
4	Net provisions for contingencies	9	12	3	33,3
52	Other expenses	47	62	15	31,9
-8	Net depreciation (write-ups) of trade recivables and other receivables	(3)	(7)	(4)	133,3
298	Payroll and related costs	298	310	12	4,0
3.665		3.106	4.212	1.106	35,6

Operating costs decreased by 1.106 million euros, equal to 55.6%, as shown in the previous table.

The 39.6% increase in **costs for the purchase of raw materials**, subsidiaries, consumables, goods and changes in inventories is mainly due to the rise in the average unit price of virgin naphtha in euros compared to 2020 and to a slight increase in quantities purchased.

Service costs grew by 38.9% mainly due to the increase in prices of utilities (methane, electricity, steam, natural gas and water), in logistics costs and in costs of investment. These effects were only partially offset by reduction in maintenance costs, ecological treatments, planning and construction management costs and in consultancy and service costs.

The increase of 3 million euro in **net provisions for risks and charges** is mainly due to lower net uses of provisions for environmental risks and charges (8 million euros), partially offset by higher net uses of the provision for disputes and litigations (3 million euros) and by lower net provisions for risks and charges for restructuring.

Other **net expenses** increased by 15 million euros mainly for higher costs incurred to purchase emissions rights (14 million euros) and for higher losses on trade receivables (one million euros).

Payroll and related costs

Labor costs increased by 12 million euros mainly due to Versalis spa joining the early retirement program (so called "Contratto di espansione") provided for by Italian Government and to higher cost for redundancy and mobility.

Other operating (expense) income

Other operating expenses of 15 million euros in 2020 were related to derivatives to hedge the price risk of virgin naphtha.

Depreciation, amortization and impairment

2019	(amounts in millions of euros)	2020	2021	Var. ass.	Var. %
46	Tangible asset	62	55	(7)	(11,3)
4	Right of use	2	2		
9	Intangible asset	1	3	2	..
59	Depreciation and amortizations	65	60	(5)	(7,7)
(11)	Impairment (reversal)	98	149	51	52,0
48		163	209	46	28,2

Depreciation decreased by 5 million euros compared to the previous year, mainly due to the write-downs occurred in 2020 and due to a review of the residual useful life of the plants.

The impairment test carried out in 2021 resulted in net impairment loss for a total of 149 million euros and impacted only tangible assets and in particular the following Cash Generating Units (CGUs): Elastomers (impairment loss of 75 million euros), Styrenics (impairment loss of 35 million euros), Intermediates (impairment loss of 35 million euros) and Biochem (impairment loss of 4 million euros).

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

Net financial expenses

2019	(amounts in millions of euros)	2020	2021	Var. ass.	Var. %
(6)	Financial income (expense) related to net borrowings	(8)	(11)	(3)	37,50
11	Income (expense) on loans and securities related to operations	2	2		
1	Income (expense) on derivative contracts	(1)		1	..
1	Exchange differences		3	3	..
(3)	Other financial income (expense)	(1)	8	9	..
3	Financial expenses capitalized	3	2	(1)	(33,33)
7		(5)	4	9	..

Net financial income of 4 million euros grew by 9 million euros mainly due to the increase in financial income related to the financial receivable from the jointly controlled company Matrica.

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 directly in the income statement.

Net income (expense) from investments

2019	(amounts in millions of euros)	2020	2021	Var. ass.	Var. %
25	Dividends	6	6		
(74)	(Allocations to) Utilization of provisions for impairment of investments	(121)	(62)	59	(48,8)
(18)	(Allocations to) Utilization of provisions to cover losses	2	19	17	..
(67)		(113)	(37)	76	(67,3)

Net charges from investments of 37 million euros refer to the allocation to the provision for losses on investment in the subsidiary Versalis UK (52 million euros) for adjustment to the value in use and in the jointly controlled company Lotte Versalis Elastomers (12 million euros) as well as the provision made to meet the net financial requirement of the jointly controlled company Matrìca (6 million euros).

These effects were partially offset by the release of the provision for losses on investment in the subsidiary Dunastyr (27 million euros) and by dividends received by the subsidiaries Versalis Deutschland (3 million euros) and Versalis International (2 million euros) and by the related company Priolo Servizi ScpA (one million euros).

Income taxes

2019	(amounts in millions of euros)	2020	2021	Var. ass.
(18)	IRES	(3)		3
	IRAP			
(18)	Current taxes	(3)		3
(20)	Deferred taxes	13	(10)	(23)
58	Prepaid taxes	(12)	11	23
38	Net prepaid taxes	1	1	
20		(2)	1	3

The 3 million euro increase in income taxes compared to 2020 mainly comes from the decrease in income for IRES national tax consolidation (both current and relating to previous years).

RECLASSIFIED BALANCE SHEET[3]

(amounts in millions od euros)	31.12.2020	31.12.2021	Var. ass.
Fixed asset			
Property, plant and equipments	681	630	(51)
Right of use	4	4	
Intangible assets	52	57	5
Investments	598	897	299
Receivables and securities held for operating activities	6	86	80
Net payables related to capital expenditure	(72)	(40)	32
	1.269	1.634	365
Net working capital			
Inventories	522	709	187
Trade receivables	449	600	151
Trade payables	(499)	(676)	(177)
Tax receivables (payables) and provisions for deferred tax	6	(18)	(24)
Provisions for risks and charges	(102)	(77)	25
Other current assets (liabilities)	128	148	20
	504	686	182
Provisions for employee benefits	(71)	(72)	(1)
NET CAPITAL EMPLOYED	1.702	2.248	546
Shareholders' equity	432	924	492
Net borrowings	1.270	1.324	54
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.702	2.248	546

(*) See "Reconciliation of reclassified balance sheet, income statement and cash flow statement with the statutory financial statements."

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 630 million euros, decreased by 51 million euros mainly due to the outcome of the impairment test, which resulted in a net devaluation of plant of 149 million euros, and to the depreciation for the year (55 million euros). Such effects were partially offset by technical investments for the year (154 million euros).

The **right to use** leased assets of 4 million euros mainly refers to the right to use the cars granted to employees.

Intangible assets , equal to 57 million euros, increased by 5 million euros mainly due to technical investments for the period (7 million euros), partially offset by the depreciation for the period (3 million euros). The impairment test carried out in 2021 didn't impact on intangible assets.

Investments of 897 million euros increased by 299 million euros essentially due to: the acquisitions of the remaining 60% of the shares in the company Finproject SpA (149 million euros), the fair value measurement with reserve effects of the shares held in Novamont SpA (106 million euros),the capital increase of 60 million euros in the subsidiary Versalis UK, the release of the provision for losses on investment in the subsidiary Dunastyr (27 million euros), the payment to the future share capital increase of the jointly controlled company Matrica (25 million euros), the capital increase of 19 million of euros in joint-venture Lotte Versalis Elastomers, and the purchase of the shares in the related company Priolo Servizi (1 million euros). Those effects were partially offset by the impairment of the investment in the controlled subsidiary Versalis UK (52 million euros), in the jointly

[3] Refer to the comment on the consolidated economic and financial results for the methodological illustration of the reclassified schedules.

controlled company Matrìca (impairment of 25 million euros) and in the joint venture Lotte Versalis Elastomers (12 million euros).

Financial receivables and securities held for operating activities of 86 million euros increase by 80 million euros mainly for the loan granted to the subsidiary Finproject. The remaining 6 million euros related to the financial credit granted to the jointly controlled company Matrìca SpA. The non-current portion of this financial receivable, amounting to 32 million euros, was fully written down, while the short-term portion wasn't since the jointly controlled company Matrìca is deemed to be able to repay it in 2022.

Net payables related to capital expenditures decreased by 32 million euros mainly due to the payment of the second part of the 40% shareholding acquisition in Finprojects (52 million euros) occurred in 2020 and due to the decrease in payables related to capital expenditure (12 million euros). These effects were partially offset by the increase in payables for subscribed and still to be paid investments (25 million euros) related to the purchase of the remaining 60% of Finproject shares whose payment was deferred to 2022 and by the decrease in receivables for insurance indemnities related to tangible assets (7 million euros).

Net working capital

The 187 million euro increase in **inventories** is attributable to the increase in weighted average cost of inventories, partially offset by reduction in quantities in stock. The rise mainly concerns finished products. These amounts include net release of the provision for impairment losses on inventories for 13 million euro, for adjustment to the market value of the quantities in stock.

The 151 million euro increase in trade receivables is essentially caused by the increase in turnover, due to higher sale prices.

Trade payables increased by 177 million euro due to the increase in operative costs.

The increase in **tax receivables and net tax provision** of 24million euros is mainly due to the rise in Group VAT payables.

The 25 million euro decrease in **provisions for risks and charges** is mainly due to the net decrease of 19 million euros in provision for Matrìca financial support, of 5 million euros in provision for disposals and restructuring, of 3 million euros in the provision for disputes and by 2 million of euros in provision for redundancy. These effects were partially offset by the increase of 4 million euro in the provision for environmental risks and charges.

The 20 million euro increase in **other current assets** is mainly due to the rise in other current receivables from Eni Group companies (13 million euro), in receivables from licenses and royalties (8 million euro), in advances to suppliers (6 million euros) and in other current receivables from third parties (3 million euros) and from subsidiaries (2 million euros). These effects were partially offset by the 7million euro rise in other payables to employees, by the 2-million-euro net decrease in derivatives and by the increase in payables to parent companies (2 million euros) and in security deposit from customers (one million euro).

Shareholders' equity

(amounts in millions of euros)

Shareholders' equity as at December 31, 2020	432
Net loss	(116)
Shareholder payment	500
Fair value measurement of minority shareholding	106
Reserves relating to employee benefits	2
Shareholders' equity as at December 31, 2021	924

Shareholders' equity amounted to 924 million euros and increased by 492 million euros, mainly due to the payment of 500 million of euros made in favor of Versalis spa by its sole shareholder to partially cover previous years' losses, to the fair value measurement with reserve effects of the shares held in Novamont SpA (106 million euros) and to the reserve effects relating to employee benefits in application of IAS 19 (2 million of Euro). These effects were partially offset by the loss for the year (116 million euros).

Net financial debt

(amounts in millions of euros)	31.12.2020	31.12.2021	Var. ass.
Short term financial debt	841	595	(246)
Medium long term financial debt	441	732	291
Lease liabilities	7	4	(3)
Cash and cash equivalent	(19)	(7)	12
Net financial debt	1.270	1.324	54

The 54 million euro increase in **net financial debt** is essentially due to the net cash flow from operating activities (negative for 44 million euros) as well as cash requirements for technical (161million euros) and financial (229 million euros) investments, to the investments in financial receivables (80 million euros) and to the net change in investment activities by 38 million euros (of whom 9 million in financial credit repayment and 10 million in change of receivables from asset divestments); effects partially offset by equity cash flow (500 million euros) and by the change in financial payables. The increase in long term financial debts, compared to 2020, is mainly due to the taking out of a 300-million-euro medium-long term loan, with capital repayments term in 2024. For further details, see the comment on the reclassified cash flow statement.

RECLASSIFIED CASH FLOW STATEMENT (*)

2019	(amounts in millions of euros)	2020	2021	Var. ass.
(427)	Net profit (loss) for the period	(633)	(116)	517
	Adjustments to reconcile net profit (loss) to net cash provided by operating activities:			
131	- depreciation, depletion, and amortization and other non monetary ite	286	236	(50)
	- net gains on disposal of assets		(9)	(9)
(6)	- dividends, interest, taxes and other charges	(5)	2	7
36	Changes in working capital	(48)	(154)	(106)
34	Dividends received, taxes (paid) received, interest (paid) received	23	(3)	0 (26)
(232)	Net cash flow provided by operating activities	(377)	(44)	333
(106)	Capital expenditures	(171)	(161)	10
(79)	Investments and purchase of consolidated subsidiaries and businesse	(139)	(229)	(90)
	Disposals			
	Financial investments: financial receivables		(80)	(80)
9	Repayment of financial receivables	5	9	4
(15)	Other changes related to investment activity	49	(57)	(106)
	Other changes related to divestment activity		10	10
(423)	Free cash flow	(633)	(552)	81
415	Change in short-term and long-term debt	356	45	(311)
(10)	Change in lease liabilities	(7)	(5)	2
	Equity cash flow	300	500	200
(18)	NET CASH FLOW FOR THE PERIOD	16	(12)	(28)

Change in Net financial debt

2019	(amounts in millions of euros)	2020	2021	Var. ass.
(423)	Free cash flow	(633)	(552)	81
	Exchange differences on net borrowings and other changes			0
(10)	Change in lease liabilities	(7)	(5)	2
	Change in financial			0
	Equity cash flow	300	500	200
(433)	Change in Net financial debt ante Leasing	(340)	(57)	283
(3)	IFRS 16 first application			0
10	Change in lease liabilities	7	5	(2)
(1)	Other changing	(2)	(2)	0
6	Change in lease liabilities	5	3	(2)
(427)	Change in Net financial debt post Leasing	(335)	(54)	281

* for the reconciliation to the mandatory scheme see the paragraph "Reclassification of the reclassified schedules recorded in the management report to those required".

In 2021, the net cash flow from operating activities was negative for 44 million euros. Disbursements for technical investments (161 million euros) and for equity investments (229 million euros), the financial loan granted to the subsidiary Finproject (80 million euros) and the change in receivables relating to investment activities (57 million euros), only partially offset by cash flow from divestments (10 million euros) and by financial repayment (9 million euros), generated a negative free cash flow of 552 million euros, covered thanks to the financing lines guaranteed by the parent company Eni SpA and thanks to its payment of 500 million to partially cover previous years' losses.

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

Items of the Reclassified Balance Sheet (where not expressly indicated,the item derives directly from the financial statements (statutory format) (amounts in millions of euros)	31.12.2020 Partial amounts from statutory format	31.12.2020 Amounts from the reclassified financial statements	31.12.2021 Partial amounts from statutory format	31.12.2021 Amounts from the reclassified financial statements
Fixed assets				
Property, plant and equipment		681		630
Intangible assets		52		57
Right of use		4		4
Equity accounted investments and Other investments		598		897
Receivables & securities for operating activities, made up of:		6		86
- other receivables	5		86	
- other non-current financial assets	1			
Net payables related to capital expenditures, made up of:		(72)		(40)
- payables related to capital expenditures	(79)		(40)	
- receivables related to asset divestments	7			
Total fixed assets		**1.269**		**1.634**
Net working capital				
Inventories		522		709
Trade receivables		449		600
Trade payables		(499)		(676)
Tax receivables (payables) & provisions for tax, made up of:		6		(18)
- income tax payables				
- other tax payables	(8)		(10)	
- deferred tax liabilities				
- payables for tax transparency v/s joint ventures				
- payables for Group VAT	(10)		(27)	
- current tax assets			3	
- other current tax assets				
- deferred tax assets	8		7	
- receivables for tax consolidation				
- receivables for Group VAT	16		9	
Provisions for risks and charges		(102)		(77)
Other current assets and liabilities, made up of:		128		148
- other receivables	183		215	
- other (current) assets	2		1	
- other receivables and other assets (non current)	1		1	
- advances, other payables	(53)		(64)	
- other (current) liabilities	(5)		(5)	
- other payables and other liabilities (non current)				
Total net working capital		**504**		**686**
Provisions for employee benefits		**(71)**		**(72)**
NET CAPITAL EMPLOYED		**1.702**		**2.248**
Shareholders' equity		**432**		**924**
Net borrowings				
Total debt, made up of:		1.282		1.327
- long-term debt	441		732	
- current portion of long-term debt	9		9	
- short-term debt	832		586	
Lease liabilities		7		4
- long-term lease liabilities	2		2	
- short term lease liabilities	5		2	
less:				
Cash and cash equiivalent	(19)		(7)	
Total net borrowings		**1.270**		**1.324**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1.702**		**2.248**

Reclassified cash flow statement

Items of the Reclassified Cash Flow Statement and confluence/reclassification of items in the statutory format (amounts in millions of euros)	2020		2021	
	Partial amounts from statutory format	Amounts from the reclassified financial statements	Partial amounts from statutory format	Amounts from the reclassified financial statements
Net Profit (Loss)		(633)		(116)
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:				
Depreciation and amortization and other non-monetary items		286		236
- depreciation and amortization	65		60	
- net impairment of tangible and intangible assets	98		149	
- impairments (write-backs) of investments	119		43	
- currency translation differences from alignment	3		(4)	
- economic effects on securities and financial receivables			(9)	
- net change in provision for employee benefits	1		(3)	
Net gains on disposal of assets				(9)
Dividends, interest, income taxes and other charges		(5)		2
- dividends	(6)		(6)	
- interest income	(2)		(2)	
- interest expense	5		9	
- income taxes	(2)		1	
Changes in working capital		(48)		(154)
- inventories	98		(187)	
- trade receivables	(58)		(147)	
- trade payables	(55)		176	
- provisions for risks and charges	(10)		(6)	
- other assets and liabilities	(23)		10	
Dividends received, taxes paid, interest (paid) received during the period		23		(3)
- dividends received	5		4	
- interest received	1		2	
- interest paid	(8)		(9)	
- Income taxes received (paid) including tax credits recharged	25			
Net cash flow provided by operating activities		(377)		(44)
Capital expenditures		(171)		(161)
- tangible assets	(164)		(154)	
- intangible assets	(7)		(7)	
Investments and purchase of consolidated subsidiaries and businesses		(139)		(229)
- non consolidated investments				
- investments and purchase of consolidated subsidiaries and businesses	(139)		(229)	
Divestments and partial disposals of consolidated investments		0		10
- tangible assets	0		10	
- investments				
Other changes related to investment activity		54		(128)
- financing receivables for operating purposes			(80)	
- change in payables and receivables related to investments	49		(57)	
- financing receivables for operating purposes-disposal	5		9	
- change in payables and receivables related to divestments				
Free cash flow		(633)		(552)
Change in short-term and long-term debt		356		45
- proceeds from long-term finance debt	400		300	
- payments from long-term finance debt	(9)		(9)	
- payments from lease liabilities		(7)		(5)
- change in short-term finance debt	(35)		(246)	
Cash flow from equity capital:		300		500
- net capital contribution (repayments) by/to third parties	300		500	
Net cash flow for the period		16		(12)

Risk factors and uncertainties

The main business risks for Versalis, mitigated by management actions, can be traced back to: market risk, in particular to the recessive effects linked to the health emergency from Covid-19, country risk, operational risk and, in a longer perspective term, climate change risk. The description of the risks and the related mitigations methods are provided below. For the description of financial risks, please refer to the appropriate chapter of the notes to the consolidated financial statements.

Health emergency from Covid-19

The macroeconomic scenario recorded a significant turnaround in 2021 thanks to the success of the COVID-19 vaccination campaign in the US, UK and in the countries of North Western Europe, allowing the gradual reopening of economies and the resumption of production activities. The robust performance of China's GDP has given further impetus to the business cycle. Against this backdrop, demand for chemicals has rebounded significantly from the depressed level seen during the pandemic peak. However, the economy and consumer behavior have not yet returned to normal pre-pandemic as evidenced by the slow recovery of civil air traffic, while the risks of possible downside linked to new variants of the virus remain that can interfere with the growth trajectory of economies and with the recovery of demand. Some sectors of the Group's operations have come to terms with the market situation that has not yet been normalized, in particular the elastomers business, due to the weakness of demand for products in the automotive sector. To limit the impact on results, Versalis has exploited all its plant flexibility to accommodate demand and has implemented opportunistic plant shutdowns. Overall, the measures implemented in 2020 allowed Versalis to benefit from the recovery of the scenario. In order to mitigate the risk of spreading the COVID-19 virus in the company, Versalis, in close contact with the Eni crisis unit, has identified, with a homogeneous approach in all its businesses, ways to protect the health of employees and guarantee the continuity of the activities and operations of the sites.

Country risk

Country risk identifies the risk that changes in the political framework, social unrest, economic crises, internal conflicts, revolutions, protests, strikes and other forms of civil disorder can temporarily or permanently compromise Versalis' ability to operate in economic conditions in such Villages. 48% of revenues are generated 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 widening the geopolitical crisis, as well as the economic sanctions against Russia can affect global production activity, the supply chain and consumer confidence, hampering the recovery. economic or worst-case scenario leading to a new recession.

Immediately after the start of hostilities with the invasion of Ukraine by Russia, the European Union, the United Kingdom and the United States adopted new economic and financial sanctions, particularly severe, against the country, in addition to those already in effective 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 relations with Russian counterparties, but they cannot be ruled out that they will be tightened in the near future.

The situation was made more complex than expected by the actions of Western energy operators, 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 exceeding all expectations both for the international price of crude oil which reached almost 120 $ / barrel for the Brent reference. , and for the spot gas prices in Europe where the spot reference of the continental European markets TTF has returned to its historical maximum values.

In 2021 Versalis incurred costs mainly for purchases of raw materials and semi-finished products from Italian and Swiss suppliers controlled by Russian entities for 532 million euros and generated revenues mainly from sales of finished products to Russian customers for 33 million euros and to Italian customers and controlled by Russian companies for 236 million euros. Sales of finished products to Ukrainian customers amounted to 9 million euros. In the same period, no transactions were carried out with Russian companies for which provisions are envisaged deriving from the sanctions currently inflicted by the international community.

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

Climate change risk

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

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

In 2018, the Intergovernmental Panel on Climate Change (IPCC) indicated the maximum temperature rise of the globe within the limit of 1.5 ° C, in order to avoid irreversible consequences on ecosystems and biological diversity, requiring an acceleration over time and an expansion in the scope of the 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 safe 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 the 2030 target to reduce emissions by 55 compared to 1990 levels.

The regulatory instruments also include carbon pricing fiscal 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) which provides for the cost of purchasing emission certificates in the open market once exceeded the limit of the free allocation of shares established on a regulatory basis. During 2021, the cost of purchasing emission allowance certificates under the European CO2 taxation system ETS - Emission Trading Scheme - more than doubled compared to the corresponding period a year ago, not only due to the resumption of industrial activity but also and above all for the agreement on the European climate law which establishes the EU 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. These charges are expected to be mitigated in perspective by the benefits that Versalis expects to obtain from improving 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 incidence of certain plastic products on the environment was published on 30 November 2021 in the Official Gazette. The provision then entered into force on January 14, 2022.

In particular, the decree: (i) prohibits the placing on the market of all oxo-degradable plastic products and some disposable plastic products (plates, cutlery and straws), with some exemptions for biodegradable and compostable products with percentages of renewable raw materials 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, destined to come into contact with food if there were the conditions for the transfer to the collection and recycling circuit of the organic fraction of urban waste (pursuant to article 5, paragraph 3, letter a bis); (ii) provides for a reduction in the 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 the decree "plastic coatings of less than 10% of the total weight of the product, which do not constitute the main structural component of finished products".

The European Commission in December 2021 issued a detailed opinion, which could lead to an infringement procedure, which highlights some discrepancies between the transposition decree in 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 the Italian legislation of biodegradable and compostable plastics for disposable items which are prohibited from being placed on the market. It is estimated that the impacts resulting from a possible infringement procedure do not impact the profitability of Versalis' businesses.

All the ongoing initiatives in the field of circular economy are still in a phase prior to the start of large-scale production and other projects are deemed 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, at the moment it is believed that there are no elements that could affect the economic and financial results of the Group's business plan; as there are currently no regulations banning or significantly reducing 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 risks and related HS&E risks

Versalis Group activities entail, for their nature, 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 for industrial safety. For example, in Europe the Group owns and operates industrial plants that present a high risk of accidents and for which it has adopted rules and standards of conduct 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, spills of toxic products, production of non-biodegradable waste.

These events can damage or destroy the plants, cause damage to people or to 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 ecosystem concerned, on biodiversity and on human health.

The environmental protection regulations impose measures that provide for the control and compliance with the emission limits of pollutants in the air, water and soil, prescribe the correct management of waste and by-products. Rules aimed at preventing the impact on biodiversity, the preservation of species, habitats and ecosystem services, call operators to increasingly 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 under the regulations 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, conforming its behavior to industry best practices. Over time, the Versalis has obtained the ISO14001 and OHSAS18001 system certifications. The business units, in the development and management of their activities, in addition to 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 the site level, with its own organization that dispose, for each possible scenario, of the response plan with the actions that must be activated to limit the damage, as well as the managers that must implement those actions.

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

The integrated approach to health, safety and environmental issues is favored by the application, at all levels of Eni's 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 cycle of continuous improvement which also includes the audit of these processes by internal and external personnel.

As regards environmental risk, Versalis currently does not 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 set aside. However, the risk that Versalis may incur additional costs or responsibilities even of significant proportions cannot be excluded with certainty because, at the current state of knowledge, it is impossible to predict the effects of future developments taking into account, among other things, the following aspects: (i) the possibility of new contaminations emerging; (ii) the results of the ongoing and to be carried out characterizations and the other possible effects deriving from the application of the Decree of the Minister of the Environment no. 152/2006; (iii) the possible effects of new laws and regulations for environmental protection; (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 ordinary performance of its activities. In addition to the provision for risks for disputes allocated in the financial statements, it is possible that in the future Versalis may incur other liabilities, even significant ones, in addition to the amounts already allocated in the financial statements for legal disputes due to: (i) the uncertainty on the final outcome of the ongoing proceedings, for which at the moment the loss has been assessed as unlikely; (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 loss allocated to the provision for risks in the most recent reporting period was estimated (i.e. the loss was considered only as possible or the amount of the obligation as unreliable); (iii) the rise of new evidence and information; and (iv) the inaccuracy of the estimates of provisions due to the complex process of their determination that involves subjective judgments by the management.

Cyber security

The cyber security risk represents the possibility that cyber-attacks compromise company information systems (management and industrial), having the main consequences of interrupting the services provided, the stealing of sensitive information of Versalis, with both economic and reputational impacts.

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

Business outlook

Chemistry is a cyclical sector, dependent on the performance of the global economy. The decline in consumption in many business sectors over the past two years was caused by a combination of effects:

- Covid-19 pandemic, with significant impacts in the automotive sector and a drop in demand for elastomers of more than 20%;
- oversupply of products from crackers to ethane (United States and Middle East).

A gradual recovery in demand is expected from 2022, with recovery in some segments:

- • Polyethylene - towed by packaging;
- • Styrenics - for durable applications;
- • Elastomers - specialties intended for applications in the automotive and tire sectors.

This improving trend will accelerate with the post-pandemic recovery; the increase in demand may also lead to an improvement in the margins of polymers. However, during the first months of the 2022 financial year, the growing trend in commodity and utilities prices seen since the last quarter of 2021 is confirmed, aggravated by the international geopolitical tensions caused by the Ukrainian-Russian crisis.

Versalis' long-term strategy aims to significantly reduce the exposure of the chemical business to the volatility of the cycle and the cost of the oil feed through the specialization of the product portfolio and the development and integration of chemistry from renewable sources and from chemical recycling / mechanic.

Business plan 2022-25 foreseen:

- the gradual specialization of the polymer portfolio towards products with higher added value and extension of the downstream supply chain towards compounding to reduce the volatility of margins;
- the development of chemistry from renewable sources with new processes and products;
- the expansion of circular economy initiatives, in particular mechanical and chemical recycling also through the use of partnerships and the conversion of industrial sites currently used in conventional activities. For example, the shutdown of the cracking and aromatic plants and the construction of the first advanced mechanical recycling center for plastics are planned in Porto Marghera;
- the gradual reduction of greenhouse gas emissions, increasing energy efficiency.

The Business Plan described 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 developments.

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.

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, 2021, permanent employees in the companies included in the Group area were 7,095.

2019		2020	2021		
Versalis Group	Employees	Versalis Group	Versalis Group	Finproject	Total
4.360	employees	4.304	4.154	429	4.583
991	Abroad	991	998	1.514	2.512
5.351		5.295	5.152	1.943	7.095

Versalis group

The decrease of 143 people compared to the situation at December 31, 2021 was due to the following causes:
Increasing:

- 164 people were hired, of which 46% graduated;
- 5 people were transferred from Eni Group companies;
- 1 person acquired by companies / branches of companies outside the group;

in reduction:

- 290 people terminated their employment for ordinary reasons (retirement, resignation and consensual termination, expiry of fixed-term contracts);
- 5 people have terminated their employment relationship with ordinary mobility procedures pursuant to law no. 223/91;
- 18 people have been transferred to Eni Group companies.

The breakdown by contractual qualification is as follows:

2019	Employees	2020	2021
117	Senior Management	110	101
3.353	Middle Management & Staff Employees	3.382	4.211
1.881	Workers	1.803	840
5.351		5.295	5.152

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

Age group	Total	%
< 30	400	7,8
30-39	997	19,4
40-49	1.594	30,9
50-59	1.812	35,2
> 60	349	6,8
	5.152	100,0

At December 31, 2021, there were 5.129 employees working in the companies included in the Group area.

Employees	2020	2021
Senior Management	108	103
Middle Management & Staff Employees	3.365	3.275
Workers	1.795	1.751
	5.268	5.129

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 66 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.

Finproject

Finproject group has been consolidated since October 2021, employees working for companies included in Group area were 1,943 as at December 2021. Between October 2021 and the end of December 2021, there were 96 permanent hires and 84 permanent resolutions.

The breakdown by contractual qualification is as follows:

Employees		2021
Senior Management		24
Middle Management & Staff Employees		260
Workers		1.659
	-	1.943

Employees in service in group companies were 1,946 on 31 December 2021.

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

Age group	Total	%
18-24	319	16,4
25-39	913	46,9
40-54	560	28,8
> 55	154	7,9
	1.946	100,0

The breakdown of the workforce in service by contractual qualification is as follows:

Employees in service		2021
Senior Management		27
Middle Management & Staff Employees		260
Workers		1.659
	-	1.946

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

There are 6 employees in Finproject SpA and its subsidiaries seconded to other Eni Group companies, other entities, or on leave, while 3 employees are seconded to Versalis SpA and its subsidiaries from other Eni Group companies.

Training

The training program in Italy and in foreign affiliates has committed over 185,000 man-hours in 2021. This activity was guaranteed both with the support of Eni Corporate University SpA and with internal resources and external suppliers.

During 2021, the commitment, as teachers, of Versalis employees belonging to the "Eni faculty" went on, both in training initiatives managed by Eni Corporate University and in internal teaching activities.

Due to Covid-19 pandemic, the 2021 training had the following peculiarities:

- The whole ECU training offer was delivered in distance mode, making possible to carry-out activities in virtual classroom;
- considerable training and information commitment on environmental, health, safety and quality issues, for a total of over 115,000 hours;
- activation of behavioral training courses, in order to strengthen the supervision of behaviors in the HSE area;
- promotion of D&I training programs aimed at increasing the level of inclusiveness of the workplace and employees;
- e-learning training on compliance, particularly on Sustainability and Human Rights issues, with the aim of disseminating and implementing the knowledge of Versalis guidelines, regulations and internal procedures.

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 2021, 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 2021. 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.

Safety

Versalis commitment, to ensure workers' health and environmental protection, as well as safety in the workplace and safeguard of local communities against industrial risks, is also evident from the economic resources invested. The actuals 2021 are as follows:

- €226 million for charges for the period (€208 million in 2020);
- €83 million for capitalized investments (€51 million in 2019).

For all aspects of security, support activities for Italian and foreign sites continued with great commitment. The application of the "Security Pact" went on, a real contract signed between Eni's companies and third-party companies in the area, and which provides for concrete, measurable and constantly monitored improvement actions. In particular, the following results have been obtained in the accident prevention, both for personnel and contractors:

	2020	2021
Number of invalidating accidents	10	10
Frequency Index	0,64	0,64
Severity Index	0,024	0,072

Ten accidents occurred in 2021, of which five related to personnel and five to contractor personnel, linked to episodes mainly attributable to behavioral reasons. In 2021, some activities in support of prevention aimed at increasing the culture of safety and timely monitoring of the field were further strengthened, the latter activity which could draw disadvantages from the prolonged pandemic emergency. During the year, 21 out of 23 sites achieved the goal of "one year without employee accidents", including Brindisi (twelfth consecutive year) and Szàzhalombatta (eleventh consecutive year).

In 2021, the activities (renewal / maintenance) connected to the certifications referable to the SA 8000, ISO 14001, ISO 45001 and EMAS standards were regularly carried out with positive results; following the limitations set to deal with the Covid-19 pandemic emergency, the audit activities were carried out almost entirely "remotely" via video conferences, carrying out inspections at the workplace only in cases where the situation has made possible.

Prevention, safeguarding and health promotion measures for workers and communities residing near industrial sites are recognized as primary needs in Versalis' policies and contribute significantly to achieving high sustainability performance.

Health protection activities are organized and structured in an "integrated management system" strongly prevention-oriented, in which health checks are combined with the periodic measurement of risk factors, carried out both during environmental investigation campaigns and through biomonitoring. In particular, in the face of risks from exposure to chemical, carcinogenic and mutagenic agents, environmental measurements and exposure determinations through personal samplers are integrated with the monitoring of specific biological exposure indicators in order to check the dose actually absorbed by the worker through all routes of exposure.

Health promotion programs also continued in 2021, such as flu vaccination and cardiovascular prevention campaigns, determination of PSA and antibodies to tetanus, awareness campaigns on smoking risk and the adoption of correct lifestyles.

Versalis' internationalization process, aimed at operating in foreign markets, has triggered new projects for the management of medical emergencies and health care, not only nationally but also internationally, developing specific health protocols that consider the "country" risk associated with travel, climate, any infectious diseases, and related vaccinations, defining specific information and training programs, and guaranteeing ordinary and emergency medical assistance, including any medical repatriation.

Among the events that characterize, from the point of view of Health, 2021 also stands out for the impact that the Covid-19 pandemic has had in the overall management of the protection of workers 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 even 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 the multi-year stops at the Brindisi and Mantua sites, stops in which contemporary presences have been reached. of company personnel in numbers greater than 1000 per day; specific plans were therefore adopted which provided for initial screening and periodic checks, rules defined for each working moment (including breaks), areas for suitable coordination meetings, etc.
Lastly, the effective collaboration of all the Business Units has made it possible to make the management of the emergency homogeneous throughout the Eni sphere, both from a regulatory point of view and on behavioral rules.

Environmental responsibility

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 scientific organization as well as continuous professional updating to facilitate actions relating to adjustments.
Total HSE expenditure in 2021[4] was 309 million euros (259 million euros in 2020).
Environmental activities totaled 157 million euros (134 million euros in 2020), including soil and groundwater management activities.
Safety activities amounted to 121 million euros (90 million euros in 2020), industrial hygiene, product safety and health activities totaled 11 million euros (13 million euros in 2020) and the integrated HSE is equal to 20 million euros (21 million euros in 2020).
Regarding the control of greenhouse gas emissions, the year 2021 ended with a provisional balance of CO2 emissions, subject to Emission Trading, equal to 2.85 million tons of CO2, up by about 4.6 % compared to the final balance of 2020.
The 2021 results can be summarized as follows:

- quotas assigned 2021: 2.48 million tons of CO2;
- final emissions 2021: 2.85 million tons of CO2;
- deficit: 0.37 million tons of CO2.

Starting from 2021, the ETS system has entered Phase IV with consequent new processing of the releases of allowances free of charge in relation to the results deriving from the collection of reference data 2014 ÷ 2018, from the definition of the reference benchmarks and from the periodic verification of levels of activities recorded by the plants starting from the year 2019.

Among the events characterizing 2021, from the emission point of view, it should be noted:

- Brindisi: general shutdown of the plants for scheduled maintenance
- Mantua: general shutdown of plants for scheduled maintenance.

With regard to the remediation of soils and aquifers, both the characterization activities envisaged by the plans presented and approved and the subsequent supplementary activities were completed.

At the sites of Brindisi, Ferrara, Mantua, Porto Marghera, Priolo, Ravenna and Sarroch there are systems for the extraction of groundwater.

As regards the authorization process for the reclamation, it is completed in the sites of: Brindisi, aquifer and soils, Gela, aquifer and soils, Porto Marghera, aquifer and soils, Priolo, aquifer and soils (limited to the soils of the areas south of the Vallone of the Snow and the saturated soils of the "internal" D2 and D3 areas), Ferrara, groundwater and surface matrices (soils and impregnation waters), Ravenna, groundwater and soils, Sarroch, aquifer and soils,

[4] Figure net of the activities of decommissioning, demolition and divestments, which amounted to a total of approximately € 16 million, and of fines, insurance and taxes, which amounted to approximately € 9 million.

Ragusa (procedure concluded with the approval risk analysis; post-risk analysis monitoring is in progress, prescribed by the conference of services). For the Mantua site, reclamation projects were approved limited to some specific areas and the removal phase of the supernatant.

The authorized interventions are in progress or have been completed.

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

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 remediation activities within Eni, with the remediation activities in the plants of: Brindisi, Ferrara, Gela, Mantua, Porto Marghera, Priolo, Ravenna and Sarroch.

Circular Economy

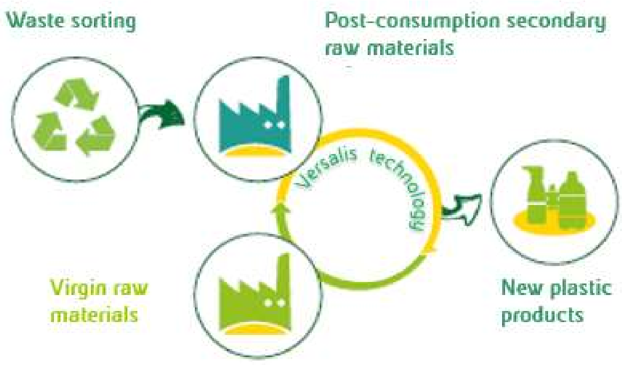
Versalis considers circular economy a strategic driver applied to processes and products throughout their life cycle. The company's guidelines for the development of circular economy approach are based on innovation and include:

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

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

Polymer and rubber recycling

The first guideline relates to advanced mechanical, physical and chemical recycling technologies for plastics and rubber. This development is made possible through internal research and in partnership with associations and consortia.



Mechanical recycling is currently the most widely applied method. This type of recycling requires the different types of plastics to be pre-sorted in order to be processed mechanically, i.e. in a way that does not profoundly alter the inner characteristics. This recycling technology works well with an efficient management of pre-sorted waste streams (e.g. single material, less contaminated, etc.), but at the same time, it present significant limitations including the degradation of material properties and the impossibility to manage complex and mixed plastic waste streams (currently incinerated or landfilled).

Following the development of mechanical recycling technology and with the aim of actively contributing to achieving European circular economy targets, Versalis has developed a range of products with different polymer bases (styrene and polyethylene) containing recycled plastics: the Versalis Revive®. With that Versalis welcomes one of the most difficult and virtuous technological challenges of circular economy: giving new life to plastic waste through recycling, in order to obtain innovative products that can be used in various high-quality applications. The new product range currently consists of:

- VERSALIS REVIVE® PE: includes low- and high-density polyethylene-based compounds containing up to 75% recycled plastic derived from urban post-consumer and/or industrial and commercial packaging waste. These products can be used in different sectors, such as industrial packaging, mulching and drip irrigation;
- VERSALIS REVIVE® EPS: in collaboration with Corepla, it comes from post-consumer polystyrene waste and comprises a range of expandable polystyrene with recycled content supplied by the Italian domestic waste collection system. Its main applications are in construction and packaging production;
- VERSALIS REVIVE® PS: in partnership with Forever Plast SpA, from the recycling of post-consumer plastics comes a range of compact polystyrene-based compounds containing up to 75% recycled polystyrene, that can be used for household items and insulation. In 2021, Versalis also launched - within the Versalis Revive® PS portfolio - a new product for food packaging, made from 75% recycled polystyrene obtained from domestic waste collection. The product has been developed as part of a collaborative project with various players in the polystyrene industry value chain. 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.

Always in 2021, in the field of mechanical recycling, Versalis has acquired on an exclusive basis the technology and plants of Ecoplastic, an Italian company of the De Berg Group specialized in the recovery, recycling and transformation industry of styrenic polymers. The agreement guarantees Versalis the know-how developed by Ecoplastic and, in synergy with its own technological expertise, allows the company to accelerate developments in advanced mechanical recycling, expand the portfolio of the Versalis Revive® range of recycled polymers and consolidate its European leadership in recycled styrenic polymers. Ecoplastic has developed a production process for styrenic polymers, expanded polystyrene (rEPS) and and solid polystyrene (rGPPS), with recycled content up to 100% starting from secondary raw material obtained from selected expanded polystyrene waste from the industrial and commercial sectors. The agreement with the De Berg Group represents a concrete step towards the start of the first phase of construction of the advanced mechanical recycling hub as part of the Porto Marghera site transformation project. From 2022, the project will see the installation of plants acquired from Ecoplastic to produce styrenic polymers obtained entirely from recycled raw materials previously sorted and pre-treated.

Finally, following the agreement signed in 2020 by Versalis and AGR, a Turin-based company that owns a technology for devulcanizing[5] post-consumer elastomers, are keeping on in order to develop technological innovations and new products and applications containing recycled rubber.

Parallel to advanced mechanical recycling, Versalis works on the continuous development of different recycling technologies, considering them to be complementary to one another.

With chemical recycling, in particular, it is possible to convert mixed plastic waste (known as plasmix) that cannot be mechanically recycled into raw material to produce new polymers. Versalis is at the forefront in this regard and, as already in 2020, launched the Hoop® project through a joint development agreement with the Italian engineering company Servizi di Ricerche e Sviluppo (S.R.S.), which owns a pyrolysis technology[6]. This is a virtuous recycling process for plastics that is theoretically infinite, creating new virgin polymers suitable for all applications and with characteristics identical to those from traditional sources. Versalis will build at the Mantua site a first demo plant with a capacity of 6 thousand tons per year.

[5] Devulcanization: the process of selectively breaking chemical bonds to turn solid rubber objects, usually granules, into a workable, mouldable form, ready to be reused in the production of new products such as tyres or gaskets.

[6] Pyrolysis is one of the main technologies explored today in chemical recycling processes.

Feedstock diversification

With reference to the second guideline, Versalis constantly devotes resources to look for new opportunities to diversify the feedstock for products and/or packaging, exploring the use of secondary materials and/or renewable ones. With the Biochem unit, Versalis is continuing its efforts to strengthen its competitive position in renewable chemicals, creating synergies between its research projects and implementing integrated technology platforms in line with the development strategy undertaken in recent years.

Versalis has obtained the ISCC EU certification for the production of second-generation bioethanol at its Crescentino site, produced from residual biomass that is not in competition with the food chain (waste from wood industry production) and supplied mainly from short supply chains, i.e. within 70 km of the site. The Crescentino production process is based on the Proesa® technology for the conversion of biomass into sugars that are subsequently fermented to produce second-generation ethanol.

The ISCC EU certification is a certification system that attests to the sustainability and traceability of biofuels, verifying the entire production chain, starting with biomass, in accordance with European Directive (EU) 2018/2001 (RED II).

For traditional chemicals, Versalis has obtained in 2020 the ISCC PLUS certification for monomers, intermediates, polymers and elastomers produced with sustainable raw materials, from bio-naphtha and chemical recycling, at its Brindisi, Porto Marghera, Mantua, Ferrara and Ravenna sites. This activity was extended to all other Italian and foreign sites during 2021, thus including Priolo and Ragusa, Porto Torres, Dunkirk, Oberhausen and Szàzhalombatta. Finproject, a Versalis company, also achieved the ISCC PLUS certification for three Italian sites in 2021.

ISCC Plus, part of the ISCC (International Sustainability and Carbon Certification) system, is a voluntary certification that allows companies throughout the supply chain to monitor and demonstrate the sustainability of their products by monitoring sustainability, traceability and mass balance requirements. It outlines predefined and transparent rules for mass balance approach, the method on which the allocation of sustainable characteristics from alternative raw materials to end products is based. 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. These products also have identical performance characteristics to the traditional products in the Versalis portfolio, making them ready for customers to use.

Thanks to the ISCC Plus certification, Versalis offers to the market a new range of products, 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 chemical recycling process of mixed plastic waste. The availability of bio-naphtha comes from Eni's integration, which has transformed two refineries into biorefineries in Venice Porto Marghera and Gela, guaranteeing the supply of sustainable raw material originating from vegetable oils (BA), used cooked oils or other types of organic waste (BCA).

Circular packaging

With reference to the third guideline, Versalis is working on developing circular design systems for its industrial packaging. In this context, the company launched a project to recover and recycle industrial polyethylene packaging, such as bags and liners, used for shipping Versalis products on pallets and via trucks/containers. The project consists of collecting used sacks and inner liners, which are 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.

Participation in other Circular Economy initiatives

Alongside the development of its circular economy business activities, Versalis continues its commitment and involvement in various circular economy platforms and partnerships. These include the Circular Plastics Alliance (CPA) to actively contribute to the ambitious European target of using 10 million tonnes 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, Styrenics Circular Solutions (SCS), the Polyolefin Circular Economy Platform (PCEP) and PolyStyreneLoop.

Sustainability in moulding and compounding processes

Finproject Group has identified sustainability as one of its strategic fundamentals, relying 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), artifacts made with the use of industrial waste in production, with maintenance of the original properties;
- ISCC Plus certified products through the use of bio-attributed materials;
- POLIDIEMME SOLAR FILM - Film material to grow in the field of photovoltaic technology (proprietary EU patent);
- POLIDIEMME - development of new Materials for E-MOBILITY;

The entire production cycle of XL EXTRALIGHT® 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 checked 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 UNI EN ISO 9001 accreditation, awarded for the first time in Europe to an industry in the sector.

Suppliers

Versalis adopts qualification and selection criteria for suppliers to assess their capacity to meet Company standards in terms of ethical reliability, health, safety, environmental protection and human rights. Versalis meets this commitment by promoting its own values with its suppliers and involving them in the risk prevention process. For this purpose, as part of the procurement process, Versalis supported by Eni's specialist departments: (i) subjects all suppliers to qualification and due diligence processes to verify their professionalism, technical-operational skills, ethical, economic and financial reliability and to minimize the risks inherent in operating with third parties; (ii) requires all suppliers to sign the Supplier Code of Conduct with which they undertake to recognize and protect the value of people and prevent any type of discrimination (such as the protection and promotion of human rights, compliance with safe working standards, environmental protection, contrast to corruption, compliance with laws and regulations, ethical integrity and fairness in relationships, compliance with the rules antitrust and fair competition);(iii) monitors compliance with these commitments, to ensure that suppliers maintain the qualification requirements over time; (iv) if critical issues arise, requires the implementation of improvement actions or, if they do not meet the minimum standards of acceptability, limits or inhibits the invitation to tender.

Technological innovation

In 2021, Research and Technology Innovation activities, that involved about 400 employees, were devoted to improvement of processes and products of existing business units consistently with previous years.

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

During 2021, Versalis focused its development on chemicals from renewable sources.

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 with particular attention to the evaluation of new enzyme cocktails and the optimization of fermentation operational conditions.

R&D continued focusing its activities on the valorization of lignin; lignin is a co-product of bioethanol with multiple applications, in particular resins, paints, and composite materials with thermoplastics.

In addition, research projects on bioplastics produced from renewable sources continued, reaching pilot-scale validation using second-generation sugars produced with the proprietary Proesa® technology, as well as activities for the development of new processes to produce bio-lubricant bases from renewable origin. Versalis also signed an agreement with Saipem to promote worldwide this technology and to provide integrated and technologically advanced solutions for a sustainable bioethanol production.

In the Basilicata region, the set-up and monitoring of fields continued to increase the agronomic productivity of Guayule, as part of the agreement with Bridgestone to develop an innovative technology for Guayule latex production, while Bridgestone started production of macro-samples on its pilot plant in Phoenix (USA).

In December 2021 Versalis signed a new collaboration with BTS Biogas, an Italian company active in design and construction of biogas plants, to develop and commercialize an innovative technology to produce biogas and biomethane from residues of lignocellulosic biomass. This technology is based on the integration of Versalis' proprietary technology for the thermomechanical pre-treatment of biomass with BTS Biogas' technology for the fermentative production of biogas and biomethane. The main benefit of this collaboration between Versalis and BTS Biogas is that the new technology will enable the 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.

During 2021, Versalis completed several tests at demo scale to evaluate the efficacy of Sunpower, a new herbicide based on pelargonic acid from renewable sources. This project was carried on in partnership with AlphaBioControl, a leading British company in formulation of phytosanitary products of natural origin. The active ingredient, pelargonic acid, is produced at Porto Torres from sunflower oil of European origin. The two main tests, in non-agricultural context, took place at Porto Torres (SS) and at Eni's Green Data Centre in Ferrera Erbognone (PV). It was demonstrated that the product is effective in both urban and industrial settings.

Elastomers

To improve the competitive positioning in the automotive sector and achieve a long-term consolidation in line with the evolution towards electric mobility and sustainability, in 2021 the elastomer research activity focused on three main strategic lines: expansion of the tire grades portfolio, completion of the EPDM portfolio and sustainability of products and processes.

Three new grades of high cis polybutadiene were produced on an industrial scale, with significantly improved characteristics compared to traditional grades, aimed to manufacturing of treads and sidewalls of high-performance tires. These new grades significantly improve both production and performance aspects of tires (reduction of rolling resistance), reducing the CO2 produced during their life cycle. With the same objectives, a new functionalized SBR solution prototype was developed for the fuel-efficient winter and all-season tire market.

Regarding the activities to complete the EPDM portfolio, in 2021 the industrial consolidation of new grades designed for manufacturing of semi-expanded gaskets and exposed profiles was completed, reaching the best quality levels on the market.

Furthermore, particular emphasis was given in 2021 to the development of products starting from sustainable raw materials obtained from the partial or total recycling of rubber products such as end-of-life tires. Thanks to the partnership with AGR and the internal development of new technological platforms, two new grades for tire applications were produced industrially for the first time.

Still in sustainability, an analysis of Versalis technological production platforms was launched leading to the identification of plant improvements aimed at reducing energy consumption and decarbonizing production processes.

Polyethylene

In 2021, EVA product grades for pharmaceutical application (Pharmalene® grades) were fully deployed to the market; for the same market segment, LLDPE grades are under consolidation.

It was developed and it is under customer testing a new LDPE grade for lamination application; this grade is used for food packaging and in particular for coffee package and other packaging made of aluminum-plastic laminate.

Development is ongoing for new LDPE and EVA grades linked to the production and transport of energy, in consistence with energy transition and decarbonization corporate strategies.

In the field of the circular economy, it was concluded the co-development with Montello S.p.A. for production of polyethylene-based compound with more than 70% of secondary raw material derived from post-consumer household waste and finalized to the manufacturing of packaging and extruded goods where sustainability is a primary target. Two product lines were developed, marketed under the brand Versalis Revive® PE. One product line is based on LL/LDPE and it is used in formulation for production of shrink film for mineral water and industrial packaging. The other production line, based on HDPE, is used in formulation to produce film packaging and blow molded bottles and containers.

Furthermore, it was developed a new product line via compound with more than 75% of secondary raw material derived from post-consumer industrial waste, in collaboration with a primary company active in this recycling field, still marketed under the brand Versalis Revive® PE, for the shrink film application and packaging.

Styrenics

Research activities in the new ONE-STEP pilot plant were able to develop a new ABS ONE-STEP grade for extrusion application with a high rubber content (High Rubber Emulsion Like), characterized by high impact and ductile behavior. Furthermore, the hybrid-rubber technology to produce ABS was validated, allowing to target effective cost reduction with the same quality of the finished product.

In the second part of the year, GPPS and HIPS grades containing up to 30% of Secondary Raw Material (MPS) were produced into continuous mass pilot plant, also testing the volatile contaminants stripping process effectiveness, thanks to the application of the proprietary Versalis technology.

Focusing on grades containing recycled raw materials, Versalis Revive® PS produced in industrial plants since 2020, an innovative tray suitable for food application was developed, thanks to the application of functional barrier layer technology that allows the use of recycled material also in the production of yogurt cups and glasses.

The GAS project, whose aim is to increase the production of products with higher added value for durable goods (continuous mass ABS and SAN), was completed in the second half of the year, with the start-up of two plants involved in Mantua site, carrying out controlled runs that confirmed expected product quality and capacity targets achievement.

Basic chemistry

In downstream specialization, a project was developed for realization of a new IPA production plant (Isopropyl alcohol) via acetone hydrogenation. The process was performed according to Versalis proprietary technology that allows higher performances than reference benchmarks. Thanks to performed activities, it was consolidated Versalis competitive technology positioning as top player in production processes of cumene from acetone via IPA now including new proprietary technology of acetone hydrogenation to IPA.

In the field of proprietary heterogeneous catalysts for hydrogenation in phenol production, in 2021 research activities focused on catalysts development with higher performances both in target product yield and in production cycle time improvement with an environmentally sustainable profile.

Design of the first demonstration plant to produce r-oil (recycle oil) was completed. Furthermore, Versalis completed the preparatory technical and authorization activities for feeding pyrolysis product in chemistry production chain.

Specialty Oilfield Chemicals

Research activities performed in 2021 proved the synthesis of innovative products to be used in EOR application for increasing oilfield production capacity and in Drilling&Cementing phase application. Research activities on polymers for additives formulation in Flow assurance application were confirmed developing new products with improved performances that further enrich differentiation of the Versalis portfolio of Specialty Oilfield Chemicals.

Energy Transition

To create value for all the stakeholders, Versalis is developing a business model for the transition towards a sustainable and circular chemistry, capable of achieving the Sustainable Development Goals (SDG) of the 2030 United Nations Agenda, responding effectively to the needs of resources efficiency to contribute in a concrete way to global climate challenges.

Research, Development and Technological Innovation, in 2021, played a key role through the activities on research projects below:

Hoop® Project (advanced chemical recycling of mixed plastic waste that cannot be mechanically recycled).

To maximize the amount of recycled material, it was studied the applicability of the technology to different plastic wastes, that cannot be mechanically recycled, and the effect of process parameters variation on process yield. To maximize the integration of chemical recycling with the existing plastics production chain, Versalis carried out activities finalized to the optimization of pyrolysis oil purification and to its use as feedstock for polymer production plants to replace fossil feedstock. During the year, it was completed the detail design of the first demo scale production Plant.

Versalis Revive® products

The industrialization of the new range of Versalis Revive® PE, products with high content of raw material from mechanical recycling, continued through the consolidation of the following grades: LDPE for blown film, blow molding high modulus, film General Purpose / Blow molding high ESCR, film with improved processability. All of them containing post-consumer recycled material.

With reference to Elastomers, it was produced on industrial scale the new Versalis Revive® eSBR with recycled material from end-of-life tires and it was done the first production on industrial scale of devulcanized material from end-of-life tires, Versalis Revive® DVC.

The Versalis Revive® PS Air F-Series Foreverplast grade was successfully used within the design of polystyrene containers having post-consumer recycled material by means of barrier layer technology.

Furthermore, it was completed the feasibility on a pilot scale for the development of a new technology to remove contaminants from recycled materials.

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

Consolidated Financial Statements
2021

CONSOLIDATED BALANCE SHEET

(€ million)	Note	December 31, 2020 Total amount	December 31, 2020 *of which with related parties*	December 31, 2021 Total amount	December 31, 2021 *of which with related parties*
Assets					
Current assets					
Cash and cash equivalents	(1)	62	*33*	99	*53*
Other current financial assets	(2)	4	*4*	5	*4*
Trade and other receivables	(3)	708	*236*	1.021	*264*
Inventories	(4)	669		934	
Income tax receivables	(5)	2		5	
Other current assets	(6)	14	*2*	15	*1*
		1.459		**2.079**	
Non-current assets					
Property, plant and equipment	(7)	854		840	
Right of use asset	(8)	17		20	
Intangible assets	(9)	53		332	
Equity-accounted investments	(11)	155		82	
Other investments	(12)	80		186	
Other non-current financial assets	(13)	2	*2*	1	*1*
Deferred tax assets	(14)	36		32	
Other non-current assets	(15)	1		3	
		1.198		**1.496**	
TOTAL ASSETS		**2.657**		**3.575**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(16)	995	*983*	655	*629*
Current portion of long-term debt	(17)	9	*9*	9	*9*
Short-term lease liabilities	(8)	8		7	
Trade and other payables	(18)	738	*358*	977	*510*
Income tax payables	(19)	1		24	
Other current liabilities	(20)	21	*7*	29	*1*
		1.772		**1.701**	
Non-current liabilities					
Long-term debt	(21)	441	*439*	732	*731*
Long-term lease liabilities	(8)	13		14	
Provisions for contingencies	(22)	117		94	
Provisions for employee benefits	(23)	73		73	
Deferred tax liabilities	(24)			34	
Other non-current liabilities	(25)	19		18	
		663		**965**	
TOTAL LIABILITIES		**2.435**		**2.666**	
SHAREHOLDERS' EQUITY	(26)				
Share capital		1.365		446	
Legal reserve		24			
Other reserves		(22)		(150)	
Retained earnings (losses)		(557)		526	
Net profit (loss)		(588)		87	
TOTAL SHAREHOLDERS' EQUITY		**222**		**909**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2.657**		**3.575**	

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

CONSOLIDATED INCOME STATEMENT

(€ million)	Note	December 31, 2020 Total amount	December 31, 2020 of which with related parties	December 31, 2021 Total amount	December 31, 2021 *of which with related parties*
REVENUES	(28)				
Net sales from operations		3.387	*256*	5.590	*351*
Other income and revenues		96	*69*	112	*75*
Total revenues		**3.483**		**5.702**	
OPERATING EXPENSES	(29)				
Purchases, services and other		(3.442)	*(1.443)*	(4.921)	*(2.361)*
Net (impairment losses) reversals of trade and other receivables		(4)		1	
Payroll and related costs		(379)		(403)	
OTHER OPERATING (EXPENSE) INCOME	(30)	(15)	*(15)*		
DEPRECIATION, AMORTIZATION AND IMPAIRMENT	(31)	(132)		(256)	
DISPOSAL OF ASSETS				(1)	
OPERATING INCOME (LOSS)		(489)		122	
FINANCIAL INCOME (EXPENSE)	(32)				
Financial income		36	*2*	33	*11*
Financial expense		(41)	*(8)*	(30)	*(11)*
Derivatives		(2)	*(2)*	5	*5*
		(7)		8	
INCOME (EXPENSE) FROM INVESTMENTS	(33)				
Share of profit (loss) from equity-accounted investments		7		(9)	
Other gain (loss) from investments		(81)		14	
		(74)		5	
PROFIT (LOSS) BEFORE INCOME TAXES		(570)		135	
Income taxes	(34)	(18)		(48)	
NET PROFIT (LOSS) FOR THE YEAR		(588)		87	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(€ million)	2020	2021
NET PROFIT (LOSS) FOR THE YEAR	(588)	87
Other items of comprehensive profit (loss)		
Items that are not reclassified to profit or loss in later periods		
Remeasurements of defined benefit plans	(2)	4
Tax effect related to other comprehensive income not to be reclassified to profit or loss in subsequent periods	1	(1)
Items that may be reclassified to profit or loss in later periods		
Foreign currency translation differences	(6)	(4)
Change of minor investments at fair value with effects to OCI		106
Share pertaining to equity-accounted investments	5	(5)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(590)	187

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(€ million)	Share capital	Legal reserve	Cumulative currency translation difference	Reserve for coverage of losses	Reserve for employee defined-benefit plans	Reserve for business combination under common control	Retained earnings (losses)	Dividends	Profit (Loss) for the year	Total
Balances at December 31, 2019 (a)	1.365	24	(6)		(10)	2	(334)		(534)	507
Loss for the year 2020									*(588)*	(588)
Other items of comprehensive income (loss)										
Remeasurements of defined benefit plans net of tax effect					*(2)*					(2)
Foreign currency translation differences			*(6)*							(6)
Share of equity-accounted investments							*5*			5
Tax effect							*1*			1
Total comprehensive loss for the year 2020 (b)			(6)		(2)		6		(588)	(590)
Transactions with shareholders:										
Allocation of 2019 net income							*(534)*		*534*	
Dividend distribution							*300*			300
Total transactions with shareholders (c)							(234)		534	300
Changes in the consolidation perimeter and other changes							5			5
Total other changes (d)							5			5
Balance at December 31, 2020 (e=a+b+c+d)	1.365	24	(12)		(12)	2	(557)		(588)	222
Loss for the year 2021									87	87
Other items of comprehensive profit (loss)										
Revaluation of defined-benefit plans for employees net of tax effect					4					4
Foreign currency translation differences			(4)							(4)
Change of minor investments at fair value with effects to OCI							106			106
Share pertaining to equity-accounted investments							(5)			(5)
Tax effect					(1)					(1)
Total comprehensive loss for the year 2021 (f)			(4)		3		101		87	187
Transactions with shareholders:										
Loss allocation of the year 2020							(588)		588	
Reduction in shareholder's capital and loss coverage	(919)	(24)			(1)	(2)	946			
Payment of the sole shareholder							500			500
Total transactions with shareholders (g)	(919)	(24)			(1)	(2)	858		588	500
Other changes:										
Changes in the consolidation perimeter and other changes										
Total other changes (h)										
Balance at December 31, 2021 (i=e+f+g+h)	446		(16)		(10)		402		87	909

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ million)	Note	2020	2021
Profit (loss) for the year		(588)	87
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	(31)	86	93
Net Impairments (reversals) of tangible, intangible assets and right of use	(31)	46	163
Net gain on disposal of assets			
Share of profit (loss) of equity-method investments		74	(5)
Currency translation differences from alignment	(32)		(5)
Change in the provisions for employee benefits	(23)	1	7
Gains/Losses on securities &Financial receivables, investment, disinvestment			(9)
Net gains on disposal of equity investments			(9)
Interest income	(32)	(2)	(2)
Interest expense	(32)	6	10
Current, deferred and advance income taxes for the period	(34)	18	48
Changes in working capital:			
- inventories	(4)	150	(229)
- trade receivables	(3)	(42)	(251)
- trade payables	(18)	(79)	203
- provisions for contingencies	(22)	(10)	(5)
- other assets and liabilities		(42)	10
Cash flow from changes in working capital		(382)	106
Interest received		1	2
Interest paid		(6)	(10)
Income taxes paid, net of tax receivables received		23	(23)
Net cash provided by operating activities		**(364)**	**75**
of which with related parties	*(35)*	(1.166)	*(1.815)*
Investing activities:			
- tangible assets	7) and (8)	(173)	(183)
- intangible assets	(9)	(9)	(7)
- investments	) and (12)	(139)	(173)
- changes in payables relating to investing activities	(18)	49	(39)
Cash flow from investing aactivities		(272)	(402)
Disposals:			
- tangible assets			10
- receivables relating to investing activities			7
- financial receivables from operating activities		5	9
Cash flow from disposals		*5*	*26*
Net cash flow from investing activities		**(267)**	**(376)**
of which with related parties	*(35)*	(84)	(166)
Increase (decrease) in short-term debt	(16)	361	(142)
Repayments of lease liability		(10)	(20)
Cash flow of equity		300	500
Net cash flow from financing activities		**651**	**338**
of which with related parties	*(35)*	653	399
Net cash flow for the year		**20**	**37**
Cash and cash equivalents - beginning of the year	(1)	42	**62**
Cash and cash equivalents - end of the year	(1)	**62**	**99**

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

Significant accounting policies, estimates and judgements

Basis of preparation

The Consolidated Financial Statements have been prepared on a going concern basis[1] in accordance with International Financial Reporting Standards (IFRS)[2] 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 Legislative Decree No. 38/2005[3].

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.

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

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1 With reference to the effects of the Covid-19 pandemic, please refer to what is stated in the paragraphs "Operational performance" and "Health emergency from Covid-19".

2 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).

3 The Consolidated Financial Statements are compliant with IFRSs as issued by the IASB and effective for the year 2020.

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.

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[4] effects on the Consolidated Financial Statements[5].

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[6]. 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.

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".

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[4] 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.

[5] 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 at December 31, 2021.

[6] 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 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 at December 31, 2021, 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 financial statements of the consolidated companies are audited by external auditors who also examine and certify the information required for the preparation of the Consolidated Financial Statements.

The equity method of accounting

Investments in joint ventures, associates and not significant unconsolidated subsidiaries are accounted for using the equity method[7].

Under the equity method, investments are initially recognized at cost, 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 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.

[7] 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.

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[8]; 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[9]. 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 combination

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[10], 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.

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

8 If the retained investment continues to be accounted for using the equity method, no remeasurement to fair value is recognised in the profit and loss account.

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

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

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[11].

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:

[11] 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".

(currency amount for 1 euro)	Annual average exchange rate 2020	Exchage rate at December, 31 2020	Annual average exchange rate 2021	Exchage rate at December, 31 2021
US Dollar	1,14	1,23	1,18	1,13
Pound Sterling	0,89	0,9	0,86	0,84
Hungarian Forint	351,25	364,13	358,47	369,17
Chinese Renmimbi	7,87	8,02	7,63	7,22
Korean Republic Won	1.345,70	1.332,84	1.353,59	1.346,44

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"[12].

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.

12 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.

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 reviewed for impairment whenever there is any indication that the carrying amounts of those assets may not be recoverable. The recoverability of an asset is assessed by comparing its carrying amount with the recoverable amount, which is the higher of the asset'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 asset 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. Expected cash flows are determined based on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset, giving greater weight to external evidence.

With reference to commodity prices, management assumes the price scenario adopted for economic and financial projections and for whole life appraisal for capital expenditures. In particular, for the cash flows associated to oil, natural gas and petroleum products prices (and prices derived from them), the price scenario is approved by the Board of Directors and is based on the development of economic fundamentals and, in the short and medium term, takes into account the projections of market analysts and, if there is a sufficient liquidity and reliability level, on the forward prices prevailing in the marketplace.

Discounting is carried out at 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 expected 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 asset. These adjustments are measured considering information from external parties. WACC differs considering the risk associated with each operating segment where the asset operates. For the assets belonging to the Chemical business, considering the different risks encountered in this sector/business, specific WACC rates have been defined on the basis of a sample of companies operating in the same segment/business, adjusted to take into consideration the risk premium of the specific country of the activity. 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 deriving, through an iteration process, from a post-tax valuation. Valuation is carried out for each single asset or, if the recoverable amount of a single asset cannot be determined, for the smallest identifiable group of assets that generates independent cash inflows from their continuous use, the so-called "cash-generating unit". When an impairment loss no longer exists or has decreased, a reversal of the impairment loss is recorded in the income statement. The impairment reversal shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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.

Leases[13]

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.

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

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, 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.

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[14], 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

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

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[15].

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.

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.

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. 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.

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

The expected future cash flows used for impairment analyses are based on judgmental assessments of future production volumes, prices and costs, considering available information at the date of review and are discounted by using a rate which considers the risks specific to the asset.

15 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.

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 amortised cost, interest income determined using the effective interest rate, foreign exchange differences and any impairment losses[16] are recognised 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.

Cash and cash equivalents

Cash and cash equivalents include both cash and demand deposits.

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 fair value through profit or loss[17].

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

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

17 The expected credit loss model also applies to financial guarantee contracts issued not valued at the FVTPL.

provision matrix, defined by grouping, where appropriate, receivables into adequate clusters to which apply expected loss rates defined on the basis of its historical credit loss experiences, adjusted, where appropriate, to take into account forward-looking information on credit risk of the counterparty or clusters of counterparties[18].

Considering the characteristics of the reference markets, counterparties undergoing litigation, restructuring or renegotiation, or in any case with debt position with more than 180 days past due, are considered to be in default. Counterparties are considered undergoing litigation when extrajudicial/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 reversal, within the line item of the profit and loss account "Net reversals (impairment losses) 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 judgements: 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".

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.

[18] 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.

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".

Contracts to buy or sell commodities entered into and continue to be held for the purpose of their receipt or delivery in accordance with the Group's expected purchase, sale or usage requirements are recognized on an accrual basis (the 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 at the balance sheet date. Provisions are recognized 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 recognized as a provision is the best estimate of the expenditure required to settle the present obligation or to transfer it to third parties at the balance sheet date. The amount recognized 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 expenditures expected to be required to settle the obligation at a discount rate that reflects the Company's average borrowing rate taking into account the risks associated with the obligation. The increase in the provision due to the passage of time is recognized as "Finance income (expense)".

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 into 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, incurred to meet the compliance requirements (e.g., Emission Trading Scheme) and 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. 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 payable to the shareholders are recognized as changes in equity 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.

Relating to the taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, the related deferred tax liabilities are not recognized if the investor is able to control the timing of the 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, financially recognizes the benefit deriving from the tax losses, transferred by Versalis SpA, which were actually used.

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[19].

Changes in accounting policies

Starting from financial year 2021, the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Reform of the benchmarks for determining interest rates - phase 2 "(hereinafter the amendments) have come into effect; they are aimed at introducing practical expedients and temporary exemptions from the application of certain IFRS provisions in the presence of financial instruments valued at amortized cost and/or hedging relationships subject to modification following the reform of the benchmark interest rates. The reform process, which is still in progress, provides for the replacement of some reference indexes, e.g., LIBOR (London Interbank Offered Rate), with alternative risk-free reference rates.

As of 31 December 2021, Versalis holds an EIB loan agreement for green chemicals in Sardinia, which is divided into two distinct positions, one payable towards the parent company Eni for 45 million euros and one active towards the JV Matrìca for 53 million euros, having the EURIBOR as a reference rate. Unlike other rates, the EURIBOR will continue to be used and its replacement is not expected, but starting from 2021 it is calculated with the so-called hybrid method.

The other amendments to the international accounting standards that came into force on January 1, 2021 did not produce significant effects.

Recently issued accounting standards

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

With Regulation no. 2021/1080 issued by the European Commission on 28 June 2021, the following have been approved:

- the amendments to IAS 37, aimed at providing clarifications on the methods of determining the cost of a contract;
- the amendments to IAS 16, aimed at defining that the revenues from the sale of goods produced by an asset before it is ready for its intended use are charged to the income statement together with the related production costs;
- the amendments to IFRS 3, aimed at: (i) completing the update of the references to the Conceptual Framework for Financial Reporting present in the accounting standard; (ii) provide clarifications regarding the prerequisites for the recognition, upon the acquisition date, of funds, contingent liabilities and tax liabilities (so-called levy) assumed as part of a business combination transaction; (iii) make it clear that potential assets cannot be recognized as part of a business combination;

[19] 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.

- the document "Annual cycle of improvements to IFRS 2018-2020", containing amendments, essentially of a technical and editorial nature, of the international accounting standards.

These changes are effective starting from financial years starting on or after 1 January 2022.

With Regulation no. 2021/2036 issued by the European Commission on November 19, 2021, IFRS 17 "Insurance Contracts" (hereinafter IFRS 17) was approved, including the related amendments, issued in 2020, aimed, among other things, at deferring two years of entry into force. In particular, IFRS 17, which replaces IFRS 4 "Insurance contracts", defines the accounting of insurance contracts issued and reinsurance contracts held. The provisions of IFRS 17 are effective starting from financial years starting on or after January 1, 2023.

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

On 23 January 2020, the IASB issued the amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (hereinafter the amendments), aimed at providing clarifications regarding the classification of liabilities as current or non-current which, due to the deferral defined with the amendments made on 15 July 2020 ("Classification of Liabilities as Current or Non-current – Deferral of Effective Date"), will enter into force on or after 1 January 2023. On February 12, 2021, the IASB issued:

- the amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" (hereinafter the amendments), aimed at providing clarification in identifying the relevant accounting policies to be described in the financial statements. The amendments are effective starting from financial years starting on or after 1 January 2023;
- the amendments to IAS 8 "Definition of Accounting Estimates" (hereinafter the amendments) which introduce the definition of accounting parameters, in order to facilitate compliance between changes in accounting estimates and changes in accounting principles. The amendments are effective starting from financial years starting on or after 1 January 2023;

On May 7, 2021, the IASB issued the amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (hereinafter the amendments), aimed at requesting the recognition of deferred taxation for transactions that, at the initial recognition, give rise to taxable and deductible temporary differences of the same amount. The amendments are effective starting from financial years starting on or after 1 January 2023.

Versalis is currently analyzing the accounting principles indicated above and evaluating whether their adoption will have a significant impact on the financial statements.

Current assets

1. Cash and cash equivalents

Cash and cash equivalents amount to €99 million (€62 million as at December 31, 2020) and are mainly deposited in non-interest-bearing current accounts (c/o Eni Group financial companies).

2. Other current financial assets

Other current financial assets of €5 million 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, 2020	December 31, 2021
Trade receivables	495	803
Other receivables	213	218
	708	1021

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

As at December 31, 2021, Versalis factored trade receivables without recourse for €155 million (€124 million as at December 31, 2020).

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. If the rating of a counterparty cannot be defined, the expected loss is determined, for homogeneous clusters, on the basis of a generic model that summarizes in a single parameter (the so-called expected loss ratio) the probability of default and of the recovery capacity (loss given default).

The following table shows the information about the gross exposure to credit risk and the allowance for doubtful accounts, for which an analytical assessment and/or an assessment based on the generic model has been carried out, elaborated on the basis of internal ratings:

(€ million)	Performing loans	Non-performing loans	Totale
Business customers	752	190	942
Other counterparties	5	1	6
Gross amount as at December 31, 2021	**757**	**191**	**948**
Allowance for doubtful accounts	6	139	145
Net amount as at December 31, 2021	**751**	**52**	**803**

Trade and other receivables are stated net of the allowance for doubtful accounts of €145 million (€148 million as at December 31, 2020). Receivables from other counterparties refer to trade and other receivables from Eni Group companies. Changes in the allowance for doubtful accounts occurred in 2021 are disclosed as follows:

(€ million)	Trade and other receivables
Carrying amount at December 31, 2019	**150**
- additions	5
- deductions	(7)
Carrying amount at December 31, 2020	**148**

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

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, 2020	December 31, 2021
Receivables due from Eni Group companies	138	139
Advances for services and guarantee deposits	5	13
Receivables due from parent company	20	12
Receivables due from incentives to production of renewable energy	4	9
Receivables for patents and royalties	1	9
Receivables due from joint ventures	6	8
Receivables due from associated companies	5	5
Receivables due from personnel	2	2
Other receivables	32	21
	213	**218**

Receivables due from Eni Group companies mainly relate to Eni Rewind SpA for environmental remediation activities (€139 million). Receivables from the parent company Eni SpA mainly relate to receivables from participation to group VAT regime (€9 million). Receivables due from joint ventures mainly relate to Lotte Versalis Elastomers for the sale of licences (€4 million) and to Matrica for interests on financial receivables (€4 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:

(€ million)	December 31, 2020				December 31, 2021			
	Oil derivatives	Chemicals	Other	Total	Oil derivatives	Chemicals	Other	Total
Raw and auxiliary materials and consumables	20	119	77	216	49	147	82	278
Work in progress and semi-finished products	1	5		6	1	8		9
Finished products and goods	16	428	3	447	24	605	18	647
	37	**552**	**80**	**669**	**74**	**760**	**100**	**934**

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, 2020							
Gross inventories	884	(162)			(4)		718
Allowance on inventories	(63)		(9)	23			(49)
Net inventories	**821**	**(162)**	**(9)**	**23**	**(4)**		**669**
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 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 € 5 million (€ 2 million as at December 31, 2020) 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, 2020	December 31, 2021
Other current tax assets	11	11
Fair value of non-hedging derivatives	1	
Other assets	2	4
	14	**15**

Other assets of € 15 million (€ 14 million as at December 31, 2020) mainly include VAT receivables (€ 9 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, 2020											
Land	53			(3)		(1)			**49**	112	**63**
Buildings	30	1	(3)	2		(2)		6	**34**	359	**325**
Plant and machinery	294	83	(76)	(17)		(5)		290	**569**	5.782	**5.213**
Industrial and commercial equipment	3		(1)					2	**4**	116	**112**
Other assets	8							3	**11**	43	**32**
Assets under construction and advances	444	89		(52)				(294)	**187**	280	**93**
	832	**173**	**(80)**	**(70)**	**0**	**(8)**	**0**	**7**	**854**	**6.692**	**5.838**
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 € 183 million (€ 173 million as at December 31, 2020) are disclosed in the Management Report section of financial statements.

Financial expenses capitalized in the year of € 2 million (€ 3 million as at December 31, 2020) were determined by applying an interest rate of 2,1% (2,20% as at December 31, 2020). Increase on internal work capitalized in the period of € 15 million (€8 million as at December 31, 2020) refers to services provided by internal staff.

Assets under construction and advances mainly relate to: adaptation of the plants of Brindisi, Mantua and Ravenna in order to comply with safety and environmental regulations, improvements in reliability of the plants of Brindisi, Ferrara, Porto Torres, Mantua and Ravenna, enhancements to projects related to the business units "styrenics" in Mantua.

In 2021, the residual useful lives of the Italian plants were reviewed on the basis of an appraisal drawn up by an independent expert. The main amortization rates adopted on annual basis, unchanged compared to the previous year, are within the following ranges:

(annual %)	2020	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 €8 million (€9 million as at December 31, 2020) 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, 2021	13		4	17
Increase			3	3
Amortisation	(1)		(5)	(6)
Other changes			6	6
Ending balance as at December 31, 2021	**12**		**8**	**20**

(€ million)

	Lease liabilities		
	Short-term	Long-term	Total
Opening balance as at January 1, 2021	8	13	21
Increase		3	3
Decrease	(20)		(20)
Other changes	19	(2)	17
Ending balance as at December 31, 2021	**7**	**14**	**21**

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 € 20 million mainly refers to repayment of principal; related interest expenses amount to about € 1 million in 2021.

Other changes of € 17 million mainly concern the consolidation of Finproject group companies.

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

(€ million)

	2020	2021
Purchases, services and other costs:		
- leases of modest value	(1)	
Depreciation		
- depreciation of right of use assets	(5)	(6)
Write-downs of right of use of assets		
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	Other changes	Net ending balance	Gross ending balance	Allowance for impairment
December 31, 2020									
Intangible assets with defined useful life									
- R&D costs								30	30
- Industrial patents and intellectual property rights								53	53
- Grants, licences, trademarks and similar rights	16				(3)		13	151	138
- Assets under construction and advances	5	7			3	(2)	13	18	5
- Other intangible assets	3	2			24	(2)	27	138	111
Intangible assets with undefined useful life									
- Goodwill									
	24	9			24	(4)	53	390	337
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. The increase is mainly due to the consolidation of Finproject group companies.
Other intangible assets of €138 million mainly relate to customer relationship and to know-how of Finproject group (€106 million), recognized through the purchase price allocation (PPA) following the consolidation of Finproject companies. The remaining part refers to property rights arising from the Union Carbide Contract.
The other assets with an indefinite useful life of 24 million euros relate to the higher values of the Levirex® and Extralight® brands also registered following the PPA of the acquisition of the 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 %)	2020	2021
- R&D costs	4 - 20	4 - 20
- Industrial patents and intellectual property rights	2 - 5	2 - 5
- Grants, licences, trademarks and similar rights	4 - 33	4 - 33
- Other intangible assets	4 - 15	4 - 15

Following the PPA - purchase price allocation - carried out during the acquisition of Finproject, for each asset subject to step-up with respect to the original book value, the respective depreciation percentages were also identified; they are summarized below:

	Useful life (years)	Depreciation rate
Customer relationship	15	7%
Know-How	5	20%
Industrial patents	10	10%
Brands	indefinite	-

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 has added to the historically identified *Cash Generating Units* (CGUs) - Intermediates, Polyethylene, Styrene, Elastomers and Biotech – the Moulding & Compounding CGU, deriving from the acquisition of Finproject Group.

Net impairment loss of € 163 million on tangible, intangible and right of use assets are the result of the impairment test and mostly refer to the following *Cash Generating Units* (CGUs):

- CGU Elastomers: write-down of € 91 million;
- CGU Styrene: write-down of € 35 million;
- CGU Intermediates: write-down of € 33 million;
- CGU Biotech: write-down of € 4 million.

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-down of the Elastomers CGU is due to the negative outlook on the automotive sector and is partly related to Versalis UK, for 16 million euros.

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 DCF model. The time horizon is 20 years (adapted to the useful life of the plants, which in any case is more than 20 years, as stated by independent appraisals).

With reference to the Eni 2022-2025 and long-term scenario, the decline for chemical commodities in the four-year period is expected to slightly recover, compared 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 the flows of research investments and development/enhancement ones. For the years following the Plan horizon, the normalized material balance is valued; fixed costs are subject to an increase rate equal to scenario inflation; up to the end of the economic-technical life, the stay-in-business investments are constant (*real term*) and equal to the average of the investments envisaged in the Plan.

For the purposes of discounting the flows determined in the manner and according to the aforementioned criteria, the management has adopted a discount rate of 6.5%.

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 € 108 million respectively, while a 20% positive or negative change in the WACC would have a negative or positive economic impact of €85 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	Other changes	Net ending balance
December 31, 2020						
Investments in:						
- subsidiaries	5				(4)	1
- associated companies	97	73		7	(72)	105
- joint ventures	73	65		(56)	(33)	49
	175	138		(49)	(109)	155
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 € 194 million relate to the acquisition of the remaining 60%-share of Finproject SpA (€ 150 million), to the capital increase of Lotte Versalis Elastomers (€ 19 million) and to the payments for future capital increases in Matrìca (€25 million).

Value adjustments of € 20 million mainly refer to the remeasurement at fair value of the 40% share in Finproject, carried out at the acquisition date.

The effects of the assessment of equity-accounted investments at equity method of 9 million euros mainly refer to the assessment of Lotte Versalis Elastomers (charges of 15 million euros), partially compensated by the income relating to the investment in Finproject up to the date of consolidation (5 million euros).

Other changes in associated companies of € 252 million refer to the switch of classification of Finproject from "associated company" to "consolidated subsidiary" starting from October 1st, 2021 (€248 million) and to the deletion, for IFRS purposes, of the revaluation of assets carried out by Ravenna Servizi Industriali (€5 million).

Other change in joint ventures of € 26 million refer to the use of the financial support provision for Matrica (€ 25 million) and to the currency translation differences with effect on equity reserves of Lotte Versalis Elastomers (€ 1 million).

Equity-accounted investments are held in the following companies:

(€ million)	December 31, 2020	December 31, 2021
Lotte Versalis Elastomers Co Ltd	52	54
Priolo Servizi Industriali Scarl	19	20
Ravenna Servizi Industriali ScpA	7	2
Servizi Porto Marghera Scarl	3	3
IFM Ferrara Scarl	1	1
Brindisi Servizi Generali Scarl	1	1
Versalis Pacific (India) Private Ltd.		1
Finproject SpA	72	
	155	82

Ownership percentages are shown in note 41.

12. Other investments

Other investments are held in the following companies:

(€ million)	December 31, 2020	December 31, 2021
Novamont SpA	77	183
Exeltium SAS	3	3
BKV Beteiligungs-und Kunststoffverw. mbH	...	...
Genomatica Inc	...	...
IAS Industria Acqua Siracusana	...	...
Consorzio Crea Assemini	...	...
Sociedad Española de Materiales Plasticos SA	...	...
	80	186

... Amounts less than €0.5 million

Ownership percentages are shown in note 41.

The increase of €106 million is entirely due to the fair value valuation, with effects to shareholders' equity reserves, of the investment held in Novamont SpA. The fair value taken into consideration has been determined by an independent advisor, drawn up on the basis of the multi-year plan of the investee company and taking into account the negotiations in progress with the counterparty for the resolution of some disputes related to the jointly controlled company Matrìca.

13. Other non-current financial assets

Other financial assets of €1 million (€2 million as at December 31, 2020) essentially refer to the financing with Serfactoring (Eni Group).

14. Deferred tax assets

Deferred tax assets of €32 million (€36 million as at December 31, 2020) are net of countervailable deferred tax liabilities of €69 million (€72 million as at December 31, 2020) and of impairment losses of €894 million (of which, €649 million related to tax losses).

(€ million)	December 31, 2020	December 31, 2021
Deferred tax assets	108	101
Countervailable deferred tax liabilities	(72)	(69)
Net deferred tax assets	**36**	**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, 2020	Net increase	Net deductions	Amount as at Decemeber 31, 2021
Prepaid taxes:				
- non-deductible write-downs	237		(2)	235
- tax losses	672		(23)	649
- provisions for risk and charges	21	13		34
- other	79		(2)	77
Total prepaid taxes	**1.009**	**13**	**(27)**	**995**
(Write-down)/write-backs on deferred tax assets	(901)	(17)	24	(894)
Prepaid taxes net of write-downs	**108**	**(4)**	**(3)**	**101**
Deferred taxes:				
- excess amortisation/depreciation	53		(11)	42
- other	19	8		27
	72	**8**	**(11)**	**69**
Net deferred tax assets	**36**	**(12)**	**8**	**32**

Impairment losses of €17 million mainly refer to the results of the test for recoverability of the prepaid taxes of Versalis SpA (impairment loss of €14) and of Versalis UK Ltd (impairment loss of €3 million).

The write-backs of prepaid taxes of €24 million mainly refer to decreases in the provisions for deferred tax assets of Versalis France (16 million euros) and Dunastyr (1 million euros).

15. Other non-current assets

Other assets of €3 million (€1 million as a December 31, 2020) mostly relate to receivables due from personnel and receivables from other taxes.

Current liabilities

16. Short-term debt

Short-term debt of €655 million (€995 million as at December 31, 2020) 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 0.45% (2.2% as at December 31, 2020).

17. Current portion of long-term debt

For details on the current portion of long-term debt of €9 million (unchanged from the previous period), 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, 2020	December 31, 2021
Trade payables	575	821
Other payables		
- related to investment activities	81	43
- other	82	113
	738	977

Trade payables of €821 million refer to payables due to third-party suppliers (€353 million), payables due to associated companies, joint ventures and other Eni Group subsidiaries (€221 million) and payables to the parent company Eni SpA (€247 million).

Payables from investment activities amount to €43 million and refer to the earn-out due to Team Srl, former shareholder of Finproject SpA (€25 million), from which the remaining 60% share of the company was acquired during the year, and payables due to suppliers for investment activities (€18 million).

Other payables of €113 million are mainly due to personnel (€58 million), to the parent company Eni SpA for participation to Group VAT regime (€27 million), to social security institutions (€16 million) and to consultants and professionals (€1 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 €24 million (€1 million as at December 31, 2020) relate to the income taxes of foreign consolidated companies, such as Versalis France (€13 million), Versalis Deutschland (€7 million), Versalis International (€2 million) and Dunastyr (€1 million).

20. Other current liabilities

Other current liabilities are disclosed as follows:

(€ million)	December 31, 2020	December 31, 2021
Other current tax liabilities	11	17
Deferrals on advanced income	6	8
Advances and prepayments	3	3
Fair value of non-hedging derivatives	1	1
	21	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 €741 million (€450 million as at December 31, 2020) are detailed as follows:

	December 31, 2020			December 31, 2021		
(€ million)	Long-term portion	Short-term portion	Total	Long-term portion	Short-term portion	Total
Due to shareholders for financing	439	9	448	731	9	740
Due to other lenders	2		2	1		1
	441	9	450	732	9	741

The average effective interest rate for the year was 1.35% (1.30% in 2020). 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					
	2020	2021	2022	2023	2024	2025	2026 Beyond	Total
Due to shareholders for financing	448	740	9	209	309	209	4	740
Due to other lenders	2	1		1				1
	450	741	9	210	309	209	4	741

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, 2020	December 31, 2021
A. Cash	62	99
B. Cash equivalents		1
C. Other current financial assets		
D. Liquidity (A+B+C)	**62**	**100**
E. Current financial debt	995	655
F. Current portion of non-current financial debt	17	16
G. Current financial indebtedness (E+F)	**1.012**	**671**
H. Net current financial indebtedness (G-D)	**950**	**571**
I. Non-current financial debt	454	746
J. Debt instruments		
K. Non-current trade and other payables		
L. Non-current financial indebtedness (I+J+K)	**454**	**746**
M. Total financial indebtedness (H+L)	**1.404**	**1.317**

22. Provisions for risks and charges

(€ million)	December 31, 2020	December 31, 2021
Provision for environmental risks	48	51
Provision for disposal and restructuring	20	16
Provision for associated companies risks	25	6
Provision for redundancy incentives	6	4
Provision for litigations	5	2
Provision for OIL insurance cover	3	2
Other provisions	10	13
	117	94

Provisions for risks and charges are detailed as follows:

(€ million)	Opening balance	Increase	Utilization for charges	Surplus utilization	Currency translation differences and other changes	Ending balance
December 31, 2020						
Provision for environmental risks	43	14	(2)	(7)		48
Provision for disposal and restructuring	35	2	(11)	(4)	(1)	21
Provision for associated companies risks	27				(2)	25
Provision for redundancy incentives	7	1	(1)	(1)		6
Provision for legal and other proceedings	4	3		(2)		5
Provision for OIL insurance cover	3		(1)			2
Other provisions	10	2	(1)		(1)	10
	129	22	(16)	(14)	(4)	117
December 31, 2021						
Provision for environmental risks	48	15	(12)			51
Provision for disposal and restructuring	21		(5)			16
Provision for associated companies risks	25				(19)	6
Provision for redundancy incentives	6	1	(1)	(2)		4
Provision for legal and other proceedings	5			(3)		2
Provision for OIL insurance cover	2					2
Other provisions	10	3	(1)		1	13
	117	19	(19)	(5)	(18)	94

Provisions for environmental risks of €51 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.

Provisions for disposal and restructuring of €16 million mainly refer to the disposal of the Sarroch site following the sale of the "Aromatici" business branch in 2014 (€9 million), to the restructuring of the Porto Marghera site (€4 million) and of the Porto Torres site (€2 million).

Provisions for associated companies risks refer to the commitment to meet future financial needs of the joint venture Matrìca for the year 2022 (€6 million).

Provisions for redundancy incentives of €4 million refer to expenses for ordinary mobility of personnel.

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

Provisions for 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 €13 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 €73 million are detailed as follows:

(€ million)	December 31, 2020	December 31, 2021
Severance indemnity	44	41
Supplementary healthcare provision for Eni managers and other foreign medical plans	14	14
Foreign retirement plans		(3)
Other employee benefit plans	15	21
	73	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 2021, no. 159,308 shares; the weighted average fair value of these shares on the same date is equal to € 8.15 per share; (ii) 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; (iii) in 2019, no. 118,783 shares; the weighted average fair value of these shares on the same date is equal to € 9.88 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 (€ 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; € 13.714, for the 2019 allocation), reduced by the dividends expected in the vesting period (7.1% and 7.4% for the 2021 allocation, 7.1% and 10.0% for the 2020 allocation and 6.1% for the 2019 allocation of the share price at the grant date), considering the volatility of the share (44% and 45% for the 2021 grant; 41% and 44% for the 2020 grant; 19% for the 2019 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 euro with a contra entry in the shareholders' equity reserves.

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

(€ million)	December 31, 2020 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	39	13	14	110
Current service cost				3	3
Interest cost		1			1
Costs for past services					
Remeasurements:	2		1	2	5
- actuarial gains and losses due to changes in demographic assumptions		(1)			(1)
- actuarial gains and losses due to changes in financial assumptions	2	2	1	1	6
- experience gains and losses		(1)		1	
Benefits paid	(2)	(3)		(2)	(7)
Currency translation differences and other changes		(2)			(2)
Present value of benefit liabilities at the end of the year (a)	44	35	14	17	110
Plan assets at the beginning of the year		39			39
Interest income		(1)			(1)
Return on plan assets		2			2
Benefits paid		(3)			(3)
Currency translation differences and other changes		(2)		2	
Plan assets at the end of the year (b)		35		2	37
Redemption rights at the beginning of the year			(1)		(1)
Redemption rights at the end of the year (c)		35	(1)	2	36
Assets/liabilities ceiling at the end of the year (d)					
Net liability recognized in the financial statements (a-b±d)	44		14	15	73

(€ million)	December 31, 2021 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)	(3)	1		(3)
- actuarial gains and losses from changes in financial assumptions	(1)	(2)	1		(2)
- experience gains and losses					
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 beginning of the year					
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 €21 million (€15 million as at December 31, 2020) primarily concern deferred monetary incentives for €8 million (€9 million as at December 31, 2020), the "Contratto di Espansione" for €6 million and seniority rewards for €5 million (same amount as at December 31, 2020).

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	FISDE and foreign healthcare	Other provisions for long-term employee	Total
December 31, 2020					
Current service cost				3	3
Costs for past services and gains/losses for extinction					
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					
Total		**1**		**3**	**4**
- of which included in payroll costs				*3*	*3*
- 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:

	December 31, 2020					December 31, 2021				
(€ 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		1			1					
- Actuarial gains and losses from changes in financial assumptions	-1	(2)	(1)	(1)	(5)		1		1	2
- Experience gains and losses		1		(1)						
- Return on plan assets		2			2		2			2
	(1)	2	(1)	(2)	(2)		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
2020				
Discount rate	0.3	0.3-1.4	0.3	0.0
Salary growth-trend rate	1.8	1.8		
Inflation rate	0.8	0.8-3.1	0.8	0.8
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:

(€ million)

	Discount rate		Inflation rate		Cost of living trend	
	Increase of 0,5%	Decrease of 0,5%	Increase of 0,5%	Decrease of 0,5%	Increase of 0,5%	Decrease of 0,5%
TFR	(2)	1	1			
Foreign defined benefit plans						
FISDE and other healthcare plans	(1)	1			1	
Other provisions						

The total contributions expected to be paid into defined-benefit plans in the next year amount to €5 million.

24. Deferred tax liabilities

Deferred tax liabilities of 34 million euros 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 € 18 million refer to deferred income on multi-annual revenues.

26. Shareholders' equity

Shareholders' equity of €909 million (€222 million as at December 31, 2020) is disclosed as follows:

(€ million)	December 31, 2020	December 31, 2021
Share capital	1.365	446
Legal reserves	24	
Other reserves	(22)	(150)
Gains (losses) from previous years	(557)	526
Gains (losses) of the year	(588)	87
	222	909

Net equity amounts to €909 million and increases by €739 million compared to previous year. The variation was due to the following factors:

- reduction of shareholders' capital and utilization of the legal reserves and of other available reserves, in order to fully cover the losses pertaining to previous years for €945 million
- capital injection of €500 million to partially cover previous losses
- net profit of the year of €87 million
- recognition, among the equity reserves, of the increase in the fair value of Novamont for €106 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, following its utilization to cover previous losses, was zeroed.

Other reserves

Other reserves, negative for €150 million, mainly include the negative consolidation reserve for €225 million, the reserve for the remeasurement at fair value of the equity investment in Novamont SpA for €106 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 €13 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:

(€ million)	December 31, 2020 Sureties	Other personal guarantees	Total	December 31, 2021 Sureties	Other personal guarantees	Total
Guarantees	...	145	145	1	128	129
		145	145	1	128	129

... Amounts less than € 0.5 million

Other personal guarantees of € 128 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 less than € 1 million issued in favour of Serfactoring SpA, on behalf of Versalis employees that received financing by Serfactoring SpA.

Effective commitment as at December 31, 2021, amounts to € 128 million.

Commitments and risks

Commitments and risks are detailed as follows:

(€ million)	December 31, 2020	December 31, 2021
Commitments		
Purchase commitments	150	
	150	
Risks		
Third party assets in custody		3
Other risks	39	39
	39	42
	189	42

Purchase commitments are reduced by € 150 million, following the exercise of the call option of the remaining share of Finproject.

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[20] 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.

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20 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.

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 reduction in the margin, at the same conditions of Brent increase, is due to the trend of the business sectors in which Versalis operates. The automotive sector, progressively weakened since 2017, saw a slow recovery in 2021 driven by the growth of electric vehicles. The trend of the automotive sector impacts on elastomers and, partly, on styrene. There has been full application of European legislation that limits the use of Single Use Plastics, which penalizes styrene, but the stimuli for economic recovery have led to a good performance in both the thermal insulation and in consumer electronics sectors. Overall, 2021 was characterized by an economic recovery both in Europe and in the world, after the recession of 2020 due to Covid-19, and some of the sectors in which Versalis operates benefited from the demand deriving from this recovery.

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.

In 2021, the dynamics of trade receivables from third parties showed an increasing trend compared to the previous year. The average exposure of 2021 is higher than in 2020, as well as the average turnover of 2021 is higher than the previous year. The level of sales to factors was higher than the previous year and allowed the reduction of the exposure in correspondence with the quarterly closings.

New litigations are decreasing compared to 2020; the overdue level is almost constant compared to the previous year, even if the exposure to the dynamics of prices has increased.

The average intragroup exposure has increased, together with a slight increase in average turnover compared to the previous year.

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.

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)	2022	2023	2024	2025	2026	Beyond	Total
Short-term debt	655						655
Long-term debt including current portion	9	210	309	209	4		741

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)	2022	2023	2024	2025	2026	Beyond	Total
Commercial debt	821						821
Advances and other payables	156						156
	977						977

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)	2022	2023	2024	2025	2026	Beyond	Total
Costs (charges) relating to environmental provisions	17	12	5	5	7	5	51
Other commitments	1335	352	269	5	3	2	1.966
	1352	364	274	10	10	7	2.017

Other commitments of € 1.966 million essentially include undertakings to purchase supplies of petrochemical products to be utilized in the production process.

Investment commitments

Over the next few years, Versalis Group plans to carry through a program of capital expenditure of €68 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)	2022	2023	2024	2025	2026	Beyond	Total
Other commitments	69	1					70
	69	1					70

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 2021, 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 conviction in the first instance against the three accused employees.

Therefore, the defense attorneys are waiting for the filing of the reasons for the conviction, which is expected within 90 days from the ruling, in order to evaluate the presentation of the appeal to the Supreme Court against the second-degree sentence.

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). The Mantua Public Prosecutor's Office is proceeding against Eni Group companies for environmental crimes related to the SIN of Mantua; 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, including case 956/18 RGNR and criminal case 780 / 18 RGNR. 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. Versalis, Eni Rewind and Edison are under investigation pursuant to Legislative Decree 231/01. Three executives of Versalis are also under investigation. The defensive activity continues in favor of Eni companies and their employees. Defensive briefs describing the overall environmental interventions carried out by Eni companies and their correct operations were filed, we are awaiting developments.

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.

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.

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.

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.

Interlocutions are underway with the Ministry and the LCCS to solicit a response to this request.

Municipality of Melilli. In May 2014, Eni Rewind SpA and Versalis were served with a writ of summons by the Municipality of Melilli for alleged environmental damage related, according to it, to the management and illegal disposal of waste and illegal landfill. In particular, the act frames the responsibility of Eni Rewind SpA and Versalis SpA in their role as waste producer and client as, in the context of the criminal proceedings that arose in the years 2001/2003 around the so-called "Red Sea" case, the origin of hazardous waste (in particular waste with high concentrations of mercury and abandoned railway sleepers) would have been ascertained from the industrial sites of Priolo and Gela. This waste would have been illegally disposed of at an unauthorized landfill owned by a third party (about 2 km from the town of Melilli). The claim amounts to €500 million, jointly and severally requested by the two Group companies and the landfill operator. With a sentence published in June 2017, the Judge accepted all the defensive claims of Eni Rewind SpA and Versalis SpA considering the requests of the Municipality inadmissible due to a lack of active legitimation and in any case unfounded or unproven. In April 2018 the appeal proposed by the Municipality was rejected. An appeal is pending before the Court of Cassation for revocation.

Following the outcome of the legal proceeding, issued after the one in the Supreme Court, regarding court fees, in November 2019 the Court of Appeal of Catania jointly ordered Eni Rewind and Versalis to reimburse the liquidated court fees in favor of the Municipality of Melilli. In January 2020, the Company made the payment. Following the chamber hearing in July 2020, the Court of Cassation, with an order of October 2020, declared inadmissible the counterclaims presented by Eni Rewind and Versalis (presented following notification of the main appeal by Messrs. Spataro and Serra, the latter appeal also declared inadmissible as well as belated) with the consequent condemnation for the Eni companies to pay the costs of litigation, to date, fully liquidated.

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.

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 2020, 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 setting aside the amount of € 204,272.00 for the dispute, in the event the Regional Tax Commission expresses itself with an unfavorable outcome.

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), hoping to adjust the tax due.

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)	December 31, 2020	December 31, 2021
Sales of petrochemical products	3.259	5.376
Other services	124	141
Sales of other products	4	73
	3.387	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)	December 31, 2020	December 31, 2021
Italy	1.588	2.678
Rest of Europe	1.433	2.415
Asia	232	300
Americas	89	123
Africa	44	72
Other areas	1	2
	3.387	5.590

Other income and revenues

Other income and revenues are detailed as follows:

(€ million)	December 31, 2020	December 31, 2021
Recovery of other costs and expenses	52	30
Income from emission rights	13	30
Licence rights and royalties	2	18
Income from sale of Energy Efficiency Certificates	9	16
Capital gain from disposal of assets		9
Sale of precious metal	1	2
Income from investment properties	3	2
Research grants		2
Insurance compensations	7	1
Contractual penalties	1	
Other	8	2
	96	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

(€ 13 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 (€ 14 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)	December 31, 2020	December 31, 2021
Production costs - raw, ancillary and consumable materials and goods	2.390	3.501
Service costs	1.129	1.551
Other expenses	56	83
Leasing and rental charges	21	23
Increase (decrease) in allowance for doubtful accounts		(1)
Increase (decrease) in fixed assets for internal works	4	(4)
Net provisions for risks and charges	(8)	(3)
Changes in inventories	(150)	(229)
	3.442	4.921

Costs for raw materials, ancillary materials, consumables and goods amounting to € 3.501 million mainly refer to the purchase of Virgin Nafta and other raw materials used in the production cycle.

Service costs of € 1.551 million mainly refer to costs for utilities (€ 843 million), logistics and transport (€ 250 million), maintenance (€ 140 million), ICT, supplying and administrative centralized services (€ 50 million) and industrial services (€ 12 million).

Other expenses of € 83 million mainly include costs for the purchase of emission rights (€ 28 million), charges for environmental remediation (€ 27 million), indirect taxes and duties (€ 16 million), charges paid to the "Cassa per i Servizi Energetici" (€ 3 million), customs duties (€ 3 million), membership fees (€ 3 million) and contractual penalties (€ 1 million).

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

Leasing and rental charges of € 23 million mainly include expenses for concessions and licenses (€ 9 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 € 39 million (€ 42 million in 2020). This amount is to be considered net of the contribution deriving from the tax credit of € 2 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)	December 31, 2020	December 31, 2021
Payroll	283	293
Social security contributions	80	81
Provisions for severance pay (TFR)	15	15
Costs related to defined benefit plans and defined contribution plans	5	14
Other costs	4	8
	387	**411**
Less:		
Increase in fixed assets for internal work	(8)	(8)
	379	**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, 2021 amount to €5 million and are disclosed as follows:

(€ million)	December 31, 2020	December 31, 2021
Payroll	4	4
Costs related to employees benefits	1	1
	5	5

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

	December 31, 2020	December 31, 2021
Senior management	111	130
Middle management and staff	3.351	3.580
Workers	1.834	3.432
	5.296	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 2020, to which is added the punctual number of employees of Finproject group at the end of the period. 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)

Other operating income (expenses) are detailed as follows:

(€ million)	December 31, 2020	December 31, 2021
Income from commodity derivatives	1	
Expenses from commodity derivatives	(16)	
	(15)	

There were no other operating expenses or 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)	December 31, 2020	December 31, 2021
Depreciation and amortization:		
- Property, plant and equipment	80	79
- Intangible assets	1	8
- Lease assets	5	6
	86	93
Impairment losses (restatements):		
- Property, plant and equipment	70	163
- Intangible assets	(24)	
- Lease assets		
	46	163
	132	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)	December 31, 2020	December 31, 2021
Financial income	36	33
Financial expenses	(41)	(30)
Derivatives	(2)	5
	(7)	8

The net amount of financial income (expenses) is analyzed below:

(€ million)	December 31, 2020	December 31, 2021
Financial income (expenses) on net financial debt		
- Interest and other expenses towards banks and other lenders	(9)	(12)
Positive (negative) exchange rate differences		
- Positive exchange rate differences	34	30
- Negative exchange rate differences	(34)	(26)
Derivatives	(2)	5
Other financial income and expenses		
- Capitalized financial expenses	3	2
- Interest and other income on financial receivables and securities related to operations	2	10
- Other financial income (expenses)	(1)	(1)
	(7)	**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 of € 1 million 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 € 10 million consist of interests on the financial credit granted to Matrìca.

33. Income (expenses) from investments

Income (expenses) from investments are detailed as follows:

(€ million)	December 31, 2020	December 31, 2021
Effects from measurement at equity method	(49)	(9)
Effects from measurement at fair value		20
Other net income (expenses)	(25)	(6)
	(74)	**5**

Effects from measurement at equity method are analyzed in Note 11.

The effects of the valuation at fair value of €20 million are the result of the re-expression of the previously held 40% share in Finproject, due to the application of the step acquisition discipline provided for by IFRS; the other net charges of € 6 million relate to the commitment undertaken for the financial support of the Joint Venture Matrìca SpA.

34. Income taxes

Income taxes are detailed as follows:

(€ million)	December 31, 2020	December 31, 2021
Current taxes:		
- italian companies	(3)	3
- foreign companies	2	42
	(1)	45
Net deferred (prepaid) taxes:		
- italian companies	1	
- foreign companies	18	3
	19	3
Total income taxes	18	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:

(%)	2020	2021
Theoretical tax rate	**25,9**	**21,3**
Items increasing (decreasing) compared to theoretical tax rate:		
- (impairments) restatements of prepaid taxes	(20,2)	(2,0)
- income (expenses) from investments	(2,5)	7,0
- permanent tax differences	(3,4)	(4,6)
- different tax burden on foreign companies	(0,7)	1,1
- benefits from the application of tax relief rules	0,6	(2,3)
- previous years taxes	0,6	0,1
- other changes	(3,5)	15,0
Total changes	**(29,1)**	**14,3**
Effective tax rate	**(3,2)**	**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 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) 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;
c) Eni Angola SpA (controlled by Eni SpA): marketing of products;
d) Eni Congo SA (controlled by Eni SpA): marketing of products;
e) Eni Gas & Power France SA (controlled by Eni SpA): purchase of utilities;
f) Eni Global Energy Markets (controlled by Eni SpA): purchase of energy certificates;
g) Eni Insurance DAC (controlled by Eni SpA): insurance cover for risk;
h) Eni Mexico (controlled by Eni SpA): marketing of products;
i) EniPower SpA (controlled by Eni SpA), EniPower Mantova SpA and Società EniPower Ferrara Srl (both 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 Petroleum Co Inc (controlled by Eni SpA): marketing of products;
m) 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;
n) Matrìca SpA (joint venture): financing of assets held for operating activities, industrial services;
o) Raffineria di Gela SpA (controlled by Eni SpA): transactions deriving from rental of the "Polyethylene" business unit in Gela;
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) Gruppo Ferrovie dello Stato: rail transport;
u) Terna Group: supply of utilities in the sites where Versalis SpA is present;
v) 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)

	December 31, 2021			2021					
				Expenses			Revenues		
Company name	Receivables and other assets	Payables and other liabilities	Derivatives	Goods	Services	Other operating expenses	Goods	Services	Other
Associated companies									
Brindisi Servizi Generali Scarl	1				7				
Finproject SpA							1		
IFM Ferrara ScpA		1			5				
Priolo Servizi Scarl	1				19				
Ravenna Servizi Industriali ScpA	3	3			10		1		1
Servizi Porto Marghera Scarl	2	3			25		2		
Subtotal	**7**	**7**			**66**		**4**		**1**
Joint ventures									
Matrìca SpA	21							5	
LOTTE Versalis Elastomers Co Ltd	5	1		6				1	
Subtotal	**26**	**1**		**6**				**6**	
Parent company									
Eni SpA	33	277	1	218	651		11	75	9
Subtotal	**33**	**277**	**1**	**218**	**651**		**11**	**75**	**9**
Eni Group companies									
CE P.I.M. SpA					1				
Banque Eni SA									
Ecofuel SpA	14	4		34	2		96	10	1
Eni Angola SpA	5						4	1	
Eni Congo SA	3						10	3	
Eni Corporate University SpA		1			2				
Eni finance international SA									
Eni Gas e Luce SpA									1
Eni Gas & Power France SA		3			7				
Eni Ghana Exploration & Production Ltd	1						4		
Eni Global Energy Markets SpA						44			26
Eni Insurance Designated Activity Co		1			10				1
Eni Mediterranea Idrocarburi SpA							1	1	
Eni Mexico S. de RL de CV	1						5		
Eni Petroleum Co Inc	5						16		
EniPower SpA	3				2			8	1
Eni UK Ltd							1		
EniPower Mantova SpA	1							4	
EniProgetti SpA					1				
EniServizi SpA		1			7				
Eni Rewind SpA	143	84		2	63			3	21
Eni Trade and Biofuels SpA	11	117		1.182	87	1	75		1
Ing. Luigi Conti Vecchi SpA	1			2					
Petrobel Belayim Petroleum Co							2		
Raffineria di Gela SpA	1							1	
Serfactoring SpA		11			1				
Società EniPower Ferrara Srl					1				
Subtotal	**189**	**222**		**1.220**	**184**	**45**	**214**	**31**	**52**
State-owned or State-controlled companies									
Enel SpA		2			2			8	
Gruppo Ferrovie dello Stato		1			6				
Gruppo Terna	1				2			2	
GSE - Gestore Servizi Energetici	8								13
Subtotal	**9**	**3**			**10**			**10**	**13**
Total	**264**	**510**	**1**	**1.444**	**911**	**45**	**229**	**122**	**75**

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, 2021		2021		
Company name	Receivables	Payables	Expenses	Revenues	Derivatives
Parent company					
Eni SpA	51	1.323			5
Eni Group companies					
Banque Eni SA	2				
Serfactoring SpA	1				
Eni finance international SA		46			
Eni Finance USA Inc					
Joint ventures					
Matrica SpA	4			11	
Total	**58**	**1.369**		**11**	**5**

The impact of transactions and balances with related parties on the Group's balance sheet, income statement and cash flow statement is disclosed in the table below:

(€ million)	December 31, 2020			December 31, 2021	
	Total	Related parties	%	Related parties	%
Cash and cash equivalents	62	33	53	53	54
Trade and other receivables	708	236	33	264	26
Other current assets	3	2	67	1	7
Other financial assets	6	6	100	5	100
Other non-current assets	1				
Short-term financial liabilities	995	983	99	629	96
Trade and other payables	738	358	49	510	52
Other current liabilities	10	1	10	1	3
Long-term financial liabilities	450	448	100	740	100

The impact of transactions with related parties on the income statement is shown in the table below:

(€ million)	December 31, 2020			December 31, 2021	
	Total	Related parties	%	Related parties	%
Revenues from operating activities	3.387	256	8	589	11
Other income	96	69	72	75	67
Purchases, services and other costs	(3.442)	(1.443)	42	(2.355)	48
Payroll and related costs	(379)				
Other operating income and expenses	(15)	(15)	100		
Financial income	36	2	6	11	32
Financial expenses	(41)	(8)	20	(11)	38
Gains/losses on derivatives	(2)	(2)	100	5	100
Expenses from investments	(74)				

The main cash flows with related parties are disclosed in the following table:

(€ million)	2020	2021
Revenues and other income	325	664
Expenses and other costs	(1.457)	(2.355)
Changes in trade and other receivables and in other assets	3	(56)
Changes in trade and other payables and in other liabilities	(29)	160
Dividends, interest and taxes	(8)	10
Net cash flow from operating activities	**(1.166)**	**(1.577)**
- investments and securities	(139)	(173)
- financial receivables	5	1
- changes in payables and receivables related to investment activities	50	7
Cash flow from investments	(84)	(166)
Net cash flow from investment activities	**(84)**	**(166)**
- Changes in financial debt	353	(101)
- Capital injection	300	500
Net cash flow from financing activities	**653**	**399**
Total cash flow to related parties	**(597)**	**(1.344)**

The impact of cash flows with related parties is shown in the summary table below:

(€ million)	2020			2021	
	Total	Related parties	%	Related parties	%
Net cash flow from operating activities	(364)	(1.166)	320	(1.577)	n.a.
Net cash flow from investment activities	(267)	(84)	31	(166)	43
Net cash flow from financing activities	651	653	100	399	118

36. Public funds - Statement ex art. 1, paragraphs 125-129, Law no. 124/2017

The disbursements granted essentially to foundations, associations and other entities for reputational purposes, donations and support for charitable and solidarity initiatives are the following:

Beneficiary	Amount of the economic benefit paid (€)	Description
Indian Red Cross Society	52,434.12	Delivery of 2 lung ventilators to the Indian Red Cross to deal with the health emergency from Covid-19.

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 2021, 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 2021 there were no significant non-recurring events and operations, except for the aforementioned acquisition of the remaining 60% share of Finproject, following which Versalis is now the sole shareholder.

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, 2021, there were no assets held for sale and disposals.

40. Main events subsequent to December 31, 2020

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 widening of the geopolitical crisis, as well as the economic sanctions against Russia can affect global production activity, the supply chain and consumer confidence, hampering the economic recovery or, in the worst-case scenario, leading to a new recession. For further information, refer to the paragraph "Country risk" in the chapter "Risk and uncertainty factors".

41. List of investments

Versalis SpA investments as at December 31, 2021

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, 2021, 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).

CHANGES IN THE CONSOLIDATION AREA

On October 28, 2021, Versalis completed the acquisition of the remaining 60% share of Finproject, exercising the call option it held. Versalis thus obtained control of Finproject group, including it in the consolidation area with backdating of the effects to October 1, 2021. The balance sheet of Finproject group as of September 30, 2021 is shown below:

(in € million)	
Property, plant and equipment	35
Right of use asset	19
Intangible assets	83
Fixed Assets	**137**
Inventory	34
Net trade receivables	48
Trade payables	42
Net tax payables	(2)
Provision for risks and charges	1
Other receivables (payables)	(2)
Net Working Capital	**39**
Provision for employee benefits	**2**
Net Invested Capital	**174**
Net Equity	**89**
Financial debts	88
Lease liabilities	18
Cash and cash equivalents	21
Non-operating fixed financial assets	1
Net Financial Position	**85**
Total Liabilities and Sharholders' Equity	**174**

After the acquisition of control, an independent expert was entrusted with the task of allocating the purchase price to the newly consolidated assets. The allocation took as reference the difference between the total price paid (price consideration) and the shareholders' equity at the date of consolidation.

The price consideration equal to €248 million is the sum (i) of the total price paid for the acquisition of 60% of the group, equal to €149 million (including the earn-out to be paid in 2022 estimated at the closing date of the financial statements in 25 million euros) and (ii) the fair value of the share previously held, equal to €99 million, on the basis of the provisions of IFRS 3 for step acquisitions.

The identified step-ups are related to intangible fixed assets and concern, in particular: customer relationships, brands, know-how and an industrial patent, for a total value of approximately €133 million, to which deferred tax liabilities have been associated for approximately €37 million. The residual goodwill after the allocation amounts to €93 million.

The details of the step-ups are shown in the table below, which highlights both the book value and the corresponding fair value at the consolidation date.

(in € million)	Fair value	Book value	Allocation
Price consideration (100%)			**248**
Net equity at September 30, 2021		89	
- Pre-existing goodwill		(30)	
Net equity with pre-existing goodwill			**59**
Price to be allocated			**189**
Customer relationship	111	36	75
Brands	28	4	24
Know-how	39	7	32
Patent	2		2
Deferred taxes			(37)
Residual goodwill			**93**

The acquisition of Finproject group resulted in a net negative cash flow of € 154 million in 2021, equal to: (i) the outlay for the purchase of the remaining 60% share of € 123 million and (ii) the payment of the remaining tranches for the purchase of the initial 40% of 52 million euros; (iii) these negative cash flows were partially absorbed by the cash and cash equivalents of the group at the date of first consolidation of € 21 million.

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

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.
Padanaplast Srl	Roccabianca (PR)	EUR	18.000.000	Finproject 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

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 Versalis International Versalis Deutschland GmbH	96,34 1,83 1,83	100,00	L.b.L.
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 Finproject Asia Ltd	(a)99,00 1,00	100,00	L.b.L.
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	Finproject Asia 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.
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	Padanaplast Srl	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.

(a) Controlling share:	Asian Compounds Ltd Finproject Asia Ltd	99,53 0,47

Versalis Deutschland GmbH	Eschborn (Germany)	EUR	100.000	Versalis SpA	100,00	100,00	L.b.L.
Versalis France SAS	Mardyck (France)	EUR	126.115.583	Versalis SpA	100,00	100,00	L.b.L.
Versalis International SA	Bruxelles (Belgium)	EUR	15.449.174	Versalis SpA	59,00	100,00	L.b.L.
				Versalis Deutschland GmbH	23,71		
				Dunastyr Polystyrene Zrt	14,43		
				Versalis France SAS	2,86		
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	99,00	99,00	L.b.L.
				Versalis SpA	01,00		
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	1.000.000	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	Lyndhurst (United Kingdom)	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	80,00	80,00	L.b.L.
				Third parties	20,00		

(*) L.b.L. = line by line consolidation, N.E. = net equity method, Co. = measurement at cost, F.V. = measurement at fair value

ASSOCIATES

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		
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.	Shangai (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 (*)
Matrîca SpA	Porto Torres (SS)	EUR	37.500.000	Versalis SpA	50,00	50,00	N.E.
				Third parties	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		
VPM Oilfield Specialty Chemicals LLC	Abu Dhabi (United Arab Emirates)	AED	1.000.000	Versalis International SA	49,00	49,00	N.E.
				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	Ferrara	EUR	5.270.466	Versalis SpA	19,74	19,74	Co.
	(FE)			Eni Rewind SpA	11,58		
				S.E.F. Srl	10,70		
				Third parties	57,98		
Consorzio Crea	Cagliari	EUR	70.000	Versalis SpA	7,14	7,14	Co.
Assemini	(CA)			Third parties	92,86		
IAS Industria Acqua	Siracusa	EUR	102.000	Versalis SpA	1,00	1,00	Co.
Siracusana SpA	(SR)			Third parties	99,00		
Novamont SpA	Novara (NO)	EUR	13.333.500	Versalis SpA	25,00	25,00	F.V.
				Third parties	75,00		

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	Madrid	EUR	61.002	Versalis International SA	7,88	7,88	Co.
	(Spain)			Third parties	92,12		
BKV Beteiligungs-und Kunststoffverwert-	Frankfurt am Main	EUR	14.147.400	Versalis Deutschland GmbH	1,22	1,22	Co.
ungsgesellschaft mbH	(Germany)			Third parties	98,78		
EXELTIUM SAS	Paris	EUR	12.358.090	Versalis France SAS	1,67	1,67	Co.
	(France)			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		

(*) L.b.L. = line by line consolidation, N.E. = net equity method, Co. = measurement at cost, F.V. = measurement at fair value

Report of Independent Auditors

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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 2021, 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.

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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;

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- 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 2021 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 2021 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 2021 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 2022

PricewaterhouseCoopers SpA

Signed by

Andrea Crespi

(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.