Annual Report 2023

Mission

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

Eni's mission

We are energy company.
We concretely support a just energy transition, with the objective of preserving our planet
and promoting an efficient and sustainable access to energy for all.
We base our work on passion and innovation,
On our unique strengths and skills.
On the equal dignity of each person, recognizing diversity as a key value for human development.
On the responsibility, integrity and transparency of our actions.
We believe in the value of long-term partnerships with the countries and communities where we operate, bringing long-lasting prosperity for all.

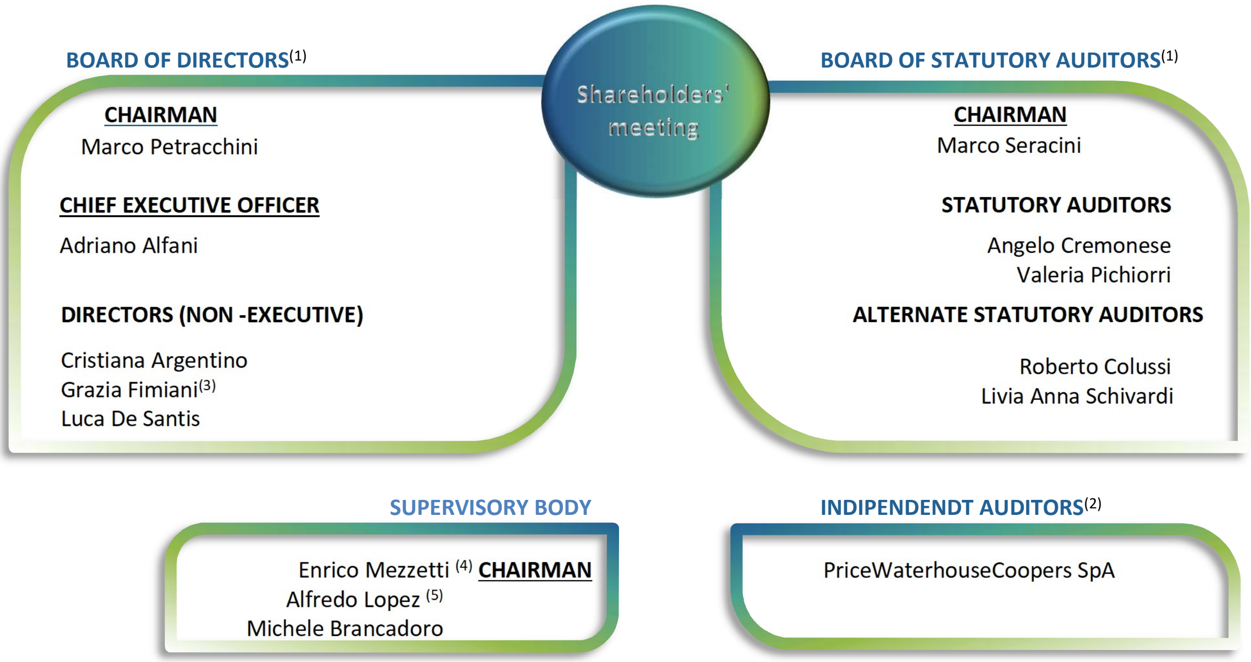
Governance

Our company is subject to the control and coordination activities of Eni, with a Corporate Governance system designed to effectively comply with the principles of integrity and transparency. In accordance with the Eni guidelines and in compliance with the tasks of the Versalis Shareholders' Meeting, the system assigns management responsibility to the Board of Directors, supervisory functions to the Board of Statutory Auditors, and auditing functions to the independent auditors.

All members of the Board are required to meet the independence requirements set forth by the law and by the recommendations of the Corporate Governance.

The members promote the interest of the Company, taking decision objectively and avoiding potential conflict of interest, in line with the Eni's Code of Ethics, to which Versalis fully adheres.

Corporate bodies



(1) Appointed by the Shareholders'Meeting of April 26, 2022
(2) Appointed by the Sharoholders'meeting of July 11, 2018, and renewed on April 26, 2022, for a three-year period which expires upon the approval of the Financial Statements for the year 2024
(3) Appointed by co-optation under shareholders' resolution of the 6 December 2023 and in charge till next meeting
(4) Appointed by the Shareholders'Meeting of June 19, 2023
(5) Appointed by the Shareholders'Meeting of December 6, 2023

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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, 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.

Letter to stakeholders

Dear stakeholders,

2023 has been a challenging year for the European and world economy overall. Sparks of growing uncertainty, jointly with the several interventions Central banks led as to control inflation, negatively influenced markets despite an overall decrease in energy prices.

The great challenge facing us today is finding adequate solutions in an environment dominated by extreme uncertainty and fragmentation. Notwithstanding all, we firmly believe in our strategy: to transform ourselves into an even more sustainable and specialized company to achieve our circularity and decarbonization goals, gain a greater presence in end markets, and a leading position in chemicals from renewables. Our transition path reached a milestone in 2023 by strengthening our position in chemistry from renewables through the acquisition of Novamont, a leading international company in circular bioeconomy, bioplastics and compostable biodegradables. The acquisition will allow us to significantly accelerate our transition strategy in the direction of chemistry from renewable sources through the combination of portfolio synergies.

This path of business integration allows us to enhance people skills and focus on defining an industrial plan that leverages a single platform and an increasingly low-carbon product portfolio. As Versalis, we strongly believe in innovation as a driver to achieve our goals and investing in research to develop technologies and products: the energy transition is first and foremost a technological transition. For this reason, we are constantly working on achieving total circularity of plastics by reintroducing them into the production cycle at the end of their life, developing complementary recycling processes, using alternative raw materials and improving energy efficiency.

In 2023 we have been working hard to develop recycling processes to achieve the goal of full circularity of plastics. As a result of the commitment shown, the company is continuing to work on the Hoop® chemical recycling project in Mantova on the strength of EU funding (EU Innovation Fund); Hoop® is a proprietary technology that gives rise to new polymers from post-consumer mixed plastic recycling feedstock.

At the end of October 2023, Versalis began the construction of the demonstration plant in Mantova, holding 6 thousand tons of secondary raw material capacity. From the processing of plastics, we will be able to obtain pyrolysis oil, upstream of the whole production cycle from an industrial point of view The next goal in this field is to build the plant by the end of the year.

On the mechanical recycling side, Versalis is building a hub in Porto Marghera for processing secondary raw material from plastic waste to produce new grades containing recycled material. Marghera can be considered the hub where circular and complementary solutions will be tested that will allow to reduce emissions related to the use of virgin raw materials and to offer the market sustainable products that can contribute to the achievement of circularity goals of end markets (e.g., packaging).

Another key strategic direction in our transformation path is portfolio specialization. Our goal consists of lengthening the value chain to end markets, thereby strengthening development on the downstream supply chain. We continue to pursue investments in *the specialty polymers platform, that was already strengthened with the acquisition of Finproject, and to develop new technologies and solutions.*

On the energy efficiency front, a further step forward consisted in the definition of intermediate decarbonization targets to achieve Net Zero by 2050, in line with the strategy outlined by Eni. Specifically, we are committed to reducing Scope 1 and 2 emissions (compared to the 2018 base year) by 15 percent by 2025, and 30 percent by 2035.

To support the achievement of these ambitious targets, we have identified specific abatement levers and planned a pathway to reduce our emissions.

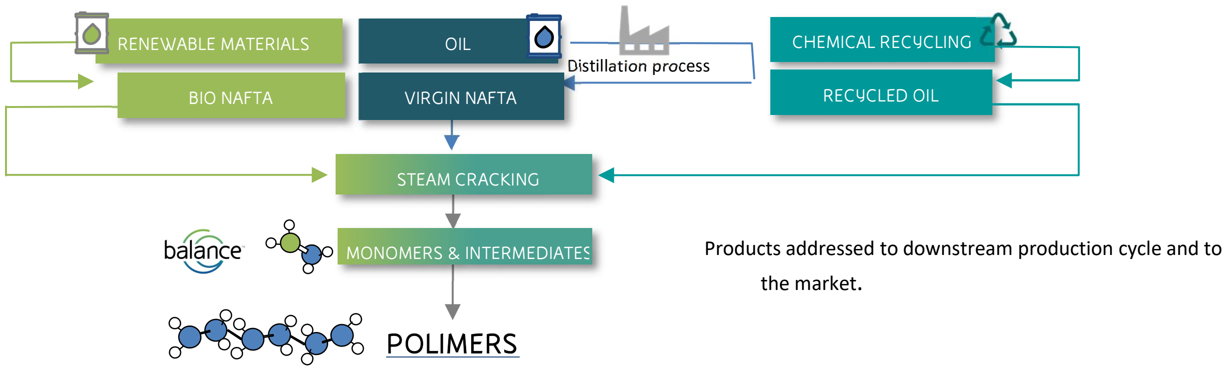
And that is why every day we wholeheartedly renew our commitment to ensuring a safe workplace with the highest standards of environmental quality for each of us and those who work with us. So our thanks go to all those whose contributions and energies introduced every day continue with us to strongly support the future of our industry.

Company profile

We are Eni's chemical company. We operate nationally and globally in the basic and intermediate chemical sectors, plastics, rubbers and chemistry from renewable sources. We are engaged and focused to develop technologies of polymers recycling. As part of a broader Eni's commitment to the energy transition, we aim to be a company more sustainable and able to generate more value for all stakeholders and contribute to reach the goal of zero carbon emission. We interact with markets by offering a wide range of product portfolio oriented towards satisfying a constantly evolving market, relying on its wide range of proprietary technologies and on R&D.

Furthermore, we commercialize our products through a wide-reaching distribution network and post-sales service activity. In October 2021, the acquisition of Finproject was finalized, to extract value from the integration of Finproject's positioning on the market for high value-added applications. In 2023 we strengthened our position on chemicals from renewable resources thought the acquisition of control of Novamont, leader in bioeconomy circular and in the bioplastics and compostable and biodegradable biochemicals, strengthening synergies in a key sector for the ecological transition.

TRADITIONAL CHEMICALS PRODUCTION CYCLE WTH MASS BALANCE APPROCCH



POLYETHYLENE

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

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, carpet underlay, paper coating, printed foam.

STYRENIC

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.

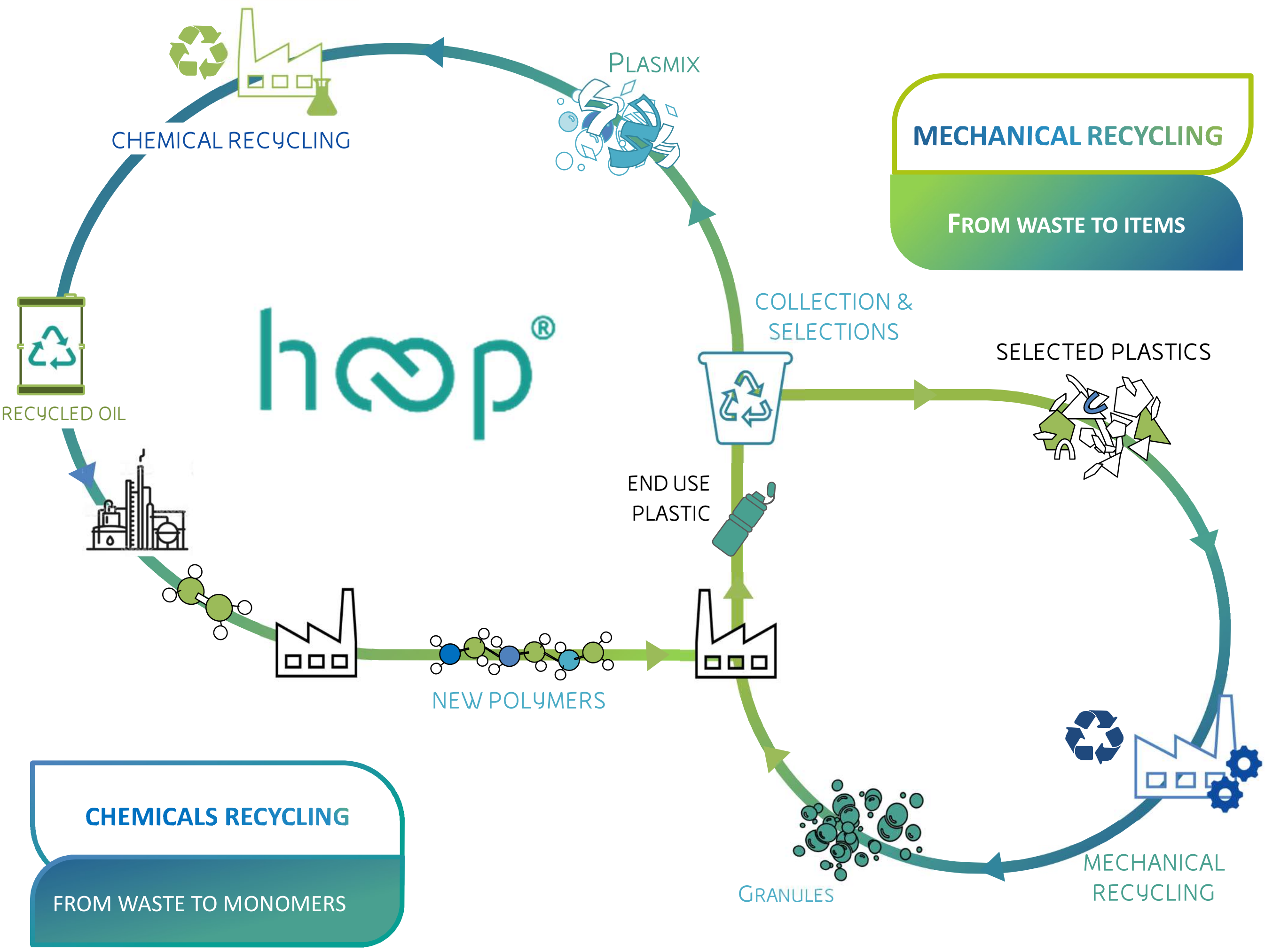
COMPOUNDING Production of PVC and expanded polyolefin compounds

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 products made from polymers are as following: 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 to produce resins, artificial fibres and polystyrene. In the field of polymers, Versalis is one of the leading European producers of elastomers, 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 technologies from renewable raw materials and polymers recycling, with the view of circular economy processes to respond to regulatory and environmental challenges.

INTEGRATED PLATFORM FOR PLASTIC WASTE RECYCLING



By acquiring Novamont, Versalis group develops biointermidates, biochemicals and bioproducts (such as bioplastic, biophytosanitary, biolubrificants, ingredients for the cosmetics sector) that, thanks to their biodegradability and compostability in different environments, allow to offer sustainable solutions achieving quality and products performance as well as efficient use of resources, contributing to the protection of ecosystems and natural capital.

Innovations in chemicals from renewable sources are the result of a circular bioeconomy model, based on reconversion of decommissioned or no longer competitive industrial sites, on an agricultural value chain integrated in the local area and not in competition with food crops.

In particular, the compostable bioplastics help to reduce the organic waste from landfills, allowing its transformation in a such a valuable resource like the compost, soil conditioner and nourishment useful for its fertility.

Even more, our biolubrificants and bioherbicides are designed to minimize the risk of dispersion in the environment.

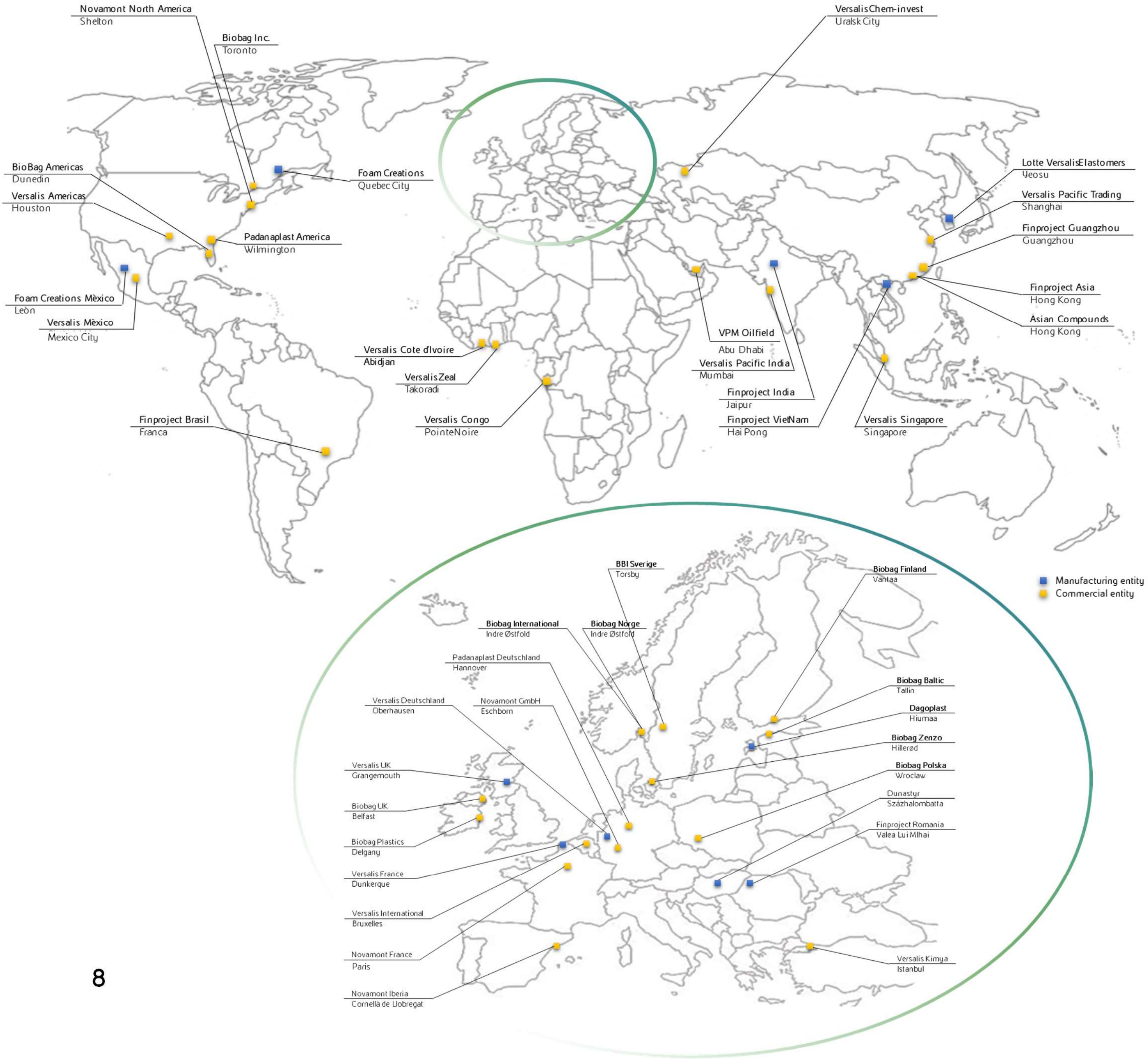
CHEMISTRY FROM RENEWABLES: EXAMPLES OF APPLICATION OF BIODEGRADABLE AND COMPOSTABLE PRODUCTS

food packaging, coffee capsules, bags for collections of organic waste, carrier bags, fruit&vegetables bags, compostable tableware, biofiller for automotive sector, products for hygiene and personal care sector, chewing products for pets.

Biolubrificants, advanced biocarburants, disinfectants, bioherbicides, bioproducts for cosmetic and pharmaceutical sector, phytoproducts, products for animal feedingstuffs.

Versalis in the world

Versalis is constantly evolving reality, historically with presence in Italy and in Europe with different production sites that, following the acquisition of Finproject and Novamont, has expanded her presence in Romania and Estonia. A commercial network at global level allows to offer an efficient and widespread assistance to the customers, thanks to an integrated system capable to satisfy the need of the market with its offer. Worldwide, Versalis is present in the Asia-Pacific region, with production sites in India and Vietnam and offices also in Shanghai, Mumbai and Singapore; it is also present in South Korea with LVE, a joint venture established with Lotte Chemical for development in the field of elastomers. The Company is also present in the North American and Mexican markets, in particular, with the compounding and Bio Chemistry business. Versalis is, in addition, present in the United Arab Emirates with the VPM joint venture, and in the African Oilfield Chemicals market in Ghana, Congo, Ivory Coast, Angola and Mozambique.



Presence in Italy

- Production site – traditional chemistry
- Production site – chemistry from renewables
- Research center

PRODUCTION PLANTS

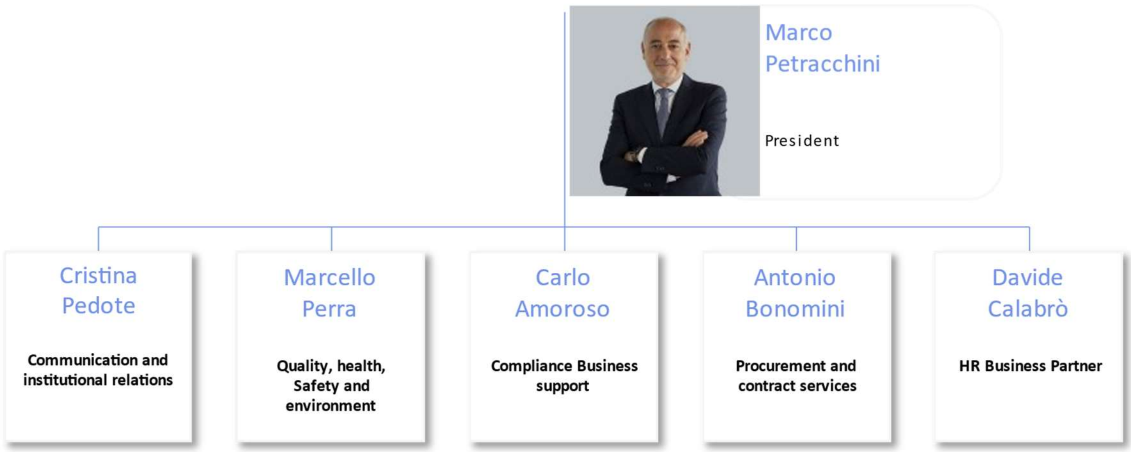
1	Crescentino	Versalis plant specialized in the production of ethanol from waste vegetable raw materials (lignocellulosic biomass), the plant is energy self-sufficient, thanks to the production of renewable electricity and steam from the thermoelectric power plant fuelled by short supply chain biomass.
2	Mantua	Versalis plant specialized for the production of intermediates, styrene and styrenics polymers. The first plant of chemical recycling will be built in the site.
3	Ferrara	Versalis plant for the production of polyethylene and elastomers. in particular, rubbers intended, among others, for the automotive industry
4	Ravenna	Versalis site focused on the production of butadiene and elastomers. On the plant are undertaken portfolio development actions with new grades with higher added value and with improved environmental sustainability as well as the development of products containing recycled Versalis Revive® feedstock
5	Porto Marghera	Versalis site at which a new hub for advanced mechanical recycling of post-consumer plastics (styrenics polymers and polyolefins) is being built.

6	Porto Torres	The site is home to Matrìca's Renewable Raw Materials Chemistry Platform, for the production of basic chemicals from renewables for use in the production of, for example, bioplastics, biolubricants, bio agrochemicals, and bioherbicides. Elastomers plant also operates at the site.
7	Ragusa	Site to produce polyethylene from the products of the Priolo steam-cracker
8	Priolo	Site of a steam-cracker plant undergoing major investments for its rearrangement and upgrading of the integrated platform
9	Brindisi	One of the most important and competitive energy-efficient steam-crackers in Europe, integrated with on-site polyethylene and butadiene productions. The plant is continuously being renewed, with some components being replaced with as many new ones of the latest generation.
10	Ascoli Piceno	Finproject site for the production of rigid and plasticized PVC compounds, polymer alloys, and polyolefin-based materials. Over time, it has expanded its production range by adding cross-linkable and expandable compounds distinguished by the brand name Levirex® (Compounding)
11	Ancarano	Finproject site specializing in injection molding of expandable and cross-linkable materials (Moulding). It makes ultralight products marked by the XL EXTRALIGHT® brand for brands in the footwear/fashion and other industries. Also present is the in-house mold workshop, which is responsible for engineering, design, production and assembly of aluminum molds for the production of finished products.
12	Roccabianca	Finproject site specializing in innovative materials based on cross-linkable polyolefins through silane technology. These find multiple applications particularly in wire & cable, pipes & fittings, e-mobility, photovoltaic.
13	Adria	Novamont site: houses the world's first dedicated plant capable of producing butanediol (BDO) directly from sugars through fermentation processes.
14	Terni	Novamont plant for the production of Mater-Bi and process engineering and quality control laboratories. Boasts expertise in the areas of compounding technologies, oil treatment and pilot-level polymer synthesis.
15	Piana di Monte Verna	Novamont site: research in industrial biotechnology is carried out in the center of Piana di Monte Verna (Caserta).
16	Patrica	The plant produces Origo-Bi biopolyesters through a line that has been fully modified over the years with proprietary Novamont technology. The site is also active in the development of new biopolymers.
17 18	Novara e Rivalta Scrivia	At the Research Centers in Novara and Rivalta Scrivia (Alessandria), we carry out innovative research and development activities in chemistry from renewable sources, such as: production of sugars from lignocellulosic biomass, production of bioethanol, chemical Intermediates and/or biopolymers for fermentation, production by synthesis and/or extraction of chemical Intermediates from raw materials of plant origin, and development of innovative proprietary catalysts.

Organizational structure

The following units depend to 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 following units depend to the Chief Executive Officer, Adriano Alfani: Elastomers, Polyethylene & Intermediates, Styrenics and Biochem, Supply Chain; Industrial; Planning, Administration and Control; Research, Development and Technological Innovation; Business Development and Licensing Strategies and Circular Economy & Sustainability.



Business model

| Intermediates

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

| Polyethylene

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

| Elastomers

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

| Styrenics

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

| Bio chemistry

Using alternative and renewable raw materials to offer sustainable products aiming decarbonatization, through the acquisition of Novamont, Versalis enhances her position in the field of chemistry from renewable source, in bioplastic market, in developing biological products and biochemicals.

| Moulding e compounding

Through the acquisition of the Finproject group, Versalis extends production chain downstream 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 moulding 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

7.793
Employees

23
Plants
including LVE

6
Research centers

Highlights

SAFETY

Versalis Group's constant commitment to the safety of people continued in 2023. Twelve accidents occurred in 2023, nine related to employees and three to contractor personnel, linked to episodes mainly attributable to behavioural reasons. In 2023 a medical treatment to an employee of Dunkerque was necessary. More activities were reinforced to improve the prevention to spread widely the culture of safety and of prompt monitoring of positions.

NEWS OF THE YEAR

EcoVadis renews the Platinum rating for the responsibility

In May 2023, for the second year in a row, Versalis was awarded the platinum rating by EcoVadis, settling itself at the Top 1% of the sector, which is the maximum achievable level of the rank considering the social responsibility of the company.

Versalis and Gruppo Boero together to develop products from renewables for the yachting industry

As part of projects aimed at developing sustainable products, Versalis and Gruppo Boero, in May 2023, have begun collaborating on the development of products made from renewable raw materials for the yachting industry.

Join with Technip Energies to integrate plastic waste recycling

In September 2023, Versalis and Technip Energies (T.EN) have signed an agreement aimed at integrating Versalis' Hoop® and Technip Energies' Pure.rOilTM and Pure.rGasTM purification technologies for the advanced chemical recycling of plastic waste supporting significantly the reduction of the overall carbon footprint in the polymer value chain.

Flo Group and Versalis introduced R-Hybrid, a vending cup made from post-consumer recycled polystyrene

In September 2023 Versalis has signed a partnership with Flo Group to take advantage of the new recycling system: R-Hybrid the first vending cup made from post-consumer recycled polystyrene. This is a significant step in food packaging innovation.

In Mantua opens the construction site for plastics chemicals recycling plant Hoop®

In Mantua Versalis has begun the construction of a demo plant Hoop®, its proprietary technology for chemical recycling of mixed plastic waste. The demo plant will have capacity to handle 6,000 tonnes of secondary raw material and is scheduled to be up and running by the end of 2024. Hoop® is the only Italian technology to have won an award, out of 239 projects submitted and 41 total winners, from the 2023 'EU Innovation Fund', allocated by the European Commission, focused on innovative low-carbon technologies.

Versalis among the signatories of 'The Antwerp Declaration'

On 20 February 2024, Versalis CEO and other with 73 industry leaders of 20 industrial sectors presented 'The Antwerp Declaration for a European Industrial Deal' to Belgian Prime Minister, Alexander De Croo and

Commission President, Ursula von der Leyen. The declaration underlines the commitment of industry to Europe and its transformation and outlines urgent industry needs to make Europe competitive, resilient, and sustainable in the face of complex economic conditions. ‘The Antwerp Declaration’ is an urgent call to revitalise Europe's industrial landscape, strengthening basic industry sectors, ensuring their competitiveness, sustainability, and resilience in such a shifting geopolitical landscape and emphasize the industry's willingness to make Europe stronger.

Technological innovation

During 2023, research and technological innovation activities were aimed, in continuity with previous years, at improving the processes and products of the existing business lines and at developing proprietary technologies. A growing commitment was also confirmed in the field of sustainable and circular chemistry as a highly strategic element of the Company as well as in the field of decarbonization. Benefiting from the synergies with Finproject, research and innovation activities were expanded in new compounding product portfolio and its production technologies. Furthermore, Versalis continued the constant commitment to develop chemicals products from renewable resource, a fundamental guideline towards the transition project to sustainability and low carbon emission environment, a mission becoming stronger thanks to the acquisition of Novamont group.

Production

Production in 2023, equal to 5.663 thousand tonnes, decreased by 1.193 thousand tonnes (-17,4%), mainly due to: (i) the lower availability of plants in the intermediates business (-20.8%) due at the final stop in Porto Marghera and at the scheduled stop in Dunkirk as well as strategic plant downtimes to deal with the decreasing demand in the market ; (ii) the styrenics business (-16%) and (iii) elastomers (-16%).

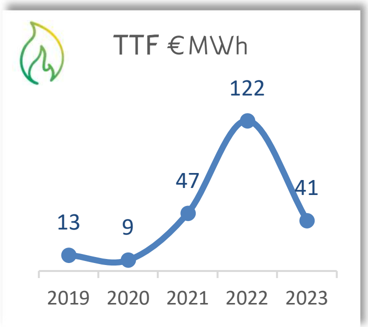
Results

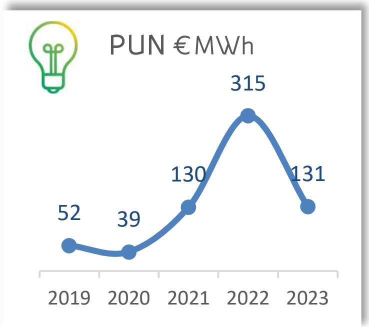
In 2023 the chemical sector reported a negative result mainly due to a market characterized by (i) strong contraction in demand caused by uncertainty of EU scenario, by macroeconomic crisis, by increasing inflation and interests rates, (ii) increasing availability of import from United States and Middle East, mainly caused by the slow restart of Asia, (iii) and by the lower competitiveness of European productions, triggered by the high raw material's prices, even though less higher compared to the second half of 2022. These effects were only partially offset by (i) reduction of utilities costs, logistic costs, and less emission costs for less productions and (ii) by commercial actions, optimization of plan and modulation of production according to demand trends. In this context, the Versalis group achieved an operating loss of 1.405 million euros and a negative net cash flow from operating activities of 692 million euros. The parent company Versalis SpA presents a net loss of 1.170 million euros which, against a fully paid-up share capital of 300 million euros, reserves of 978 million, configures the extremes provided for by art. 2446 of the Civil Code.

Strategy

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

Versalis at a glance



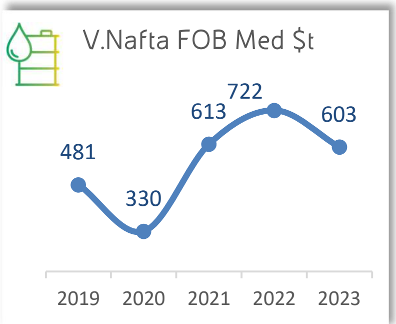


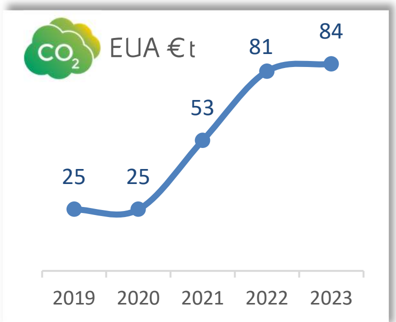
ECONOMICS AND FINANCIAL KPI

(€ million)	2023	2022	2021
Net sales from operations	4.236	6.215	5.590
Operating profit (loss)	(1.404)	(885)	122
Net profit (loss)	(1.288)	(882)	87
Net cash flow provided by oparating activities	(692)	(423)	75
Capital Expenditures	187	255	190
Total assets	3.824	3.437	3.575
Shareholder's equity	(147)	67	909
Net borrowings	2.457	1.999	1.317
Net capital employed	2.310	2.066	2.226

KEY OPERATING AND SUSTAINABILITY INDICATORS

		2023	2022	2021
Employees	(numbers)	7.793	7.165	7.095
Accident frequency rate	(accidents/hours worked x 1,000,000)	0,59	0,80	0,64
Direct emission of greenhouse gases	(mm tonnes CO2 eq)	1,93	2,34	2,85
Cost of research and development	(amount in millions of euros)	46	42	39
Productions	(k tonnes)	5.663	6.856	8.496
Plant utilization rate	(%)	51	59	66





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. On the 18th of October the acquisition of the full control of Novamont group was completed. The group is included in the consolidation area since the 1st of October 2023.

[1] *Versalis International SA owns 1,83% shares of Dunastyr Polystyrene Zrt*
[2] *Versalis SpA owns 1% shares of Versalis México*
[3] *Finproject SpA owns 0,01% of Finproject India*

Operating review

The Economy in 2023 was affected by geopolitical tensions (Russian-Ukrainian and Israeli-Palestinian war) and by the interventions of the Central Banks to tackle the inflationary pressures. These factors have negatively impacted the worldwide and European economic scenario, despite the slight decrease the energy costs.

In fact, the growth rate of the global economy during 2023 slowed, falling from +3,1% in 2022 to +2,5% in 2023 with a forecast in +2,4% for 2024.

The international crisis had a negative hit in the European Economic Scenario (EU27) recording a deterioration of GDP from +3,4% of 2022 to +0,5% of 2023 and in the Middle East area with a drop of GDP from 6,7% of 2022 to 1,1% of 2023. On the other hand, in the United States the GDP rose from +2,1% of 2022 to+2,4% of 2023. Following the same trend, the Far East area also shows a growth in the economy moving up from 3,3% of 2022 to 4,0% of 2023. Delving into this area, in particular at the Chinese economy, we note a growth from +3,0% of 2022 to +5,2% of 2023. In Italy a drastic drop of GDP has been seen (from +3,8% of 2022 to +0,7% of 2023) which is in line with that found in Area EU27.

At European level, the production of petrochemical sector during 2023 remained unchanged compared to 2022, as well as the plant operating average rate (70%) while the demand dropped by 2,6%.

During the 2023 the contribution margins relating to the to the mail steam cracker suffered from a decline of 23,1% driven mainly by the decrease of Ethylene and propylene prices despite the slightly decrease of virgin naphtha prices and a favourable Euro/Dollar exchange rate.

Polyethylene, despite good profit achieved in the first quarter, saw a progressive worsening, due to deterioration of the European economic scenario, although the decrease in energy costs. From the second quarter, the drastic drop of polymers prices, only partially offset by the simultaneous decrease of ethylene prices, has led to a reduction of profits.

For styrenics, the good performance, driven by incentives to boost the energy efficiency in buildings, slowed down in the second half leading to a slight reduction in profits.

The elastomers faced a weak demand caused by a stagnation in the automotive market, the main sector for this business. The profits have benefited partially by the strong drop of Butadiene prices and by the progressive stabilization of energy costs.

ANNUAL PERFORMANCE

In 2023 the Versalis group's core business generated revenue slipped to 4.236 million with the decline of 31,8% compared to € 6.215 million of 2022. This downturn was driven mainly by the sharp decrease in the average unit sales price of Polymers (-23,9%) and of the Intermediate business (+17,4%). this negative trend was offset by the revenue achieved by the two new acquisitions Novamont (70 million) and Matrìca (5 million), in the group consolidation from October 2023.

The sales of petrochemical products of 3,117 thousand tons fell by -16,9% (635 thousand tons from the prior year 2022. In depth, the main low sales performance was seen in the olefins (-26,3%) followed by elastomers (-13,9%), styrenics (-12%) and polyethylene (-6,7%). Looking at the moulding & compounding business, the sales achieved 67 thousand tons.

The production of petrochemical products of 5.663 thousand tons dropped by 1.193 thousand tons (- 17,4%) mainly due to lower production of aromatics business (-23%), olefins (-20,1%) and polymers (-11,5%). With regard the moulding & compounding business the production recorded was 71 thousand tons. The main changes were seen in the following plants: (i) Grangemouth (-28,8%), Oberhausen (-21,5%), (ii) Dunkerque (-21,4%) and (iii) Porto Marghera due to the final shutdown in May 2022 (-100%).

The average utilization plant rate, calculated on the nominal capacity, is 51,4% below the comparison year 2022 (59,0%).

(€ million)	2023	2022	2021	Change	Ch. %
Intermediates	1.497	2.368	2.166	(871)	(36,8)
Polymers	2.152	3.203	3.114	(1.051)	(32,8)
Biochem	83	25	60	58	..
Moulding & compouding	276	327	70	(51)	(15,6)
Oilfield chemicals	97	83	65	14	16,9
Other income [(a)]	131	209	115	(78)	(37,3)
TOTAL REVENUES	**4.236**	**6.215**	**5.590**	**(1.979)**	**(31,8)**

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

(K tonnes)	2023	2022	2021	Change	Ch. %
Intermediates	3.877	4.897	6.284	(1.020)	(20,8)
Polymers	1.658	1.873	2.184	(215)	(11,5)
Biochem	57	5	8	52	..
production of petrochemical products	**5.592**	**6.775**	**8.476**	**(1.183)**	**(17,5)**
Moulding & Compounding	71	81	20	(10)	(12,3)
Total production	**5.663**	**6.856**	**8.496**	**(1.193)**	**(17,4)**
Consumptions & losses	(3.247)	(3.923)	(4.590)	676	17,2
Purchases & Stock variances	701	819	565	(118)	(14,4)
Total availability	**3.117**	**3.752**	**4.471**	**(635)**	**(16,9)**
Intermediates	1.651	2.158	2.648	(507)	(23,5)
Polymers	1.350	1.494	1.771	(144)	(9,6)
Oilfield chemicals	21	21	24	0	..
Biochem	28	3	8	25	..
Sales of petrochemical products	**3.050**	**3.676**	**4.451**	**(626)**	**(17,0)**
Moulding & Compounding	67	76	20	(9)	(11,8)
Total sales	**3.117**	**3.752**	**4.471**	**(635)**	**(16,9)**

Business Unit Review

Intermediate business unit

Revenues from intermediates (1.497 million euros) decreased by 36,8% (871 million euros compared to 2022) mainly due to the decrease in quotations.

Sales (1.651 thousand tons) slipped by 23,5% over the same period from the previous year 2022. This negative trend was registered in olefins (-26,3%), in derivatives (-19,4%) and in aromatics (-17,9%).

The average unit selling prices dropped by 17,4%, in olefins (+19,2%), in aromatics (-15,4%) and in derivatives (+14,1%).

The production of intermediates (3.877 thousand tons) fell by 20,8% compared to 2022. This effect was recorded in aromatics (-23,0%), in derivatives (-20,1%) and in olefins business (-20,1%).

Polymer business unit

Revenues from polymers in 2023 (2.152 million euros) dropped by 32,8% (1.051 million euros YoY) driven by the decrease of average unit prices.

The drop in polyethylene sales volumes (-6,7%) was due mainly to the loss in sales of EVA (-18,1%), LDPE (-10,6%), and HDPE (-1,3%). The average unit selling prices went down by 30,5%.

The reduction in elastomers sales volumes (-13,9%) was driven by the fall in European and non-European demands, and by the lack of price competitiveness. The 2023 revealed a decline in sales of BR (-23,4%), NBR rubbers (-16,8%) and SBR (-6,1%). The averaged unit selling prices decreased by 18,9%.

The decrease in sales volumes of styrenics (-12,0%) caused by the fall in demands, resulted in lower sales volumes of GPPS (-15,7%) and HIPS (-15,1%).

The production of polymers (1.658 thousand tons) dropped by 11,5% YoY, due to lower productions of elastomers (-16,2%), styrenics (-16,0%) and polyethylene (-4,6%).

Oilfield chemicals

Revenues from oilfield chemicals business (97 million euros) grew by 16,9% (14 million Euro compared to 2022) benefiting from a combined mix of rise in formulations unitary and essential related services.

Biochem business

Revenues from Biochem of 82 million euros were achieved mainly by the Novamont group consolidated from 1st October 2023 (75 million euros). While the revenues from Crescentino plant (7 million euros) went down of 17,6 million euros compared to 2022 due to the persistent reduction in disinfectant production following the end of health emergency and due to the decrease of unit selling prices of energy sold to the grid.

The production of electricity in Crescentino plant in 2023 was 77 GWh compared to 76 Gwh for 2022, while the energy sold to the grid was 47 Gwh (48 Gwh in 2022). The plant was operating regularly.

Moulding and compounding business

The revenues from moulding and compounding business (276 million euros) were generated from the consolidation of Finproject Group, and they relate to moulding activities for 93 million euros, compounding for 59 million euros and for ex Padanaplast activities of 124 million euros.

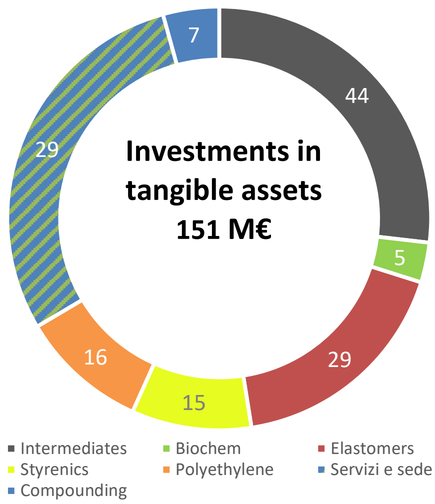
Technical investments

Net investments in tangible and intangible fixed assets of the year, equal to 187 million euros, are analysed by business in the following table and by type in the following chart.

(milion of euro)	2023	2022	2021	Change
Olefins	32	70	83	(38)
Aromatics	8	2	1	6
Derivatives	4	4	5	
Styrenics	15	3	16	12
Elastomers	29	11	7	18
Polyethylene	16	59	19	(43)
Biochem	5	4	3	1
Compounding	7	10	4	(3)
Industrial Services	29	55	39	(26)
Staff e financial charges	6	5	6	1
Investments in tangible assets	**151**	**183**	**173**	**(32)**
Investments in intangible assets	**36**	**32**	**7**	**4**
Total	**187**	**190**	**182**	**(3)**

Main technical investments of the year concerned:

- adaptation of plants to safety and environmental and *asset integrity* regulations (67 million euros);
- scheduled maintenance work on Oberhausen, Ferrara and Priolo plants (20 million euros);
- activities to maintain and improve the plant reliability on different sites, in particular on Porto Marghera plant (10 million euros);
- cyclical maintenance interventions mainly for *recoil* on the furnaces of the ethylene plants in Brindisi and Priolo (9 million euros);
- Finproject investments for 7 million euros;
- New endowments in the research centers of Mantua and Ravenna for two million euros.



Financial review of Versalis group

PROFIT AND LOSS ACCOUNT

(€ million)	**2023**	2022	2021	Change
Net sales from operations	4.236	6.215	5.590	(1.979)
Other income and revenues	152	115	112	37
Operating expenses	(5.282)	(6.713)	(5.324)	1.431
Depreciation, depletion, amortization and impairments	(510)	(501)	(256)	(9)
Losses on wirte-off/disposal		(1)		1
Operating profit (loss)	**(1.404)**	**(885)**	**122**	**(519)**
Net financial income (expense)	(59)	25	8	(84)
Net income (expense) from investments	(56)	(6)	5	(50)
Profit (loss) before income taxes	**(1.519)**	**(866)**	**135**	**(653)**
Income taxes	231	(16)	(48)	247
Tax Rate (%)	*15,2*	*(1,8)*	*35,6*	*17,1*
Net profit (loss)	**(1.288)**	**(882)**	**87**	**(406)**

| Net loss

In 2023 Versalis Group achieved a net loss of 1.288 million euros, down by 406 million euros compared to 2022.

Operating result deteriorated by 519 million euros mainly due to:

- significant decrease in **polyethylene** business profitability, penalized by the polyethylene price reduction not offset by lower ethylene quotations and by the decrease both in productions (-4,6%), due to scheduled plant shutdowns at Oberhausen and Dunkirk, and in sales (-6,7%) resulting from the unfavorable scenario and shrinking demand;
- Worsening of **styrenic** unit margins compared to 2022, due to a significant drop in polymer prices, only partially offset by the concomitant reduction in the cost of ethylene and benzene. The business was also affected by the drop in both productions (-16%) and sales (-12%) resulting from opportunistic shutdowns due to weak demand;
- worsening of the **elastomer** business due to the stagnation of the automotive market, which led to a drop in prices (-18,9%) not offset by the concomitant decrease in raw material costs. Production (-16,2%) and sales (-13,9%) also declined due to shrinking demand from the «tyre replacement» sector in both European and non-European countries;
- Greater impact of the impairment test on fixed assets, which resulted in impairment loss of 367 million euros on production plants, of 34 million euros on right of use and of 4 million euros on intangible assets, against impairment loss on production plants of 383 million euros and of 2 million euros on intangible assets in the previous year.

These negative phenomena were partially absorbed by:

- increased margins in the **intermediates** business due to lower energy costs and depreciation of the U.S. dollar against the euro, despite the decline in production (-20,8%) and sales (-23,5%) due to shrinking demand and reduced operation of the Dunkirk and Priolo plants.

Analysis of profit and loss account items

Net sales from operations

(€ million)	2023	2022	2021	Change
Olefins	879	1.478	1.445	(599)
Aromatics	307	442	355	(135)
Derivatives	311	448	366	(137)
Oilfield chemicals	97	83	65	14
Elastomers	570	816	736	(246)
Styrenes	630	919	831	(289)
Polyethylene	952	1.468	1.547	(516)
Biochem	83	25	60	58
Moulding & Compounding	276	327	70	(51)
Corporate & Services	131	209	115	(78)
	4.236	6.215	5.590	(1.979)

Net sales from operations reduced by 1.979 million euros mainly due to significant decrease in average unit sales prices of polymers (-23,9%) and intermediates (-17,4%). Quantities sold decreased by 16.9%. The reduction mainly concerned olefins (-26,3%), elastomers (-13,9%), styrenics (-12%) and polyethylene (-6,7%). The inclusion in scope of consolidation of Novamont group companies and Matrìca impacted only the last quarter by a total of 75 million of euro in revenues.

Other income and revenues

Other income and revenues increased by 37 million euros compared to 2022, mainly due to higher insurance income (€20 million) received from Versalis France as compensation for damages caused by the fire that had affected the BA106 plant in 2022, higher income from the sale of: emission trading (8 million euros), disposal of tangible assets (6 million euros), and higher recovery of costs from third parties and from Eni group companies (3 million euros).

Operating expenses[1]

(€ million)	2023	2022	2021	Change
Production costs – raw, ancillary & consumable materials and goods	3.124	3.990	3.268	(866)
Service costs	1.449	2.042	1.535	(593)
Operating leases and other	40	30	23	10
Net provisions for contingencies	91	135	14	(44)
Other expenses	90	68	82	22
receivables	(5)	4	(1)	(9)
Payroll and related costs	493	444	403	49
	5.282	6.713	5.324	(1.431)

Operating expenses decreased by di 1.431 million euros, equal to 21,3%, as illustrated in the previous table.

The 21,7% decrease in **costs for purchase of raw materials, ancillary & consumables, materials, goods and change in inventories** is mainly due to the decrease in the average unit price in euros of virgin naphtha compared to 2022, and the reduction in purchased quantities.

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

Service costs decreased by 29% mainly due to decreases in utility prices (methane, electricity, water natural gas and steam), logistics costs, and costs incurred for investment services and insurance costs. These effects were only partially offset by increases in costs for improvements and modifications, consulting, general services, and maintenance.

Operating lease cost increased mainly due to higher costs for use of licenses and intellectual property.

The decrease of 44 million euro in **net provisions for risks and charges** is mainly due to lower net provisions for environmental risks and charges (78 million euros), an effect partially offset by higher provision for disposals and restructuring (33 million euros) made by Versalis UK to cope with the production shutdown of the Grangemouth plant planned for 2024.

Other net miscellaneous expenses, increased by 22 million euros mainly due to higher charges incurred to purchase emission rights (19 million euros), higher charges borne by Versalis France related to the BA106 line fire (6 million euros), higher charges for business relationships (2 million euros), higher contractual penalties (one million euros) and for indirect taxes and duties (one million euros). These effects were partially offset by a decrease in other charges (10 million euros) mainly due to lower electricity dispatching charges.

Net utilization of bad debt provisions increased by EUR 9 million, mainly due to the lower credit risk exposure caused by the decrease in turnover and an improvement in the percentage composition of performing loans compared to defaulted loans.

Labor costs

Labor costs increased by 49 million euros mainly due to the consolidation of Novamont group companies (29 million euros) and extraordinary remuneration paid to employees of Italian companies in November (20 million euros) in recognition of their efforts in the transformation process of Eni group.

Depreciation, amortization and impairment

(€ million)	2023	2022	2021	Change
Tangible assets	67	87	79	(20)
Depreciation of leasing right-of-use asset	5	7	6	(2)
Inatngibles assets	33	22	8	11
Depreciation	**105**	**116**	**93**	**(11)**
Impairment (value recovery) net	**405**	**385**	**163**	**20**
	510	501	256	9

Depreciation of tangible assets decreased by 20 million euros compared to last year, mainly due to effect of impairment test 2022.

Depreciation of intangible assets increased by 11 million euros compared to last year, mainly due to the consolidation of Novamont group companies, in last quarter 2023 (10 million euros).

The impairment test carried out in 2023 resulted in **net impairment loss** for a total of 405 million euros.

The impairment losses on tangible assets of 367 million euros mainly referred to the following Cash Generating Units (CGUs): Intermediates (impairment loss of 197 million euros), Styrenics (impairment loss of 124 million euros), Elastomers (impairment loss of 26 million euros), Biochem (impairment loss of 5 million euros) and the fixed asset located at Porto Marghera site (impairment loss of 15 million euros). The impairment losses on intangible assets (4 million euros) and on right of use of asset (34 million euros) concerned Intermediate CGU. For further details, please refer to the note "Net write-backs (impairment) of tangible and intangible assets and rights of use leased assets" of the Notes to the consolidated financial statements.

Net financial (expenses) income

(€ million)	2023	2022	2021	Change
Financial income (expenses) related to net borrowing	(53)	(20)	(12)	(33)
Financial income (expenses) from receivables and securities- operating activities	5	35	10	(30)
Financial income (expenses) on derivative contracts	(4)	5	5	(9)
Foreign exchange gains (losses)	(3)	6	4	(9)
Other financial income (expenses)	(6)	(3)	(1)	(3)
Capitalized financial expenses	2	2	2	
	(59)	25	8	(84)

Net financial charges of 59 million euros increased by 84 million euros mainly due to an increase in financial expenses related to net borrowing and a lower release of bad debt provision of the financial receivable from the jointly controlled company Matrìca. In addition, there was also an increase in charges from exchange rate differences and 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

(€ million)	2023	2022	2021	Change
Income (losses) from equity valuations	(58)	(66)	(9)	8
Income (losses) from fair value valuations			20	
Other income (expense) from investiments	2	60	(6)	(58)
	(56)	(6)	5	(50)

Net expenses from investments of 56 million euros mainly related to the adjustment of the value of the investment in Novamont (56 million euros) at 30th September 2023, applying the valuation at equity method and to its subsequent adjustment to fair value prior to consolidation in October 2023 (13 million euros). In addition, the equity valuation of the investment in the jointly controlled company Lotte Versalis Elastomers resulted in charges for 15 million euros. These effects were partially offset by the utilization of the provision to cover losses on the investment held in Finproject Vietnam (1 million euro).

Income taxes

(€ million)	2023	2022	2021	Change
Loss before income taxes				
Italy	(1.277)	(915)	(74)	(362)
Abroad	(242)	49	209	(291)
	(1.519)	(866)	135	(653)
Income Taxes				
Italy	(238)	(23)	3	(215)
Abroad	7	39	45	(32)
	(231)	16	48	(247)

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

RICLASSIFIED BALANCE SHEET[2]

(€ million)	**31.12.2023**	31.12.2022	Change
Fixed assets			
Property, plants and equipment	578	590	(12)
Leasing Right of use	26	15	11
Intangible assets	839	334	505
Investments	79	330	(251)
Receivables and securities held for operating purposes	1	27	(26)
Net payables related to capital expenditures	(36)	(28)	(8)
	1.487	1.268	219
Net working capital			
Inventories	1.119	1.185	(66)
Trade receivables	504	602	(98)
Trade payables	(731)	(743)	12
Tax receivables (payables) and deferred tax	290	53	237
Provision for contingencies	(265)	(228)	(37)
Other current asset (liabilities)	(27)	(8)	(19)
	890	861	29
Provision for employee benefits	(67)	(63)	(4)
NET CAPITAL EMPLOYED	**2.310**	**2.066**	**244**
Net equity	(147)	67	(214)
Net financial debt (surplus)	2.457	1.999	458
TOTAL LIABILITIES AND SHAREHOLDERS'EQUITY	**2.310**	**2.066**	**244**

Fixed Asset

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

Property, plants and equipment, amounting to 578 million euros, decreased by 12 million euros mainly due to the outcome of the impairment test, which resulted in a net devaluation of plant of 367 million euros, and to the depreciation for the year (67 million euros). Such effects were partially offset by technical investments for the year (151 million euros) and by fixed assets resulting from the consolidation of Novamont Group companies (255 million euros).

The **right to use** leased assets of 26 million euros mainly refers to the right to use land (18 million euros), office buildings (4 million euros), industrial buildings (2 million euros) and machinery (2 million euros).

Intangible assets, which amounted to 839 million euros, increased by 505 million euros mainly due to the consolidation of the Novamont Group (535 million euros) and the related *Purchase Price allocation*. The effects of technical investments for the period (36 million euros) were partially offset by amortization for the period (33 million euros), write-downs (4 million euros) and the sale of surplus emission rights capitalised in 2022 (15 million euros).

Equity **investments** of €79 million decreased by €251 million mainly due to the consolidation of the Novamont Group companies, which resulted in a change in the classification of equity investments held in the related companies from shares in affiliated companies to shares in consolidated companies. This reduction was partially offset by the payment for a share capital increase in favor of the joint controlled company Lotte Versalis Elastomers (18 million euros), partially compensated by equity valuation of the related share (charges

[2] Refer to the notes on the consolidated economic and financial results for the methodological illustration of the reclassified statements.

for 15 million euros) and by the net value of equity investments owned by BioBag International in non-consolidated subsidiaries as they were deemed immaterial.

Financial receivables and securities held for operating activities of one million euro referred to receivables granted to employees. The decrease from the previous year was due to the consolidation of the financial receivable from Matrìca SpA.

Net payables related to capital expenditures, equal to 36 million euros, increased by 8 million euros mainly due to the increase of Versalis SpA net payables related to capital expenditure (22 million euros), partially offset by the reduction of those of Versalis France (13 million euros), resulting from the fact that there weren't planned plant shutdowns at Dunkirk site during 2023.

Net working capital

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

The 66 million euro decrease in **inventories** was mainly attributable to finished products and was partially offset by an increase in inventories of semi-finished goods and raw materials and by a 5 million reduction in provision for impairment losses on inventories, due to the adjustment of the quantities in stock to market value.

The 98-million-euro reduction in **trade receivables** was essentially related to the decrease in turnover.

Trade payables decreased by 12 million euros mainly due to the reduction in payables to Eni group companies for the purchase of *utilities* and raw materials.

The increase in **tax receivables and net tax provision** of 237 million euros was mainly due to (i) receivables for Versalis spa participation in the National Tax Consolidation (221 million euros)[3], (ii) the increase in Versalis spa net deferred tax assets (52 million euros), (iii) decrease in income tax payables (6 million euros) and in net Group VAT payables (3 million euros).Those effects were partially offset by a reduction in the receivables for R&D contributions and energy and gas contributions (46 million euros) from Versalis spa.

The 37 million euro increase in **provisions for risks and charges** was mainly due to a 30 million euros net increase in the provision for environmental risks and charges, a 33 million euros rise in Versalis UK provision for disposals and restructuring and a 4 million euros increase in the provision for personnel-related risk and charges. These effects were partially offset by a 28-million-euro net decrease in provision for Matrìca financial support and by one-million-euro reduction in the provision for redundancies.

The 19 million euro increase in **other net liabilities** was mainly due to the reduction in other receivables from Eni Group companies (11 million euros), the increase in payables to social security institutions (10 million euros) and to employees (8 million euros) and payables to Eni Group companies (5 million euros). These effects were partially offset by an increase in patent and license receivables (11 million euros) and by a net reduction in deferred income (3 million euros).

[3] Receivables recognized for the first time in this financial year following an amendment to the tax consolidation agreement with Eni SpA

Statement of Comprehensive Income

(€ million)	2023	2022
PROFIT (LOSS) FOR THE PERIOD	**(1.288)**	**(882)**
Other items of comprehensive profit (loss)		
Valuation of defined benefit plan for employees	(2)	8
Foreign currency Translation differences	(1)	(1)
Amount related to equity-accounted investments		
Reclassification of the fair-value reserve to the income statement	(1)	
Fair value measurement of minority shareholdings		37
Tax effects related to other components of comprehensive loss that cannot be reclassified i nprofi and		(1)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	**(1.292)**	**(839)**

Shareholders' equity

(€ million)	
Shareholders' equity at 31 December 2022	**67**
Total comprehensive loss	(1.292)
Shareholder payment	1.071
Changes in employee benefits	5
Exchange differences and other changes	2
Shareholders' equity at 31 December 2023	**(147)**

Shareholders' equity was negative by 147 million euros and decreased by 214 million euros compared to 2022 mainly due to the comprehensive loss for the year partially offset by the payment of 1.071 million euros by the shareholder Eni SpA.

Net Financial Debt

(€ million)	**31.12.2023**	31.12.2022	Change
Financial debt short-term	393	1.354	(961)
Financial debt medium long-term	2.197	732	1.465
Lease liabilities	60	16	44
Cash and cash equivalent	(184)	(102)	(82)
Financial asset made fo non operating purposes	(9)	(1)	(8)
Net financial debt	**2.457**	**1.999**	**458**

The 458 million euro increase in **net financial debt** is essentially due to cash requirements from operating activities (692 million euros), for investments in shares (446 million euros) and for technical investments (187 million euros). These effects were offset by net cash flow from financial activities (positive for 307 million euros), cash flow from capital (1.071 million euros), the change in receivables related to investing activities (13 million euros), and the disposals of capitalised surplus emission rights (15 million euros) and of some tangible assets (6 million euros). For further details, see the comment on the reclassified cash flow statement.

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

(€ million)	Net profit (loss) 2023	2022	Net equity 31.12.2023	31.12.2022
As recorded in annual financial statement of Versalis spa	**(1.170)**	**(763)**	**108**	**207**
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	(2)	(47)	(597)	(292)
Consolidation adjustments:				
- elimination of tax adjustments and compliance with accounting policies	(119)	(65)	485	180
- deferred taxation	8	(6)	(2)	(24)
- elimination of intercompany profits	(5)	(1)	(141)	(4)
As recorded in annual consolidated financial statement	**(1.288)**	**(882)**	**(147)**	**67**

RECLASSIFIED CASHFLOW STATEMENT[4]

In 2023, the **net cash flow from operating activities** was negative for 692 million euros. Disbursements for technical investments (187 million euros), investments in equity investments (446 million euros), only partially offset by the change in receivables relating to investment activities (13 million euros) and the disposal of capitalized surplus emission rights (15 million euros) and of some tangible assets (6 million euros), generated a negative free cash flow of 1.291 million euros, covered thanks to the financing lines guaranteed by the parent company Eni SpA and by the latter's payment of 1.071 million euros to partially cover losses related to previous years.

(€ million)	2023	2022	Change
Net profit (loss) for the period	**(1.288)**	**(882)**	**(406)**
Adjustments to reconcile net profit (loss) to net cash flow provided by operating activities:			
- depreciation, amortization and other non monetary items	550	471	79
- net gains on disposal of assets	(5)		(5)
- dividends, interests, taxes and other changes	(177)	35	(212)
Changes in working capital	293	8	285
Dividends received, taxes (paid) received,interest(paid) received	(65)	(55)	(10)
Net cash flow from operating activities	**(692)**	**(423)**	**(269)**
Technical investments	(187)	(255)	68
Investments and purchase of consolidated subsidiaries and businesses	(446)	(8)	(438)
Disposals	21	6	15
Financial investments		(1)	1
Other cash flow related to investing activities	8	(15)	23
Other cash flow related to divesting activities	5	14	(9)
Free cash flow	**(1.291)**	**(682)**	**(609)**
Change in short-term and long-term debt	307	692	(385)
Reimbursement of lease liabilities	(5)	(7)	2
Cash flow from capital and reserves	1.071		1.071
NET CASH FLOW	**82**	**3**	**79**
Free cash flow	**(1.291)**	**(682)**	**(609)**
Exchange differences on net borrowings and other changes	(3)	2	(5)
Reimbursement of lease liabilities	(5)	(7)	2
Change in financial debts and credits on acquired companies	(211)		(211)
Changes in net financial debt included in cash flow from operating activities	(4)		(4)
Other changes in net financial debt	26		26
Cash flow from capital and reserves	1.071		1.071
CHANGE IN NET BORROWINGS ANTE IFRS16	**(417)**	**(687)**	**270**
First application IFRS 16			
Reimbursement of lease liabilities	5	7	(2)
Increase/investments in lease liabilities and other changes	(46)	(2)	(44)
Changes in lease liabilities	**(41)**	**5**	**(46)**
CHANGE IN NET BORROWINGS POST IFRS16	**(458)**	**(682)**	**224**

[4] For the reconciliation of the reclassified financial statements used in the Management Report to the Statutory format, see section "Reconciliation of the reclassified financial statements used in the Management Report to the Statutory financial statement".

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

Items of the Reclassified Consolidated Balance Sheet (where not expressly indicated,the item derives directly from the consolidated financial statements (statutory format) (€ million)	Ref. to notes to the consolidated financial statements	31.12.2023 Partial amount from consolidated utory financial statem	31.12.2023 Amounts from reclassified financial statement	31.12.2022 Partial amount from consolidated utory financial statem	31.12.2022 Amounts from reclassified financial statement
Fixes Assets					
Property, plants and equipments	(see note 7)		578		590
Intangible assets	(see note 8)		26		15
Right of use	(see note 9)		839		334
Equity accounted investments	(see note 11)		76		327
and Other investmens	(see note 12)		3		3
Receivables & securities for operating activities, made up of:			1		27
- other non-current financial assets		1		27	
Net payables related to capital expenditures, made up of:			(36)		(28)
- payables related to capital expenditure	(see note 18)	(36)		(28)	
- receivabled related to asset divestment	(see note 18)				
Total Fixed Asset			**1.487**		**1.268**
Net working capital					
Inventories			1.119		1.185
Trade receivables			504		602
Trade payables			(731)		(743)
Tax receivables (payables) & provisions for tax, made up of:			290		53
- income tax payables	(see note 19)	(20)		(27)	
- other tax payables	(see note 20)	(22)		(15)	
- deferred tax liabilities	(see note 24)	(29)		(32)	
- other tax payables vs Joint ventures	(see note 20)				
- payables for Group VAT	(see note 18)	(7)		(18)	
- current tax asset	(see note 5)	10		7	
- other current tax asset	(see note 6)	28		72	
- deferred tax asset	(see note 14)	90		41	
- other NON current tax asset		3		1	
- receivables for tax consolidation		221			
- receivables for Group VAT	(see note 3)	16		24	
Provisions for risks and charges			(265)		(228)
Other assets (liabilities) ,made up of:			(27)		(8)
- other receivables	(see note 3)	99		94	
- other current asset	(see note 6)	9		4	
- other non current receivables and other assets	(see note 15)	9		7	
- advances,prepayments and other payables	(see note 18)	(118)		(88)	
- other current liabilities	(see note 20)	(16)		(9)	
- other non current payables and liabilities	(see note 25)	(10)		(16)	
Total Net working capital			**890**		**861**
Provisions for employee benefis			**(67)**		**(63)**
NET CAPITAL EMPLOYED			**2.310**		**2.066**
Shareholder's equity			**(147)**		**67**
Net borrowings					
Total debts, made up of:			2.590		2.086
- long term debt	(see note 21)	1.882		523	
- current portion of long term debts	(see note 21)	315		209	
- short term debt	(see note 16)	393		1.354	
Lease liabilities			60		16
- long term lease liabilities		56		10	
- current portion of long term lease liabilities		4		6	
a dedurre:			(193)		(103)
Cash and cashequivalent	(see note 1)	(184)		(102)	
Financial assets made for non operating purposes		(9)		(1)	
Total net financial debts			**2.457**		**1.999**
NET FINANCIAL DEBT AND SHAREHOLDERS'EQUITY			**2.310**		**2.066**

Reclassified cash flow statement

Items of the Reclassified Cash Flow Statement and confluence/reclassification of items in the statutory format (€ million)	**2023** Partial amount from statutory format	**2023** Amounts from reclassified format	**2022** Partial amount from statutory format	**2022** Amounts from reclassified format
Net profit (loss)		**(1.288)**		**(882)**
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:				
Depreciation and amortization and other non-monetary items		550		471
- depreciation and amortization	105		116	
- net impairment of tangible and intangible assets	405		385	
- eliminations			1	
- valuation effects under the equity method	43		94	
- currency translation differences from alignment	(2)		(4)	
- economic effects on securities and financial receivables	(4)		(35)	
- valuation of investment ameasured at fair value			(88)	
-expenses and income from remeasurement of lease liabilities	(1)			
- net change in provision for employee benefits	4		2	
- net change in provision for employee benefits		(5)		
Net gains on disposal of assets		(177)		35
- interest income	(3)			
- interest expense	57		19	
- income taxes	(231)		16	
Change in working capital		293		8
- inventories	171		(255)	
- trade receivables	90		202	
- trade payables	(103)		(77)	
- provisions for risks and charges	65		113	
- other assets and liabilities	70		25	
Dividends received, taxes paid, interest (paid) received during the period		(65)		(55)
- dividends received				
- interest received	3			
- interest paid	(52)		(18)	
- Income taxes received (paid) including tax credits recharged	(16)		(37)	
Net cash flow provided by operating activities		**(692)**		**(423)**
Capital expenditures		(187)		(255)
- tangible assets	(151)		(223)	
- intangible assets	(36)		(32)	
Investments and purchase of consolidated subsidiaries and businesses		(446)		(8)
- non consolidated investments	(46)		(8)	
- investments and purchase of consolidated subsidiaries and businesses	(400)			
Divestments and partial disposals of consolidated investments		21		6
- tangible assets	6		1	
- intangible assets	15		5	
Other changes related to investment and divestment activity		13		(2)
- financing securities and receivables				
- financing investments: financing receivables			(1)	
- change in payables and receivables related to divestments	5		14	
- change in payables and receivables related to investments	8		(15)	
Free cash flow		**(1.291)**		**(682)**
Change in short and logn term debts		302		685
- non current financial debts	1.658			
- payments from long-term finance debts	(210)		(9)	
- payments from leasing debts	(5)		(7)	
-Change in short term finance debts	(1.132)		702	
- Financial assets made for non operating purposes-investiment	(8)			
- exchange differences from translation	(1)		(1)	
Cash flow from equity capital:		**1.071**		
-net capital contribution (repayments) by/to third parties	1.071			
Net cash flow for the period		**82**		**3**

Financial review of Versalis SpA

PROFIT AND LOSS ACCOUNT

(€ million)	**2023**	2022	2021	Change
Net sales form operations	3.123	4.753	4.236	(1.630)
Other income and revenues	111	101	103	10
Operating expenses	(4.000)	(5.422)	(4.212)	1.422
Other operating (expense) income				
Depreciation, amortization and impairment	(360)	(361)	(209)	1
Operating profit (loss)	**(1.126)**	**(929)**	**(82)**	**(197)**
Net finance income (expense)	(44)	20	4	(64)
Net income (expense) from investments	(227)	122	(37)	(349)
Profit (loss) before income taxes	**(1.397)**	**(787)**	**(115)**	**(610)**
Income taxes	227	24	(1)	203
Net profit (loss)	**(1.170)**	**(763)**	**(116)**	**407**

Net loss

The financial statements of Versalis SpA closed with a net loss for the year of 1.170 million euros (loss of 763 million euros in 2022), determined by the operating loss of 1.126 million euros, net financial charges of 44 million euros, net expenses on equity investments of 227 million euros and gains from income tax of 227 million euros.

Operating result deteriorated by 197 million euros mainly due to:

- significant decrease in **Polyethylene** business profitability, affected by (i) the polyethylene price reduction not offset by lower ethylene quotations and by (ii) the decrease both in productions and in sales resulting from the unfavorable scenario and the contraction in demand;
- worsening of **styrenic** unit margins compared to 2022, due to a significant drop in polymer prices, only partially offset by the concomitant reduction in the cost of ethylene and benzene. The business was also affected by the drop in both productions and sales resulting from opportunistic shutdowns due to weak demand;
- worsening of the **elastomer** business due to the stagnation in the automotive market, which led to a drop in prices not offset by the simultaneous decrease in raw material costs. Production and sales also declined due to a drop in demand in the «tyre replacement» sector in both European and non-European countries;
- higher impact of the impairment test on fixed assets, which led to impairment loss of 318 million euros on production plants and of 2 million euros on intangible assets, compared to write-downs of production plants of 295 million euros, intangible assets of one million and the right of use to motor vehicle of one million euro in the previous year.

These negative phenomena were partially compensated by:

- increased margins in the **intermediates** business due to lower energy costs and depreciation of the U.S. dollar against the euro, despite the decline in production and sales due to a contraction in demand and the reduced operation of Priolo plant.

Analysis of profit and loss account items

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

Net sales from operations

(€ million)	2023	2022	2021	Changes
Olefins	604	1.115	994	(511)
Aromatics	307	442	355	(135)
Derivatives	311	448	366	(137)
Oilfield chemicals	54	46	40	8
Elastomers	464	659	582	(195)
Styrenes	598	873	779	(275)
Polyethylene	650	939	949	(289)
Biochem	8	25	60	(17)
Corporate & Services	127	206	111	(79)
	3.123	4.753	4.236	(1.630)

Net sales from operations reduced by 1.630 million euros mainly due to decrease in average unit sales prices of polymers and intermediates and the reduction in volumes sold.

Other income and revenues

Other income and revenues increased by 10 million euros compared to 2022, mainly due to higher income from the sale of emission trading (8 million euros), disposal of tangible assets (5 million euros), and higher recovery of costs from third parties and from Eni group companies (3 million euros). These effects were offset by lower incentives received for renewable energy production (5 million euros) and lower income from licenses and royalties (one million euro).

Operating expenses

(€ million)	2023	2022	2021	Change
Production costs – raw, ancillary & consumable materials and goods	2.276	3.074	2.427	(798)
Service costs	1.254	1.821	1.386	(567)
Operating leases and other	35	27	22	8
Net provisions for contingencies	50	136	12	(86)
Other expenses	61	50	54	11
Net depreciation (write-ups of value) of trade receivables and other receivables	(3)	1	1	(4)
Payroll and related costs	327	313	310	14
	4.000	5.422	4.212	(1.422)

Operating expenses decreased by di 1.422 million euros, equal to 26,2%, as illustrated in the previous table.

The 26 % decrease in **costs for purchase of raw materials, ancillary & consumables, materials, goods and change in inventories** is mainly due to the decrease in the average unit price in euros of virgin naphtha compared to 2022, and the reduction in purchased quantities.

Service costs decreased by 31,1% mainly due to decreases in utility prices (methane, electricity, natural gas and steam), logistics costs, and costs incurred for investment services and insurance costs. These effects were only partially offset by increase in costs for improvements and modifications, consulting, and general services.

The decrease of 86 million euro in **net provisions for risks and charges** was mainly due to lower net provisions for environmental risks and charges (85 million euros) and to higher net releases of the provision for disputes and litigation (one million euros).

Other net miscellaneous expenses, increased by 11 million euros mainly due to higher charges incurred to purchase emission rights (18 million euros), higher charges for business relationships (2 million euros), higher contractual penalties (one million euro). These effects were partially offset by a decrease in other charges (10 million euros) mainly due to lower dispatching charges.

Labor costs

Labor costs increased by 14 million euros mainly as a result of extraordinary compensation paid to employees in November in recognition of their commitment to the Eni Group's transformation process.

Depreciation, amortization and impairment

(€ million)	**2023**	2022	2021	Change
Tangible assets	37	59	55	(22)
Depreciation of leasing right-of-use asset		2	2	(2)
Inatngibles assets	3	3	3	
Depreciation	40	64	60	(24)
Impairment (value recovery) net	320	297	149	23
	360	**361**	**209**	**(1)**

Depreciation of tangible assets decreased by 22 million euros compared to last year, mainly due to effect of impairment test 2022, which had led to write-downs of assets in several CGUs. The impairment test performed in 2023 resulted in **net impairment loss** for a total of 320 million euros.

The impairment losses on tangible assets of 318 million euros mainly referred to the following Cash Generating Units (CGUs): Intermediates (impairment loss of 151 million euros), Styrenics (impairment loss of 120 million euros), Elastomers (impairment loss of 26 million euros), Biochem (impairment loss of 6 million euros) and the fixed asset located at Porto Marghera site (impairment loss of 15 million euros). The impairment losses on intangible assets (2 million euros) concerned Intermediate CGU.

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

Net financial (expenses) income

(€ million)	**2023**	2022	2021	Change
Financial income (expenses) related to net borrowing	(43)	(17)	(11)	(26)
Financial income (expenses) from receivables and securities- operating activities	5	35	2	(30)
Financial income (expenses) on derivative contracts		1		(1)
Foreign exchange gains (losses)	(3)	2	3	(5)
Other financial income (expenses)	(5)	(3)	8	(2)
Capitalized financial expenses	2	2	2	
	(44)	**20**	**4**	**(64)**

Net financial charges of 44 million euros increased by 64 million euros mainly due to an increase in financial expenses related to net borrowing, a lower release of bad debt provision of the financial receivable from Matrìca compared to the previous year, and higher exchange rate losses.

Net income (expense) from investments

(€ million)	**2023**	2022	2021	Change
Dividends	51	120	6	(69)
(Allocations to) Utilization of provisions for impairment of investments	(294)	79	(62)	(373)
(Allocations to) Utilization of provisions for financial assistence to JV sostegno fina	14	(22)	19	36
(Allocations to) Utilization of provisions to cover losses	2			
Other income (expense) from investiments		(2)		2
Losses on investments		(53)		53
	(227)	**122**	**(37)**	**(351)**

Net expense from investments of 227 million euros mainly refer to provisions for impairment losses, recorded in order to adjust the value of equity investments to their value in use, and are related to the subsidiaries Versalis France (168 million euros), Versalis UK (63 million euros), Dunastyr (42 million euros) and Novamont (7 million euros), in addition to the provision to cover losses of Versalis UK (12 million euros). Such effects were partially offset by the dividends received by the subsidiaries Versalis Deutschland (37 million euros), Versalis France (8 million euros), Versalis International (5 million euros) and Versalis Singapore (one million euros) and by the release of the provision made to meet the net financial requirement of the jointly controlled company Matrìca, now a subsidiary (14 million euros).

Income taxes

(€ million)	**2023**	2022	2021	Change
IRES				
Income from tax consolidation	(224)			(224)
Foreign taxes	1	(1)		2
IRAP				
Current taxes	***(223)***	***(1)***		***(222)***
Deferred taxes	(1)	(9)	(10)	8
Prepaid taxes	(3)	(14)	11	11
Net prepaid taxes	***(4)***	***(23)***	***1***	***19***
	(227)	**(24)**	**1**	**(203)**

The 203-million-euro improvement in income taxes compared to 2022 is mainly due to the increase in income from the recognition of the tax loss used by the group to reduce the overall taxable income of the national IRES tax consolidation.

RICLASSIFIED BALANCE SHEET[5]

(€ million)	31.12.2023	31.12.2022	Change
Fixed assets			
Property, plants and equipment	139	357	(218)
Leasing Right of use		3	(3)
Intangible assets	76	73	3
Investments	1.210	967	243
Receivables and securities held for operating purposes	107	107	
Net payables related to capital expenditures	(34)	(12)	(22)
	1.498	1.495	3
Net working capital			
Inventories	750	893	(143)
Trade receivables	450	517	(67)
Trade payables	(545)	(601)	56
Tax receivables (payables) and deferred tax	261	82	179
Provision for contingencies	(223)	(214)	(9)
Other current asset (liabilities)	28	22	6
	721	699	22
Provision for employee benefits	(63)	(63)	
NET CAPITAL EMPLOYED	**2.156**	**2.131**	**25**
Net equity	108	207	(99)
Net financial debt (surplus)	2.048	1.924	124
TOTAL LIABILITIES AND SHAREHOLDERS'EQUITY	**2.156**	**2.131**	**25**

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

Fixed Asset

Property, plants and equipment, amounting to 139 million euros, decreased by 218 million euros compared to last year, mainly due to the outcome of the impairment test, which resulted in a net devaluation of plant of 318 million euros, and to the depreciation for the year (37 million euros) which offset technical investments for the year (136 million euros).

Intangible assets, which amounted to 76 million euros, decreased by 3 million euros mainly due to the sale of capitalized emission rights (10 million euros), amortization for the period (3 million euros), and the outcome of impairment test 2023 (2 million euros). The effects were partially offset by technical investments for the period (19 million euros).

Equity **investments** of 1.210 million euros increased by 243 million euros mainly due to: (i) the acquisition of the additional 65% of shares held in Novamont (net effect of 7 million euros for the acquisition of the 1% prior to assumption of control and related consolidation and 404 million euros for the acquisition of the remaining 64%), (ii) the capital increase in subsidiaries Versalis UK (55 million euros), Dunastyr (9 million euros), Versalis Singapore (4 million euros), Versalis Pacific Trading (2 million euros) and in joint venture Lotte Versalis Elastomers (18 million euros) and (iii) for capital contribution in the subsidiary Novamont spa (16 million euros, post-acquisition of control). These positive effects were partially offset by allocations to

[5] Refer to the notes on the consolidated economic and financial results for the methodological illustration of the reclassified statements.

the provision for impairment of the equity investments held in the subsidiaries Versalis France (168 million euros), Versalis UK (63 million euros) and Dunastyr (42 million euros).

Financial receivables and securities held for operating activities of 107 million euros referred to the loans granted to the subsidiaries Finproject (80 million euros) and Matrìca (27 million euros).

Net payables related to capital expenditures of 34 million euros increased by 22 million euros mainly due to the increase in work in progress at the end of the period.

Net working capital

The 143 million euro decrease in **inventories** was attributable to the decrease in weighted average cost of inventories. The reduction mainly concerned finished products and was partially compensated by the rise in raw materials. These amounts include net allocation to the provision for impairment losses on inventories, made to adjust the quantities in stock to the market value, and taking into consideration also obsolescence, for 116 million euro (137 million euros in 2022).

The 67-million-euro reduction in **trade receivables** was essentially due to the decrease in turnover compared to the previous year.

Trade payables decreased by 56 million euros mainly due to the reduction in payables to Eni group companies related to the reductio in cost of *utilities*.

The increase in **tax receivables and net tax provision** of 179 million euros was mainly due to (i) receivables from participation in the National Tax Consolidation (221 million euros) [6], (ii) the increase in net deferred tax assets (4 million euros), (iii) decrease in net Group VAT payables (3 million euros). Those effects were partially offset by a reduction in the receivables for R&D contributions and energy and gas contributions (46 million euros), in receivables from claim of reimbursement (one million euros) and by the increase in withholding taxes to employees.

The 9 million euro increase in **provisions for risks and charges** was mainly due to a 25 million euros net increase in the provision for environmental risks and charges, a 12 million euros increase in the provision for coverage of losses on equity investments and a 2 million euros increase in the provision for personnel-related risk and charges. These effects were partially offset by a 28-million-euro net decrease in provision for Matrìca financial support and by one-million-euro reduction in the provision for disputes and litigation.

The 6 million euro increase in **other net asset** was mainly due to the increase in receivables for patents and licenses (11 million euros), increase in sundry receivables from subsidiaries (7 million euros) and associates companies (6 million euros) and a reduction in other payables to subsidiaries for agency agreements (7 million euros). These effects were partially offset by the reduction in receivables from Eni Group companies (18 million euros) and by the increase in payables to Eni group companies (5 million euros) and payables to social security institutions (2 million euros).

[6] Receivables recognized for the first time in this financial year following an amendment to the tax consolidation agreement with Eni SpA

Shareholders' equity

(€ million)	
Shareholders' equity at 31 December 2022	**207**
Net loss	(1.170)
Shareholder payment	1.071
Fair value reserve for minority interests	
Changes in employee benefits-IAS 19	
Shareholders' equity at 31 December 2023	**108**

Shareholders' equity amounted to 108 million euros and decreased by 99 million euros mainly due to the loss for the year of 1.170, partially offset by the payment of 1.071 million euros to Versalis SpA by the shareholder Eni SpA.

The net loss of 1.170 million euros, against a fully paid-up share capital of 300 million euros, reserves of 978 million euros, meets the requirements of Article 2446 of the Civil Code.

Net Financial Debt

(€ million)	**31.12.2023**	31.12.2022	Change
Short term financial debt	635	1.422	(787)
Medium long term financial debt	1.413	522	891
Lease liabilities		4	(4)
Cash and cash equivalent		(24)	24
Net financial debt	**2.048**	**1.924**	**124**

The 124 million euro increase in **net financial debt** is essentially due to cash requirements from operating activities (negative for 545 million euros), cash requirements for financial (537 million euros) and technical investments (155 million euros). These effects were offset by cash flow from capital (1.071 million euros), the change in receivables related to investing activities (26 million euros), and the disposals of surplus emission rights capitalised in 2022 (10 million euros) and of some tangible assets (6 million euros). The increase in medium/long-term finance payables is mainly due to the taking out of a loan between Versalis SpA and Eni SpA.

For further details, see the comment on the reclassified cash flow statement.

RECLASSIFIED CASHFLOW STATEMENT[7]

(€ million)	**2023**	2022	Change
Net profit (loss) for the period	**(1.170)**	**(763)**	**(407)**
Adjustments to reconcile net profit (loss) to net cash flow provided by operating activities:			
- depreciation, amortization and other non monetary items	639	326	313
- net gains on disposal of assets	(5)		(5)
- dividends, interests, taxes and other changes	(234)	(128)	(106)
Changes in working capital	211	(15)	226
Dividends received, taxes (paid) received,interest(paid) received	14	105	(91)
			0
Net cash flow from operating activities	**(545)**	**(475)**	**(70)**
Technical investments	(155)	(108)	(47)
Investments and purchase of consolidated subsidiaries and businesses	(537)	(8)	(529)
Disposals	16	5	11
Financial investments			0
Finacing receivable repayments			0
Other cash flow related to investing activities	26	(14)	40
Other cash flow related to divesting activities			0
Free cash flow	**(1.195)**	**(600)**	**(595)**
Change in short-term and long-term debt	100	617	(517)
Reimbursement of lease liabilities			0
Cash flow from capital and reserves	1.071		1.071
NET CASH FLOW	**(24)**	**17**	**(41)**

Free cash flow	**(1.195)**	**(600)**	**(595)**
Exchange differences on net borrowings and other changes			0
Reimbursement of lease liabilities		(2)	2
Change in financial debts and credits on acquired companies			0
Cash flow from capital and reserves	1.071		1.071
CHANGE IN NET BORROWINGS ANTE IFRS16	**(124)**	**(602)**	**478**
First application IFRS 16			0
Change in lease liability			0
New leasing liabilies and other variation		(2)	2
Change in lease liabilities	**0**	**(2)**	**2**
CHANGE IN NET BORROWINGS POST IFRS16	**(124)**	**(604)**	**480**

In 2023, the **net cash flow from operating activities** was negative for 545 million euros, worsening compared to the previous year, mainly due to lower margins as a result of falling demand. Disbursements for technical investments (155 million euros), investments in equity investments (537 million euros), only partially offset by the change in receivables relating to investment activities (26 million euros) and the disposals (16 million euros),generated a negative free cash flow of 1.195 million euros, covered thanks to the financing lines guaranteed by the parent company Eni SpA and by the latter's payment of 1.071 million euros to partially cover losses related to previous years.

[7] For reconciliation to the mandatory format see "Reconciliation of the reclassified financial statements used in the Directors' Report with the statutory financial statements"

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

Items of reclassified Balance sheet (where not expressly indicated , the item derives directly from the financial statement statutory format) (€ million)		**31.12.2023** Partial amount from statutory format	**31.12.2023** Amount from the reclassified financial	31.12.2022 Partial amount from statutory format	31.12.2022 Amount from the reclassified financial
Fixes Assets					
Property, plants and equipments			139		357
Intangible assets			76		73
Right of use					3
Equity accounted investments		1.209	1.210	966	967
and Other investmens		1		1	
Receivables & securities for operating activities, made up of:			107		107
- other receivables					
- other current financial assets		93		9	
- other non-current financial assets		14		98	
Net payables related to capital expenditures, made up of:			(34)		(12)
- payables related to capital expenditure	(see note 18)	(34)		(12)	
- receivabled related to asset divestment					
Total Fixed Asset			**1.498**		**1.495**
Net working capital					
Inventories			750		892
Trade receivables			450		517
Trade payables			(545)		(601)
Tax receivables (payables) & provisions for tax, made up of:			261		82
- other tax payables vs Joint ventures					
- other tax payables	(see note 19)	(10)		(9)	
- payables for tax consolidation	(see note 3)				
- payables for Group VAT		(7)		(18)	
- receivables for tax consolidation	(see note 3)	224		4	
- current tax asset	(see note 5)				
- other current tax asset		4		51	
- deferred tax asset	(see note 14)	33		29	
- receivables for Group VAT	(see note 3)	16		24	
- non current receivables for refund requests		1		1	
Provisions for risk and charges			(223)		(214)
Other current asset (laibilities), made up of:			28		23
- other receivables	(see note 3)	93		91	
- other (current) asset	(see note 6)	3		2	
- other receivables and other asset(non current)	(see note 15)	8		6	
-down payments, advances and other payables	(see note 18)	(65)		(71)	
- other current liabilities	(see note 18)	(11)		(5)	
-other payables and other liabilities (non current)	(see note 19)				
Total Net working capital			**721**		**699**
Provisions for employee benefits			**(63)**		**(63)**
NET CAPITAL EMPLOYED			**2.156**		**2.131**
Shareholder's equity			**108**		**207**
Net borrowings					
Total debt,made up of:			2.048		1.944
- long-term debt	(see note 20)	1.413		522	
- current portion of long-term debt	(see note 20)	313		209	
- short-term debt	(see note 16)	322		1.213	
Lease liabilities					4
- long-term lease liabilities				2	
- current portiorn of long-term lease laibilities				2	
less:					(24)
Cash and cash equiivalent	(see note 1)			(24)	
Total Net borrowings			**2.048**		**1.924**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			**2.156**		**2.131**

Reclassified cash-flow Statement

Items of the Reclassified Cash Flow Statement and confluence/reclassification of items in the statutory format (€ million)	2023 Partial amount from statutory format	2023 Amounts from reclassified format	2022 Partial amount from statutory format	2022 Amounts from reclassified format
Net profit (loss)		(1.170)		(763)
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:				
Depreciation and amortization and other non-monetary items		639		326
- depreciation and amortization	40		65	
- net impairment of tangible and intangible assets	320		297	
- impairments (write-backs) of investments	278		(2)	
- currency translation differences from alignment			2	
- economic effects on securities and financial receivables	(4)		(35)	
- net change in provision for employee benefits	5		(1)	
Net gains on disposal of assets		(5)		
Dividends, interest, income taxes and other charges		(234)		(128)
- dividends	(51)		(120)	
- interest income	(2)		(1)	
- interest expense	46		17	
- income taxes	(227)		(24)	
Variazione del capitale di esercizio		211		(15)
- inventories	142		(184)	
- trade receivables	67		81	
- trade payables	(56)		(75)	
- provisions for risks and charges	25		116	
- other asset liabilities	33		47	
Dividends received, taxes paid, interest (paid) received during the period		14		105
- dividends received	51		123	
- interest received	2		1	
- interest paid	(42)		(16)	
- Income taxes received (paid) including tax credits recharged	3		(3)	
Net cash flow provided by operating activities		(545)		(475)
Capital expenditures		(155)		(108)
- tangible assets	(136)		(81)	
- intangible assets	(19)		(27)	
Investments and purchase of consolidated subsidiaries and businesses		(537)		(8)
- equity investments	(537)		(8)	
- business branches				
Divestments and partial disposals of consolidated investments		16		5
- tangible assets	6			
- intangible assets	10		5	
Other changes related to investment and divestment activity		26		(14)
- financing securities and receivables for operating purposes				
- change in payables and receivables related to investments	26		(14)	
Free cash flow		(1.195)		(600)
Change in short-term and long-term debt		100		617
- non current financial debts	1.200			
- payments from long-term finance debt	(209)		(9)	
- increase (decrease) in short-term finance debts	(891)		626	
New leasing				2
Repayment of leasing debts				(2)
Cash flow from equity capital:		1.071		
-net capital contribution (repayments) by/to third parties	1.071			
Net cash flow for the period		(24)		17

Risk factors and uncertainties

The main business risks for Versalis, mitigated by management actions, arise from market risk, country risk, operation risk and, in a longer-term perspective, climate change risk. The description of the risks and its management is outlined below. For the description of the financial risks, please refer to the specific chapter of the notes to the consolidated financial statements.

Market risk

The Chemicals business is characterized by market dynamics marked by excess capacity and competitive pressure from producers with greater economies of scale or other cost advantages (integrated Middle Eastern producers or US chemical producers using ethane as feedstock for the cracker, cheaper than naphtha) and greater geographical diversification. In 2023 the sector returned to underperform due to the recovery of exports from the Far East, also due to the reduced absorption capacity of the Chinese market, the entry into operation of new capacity in the Middle East, the increase in the costs of oil feedstock and plant energy costs indexed to gas natural, as well as a more cautious attitude of the distributors in relation to the macroeconomic uncertainties that have led the operators to reduce the stocks, thus reducing the demand. Based on these fundamental trends, management has reviewed the prospects for the recoverability of the carrying amounts in the light of expectations of lower future cash flow projections.

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

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

Country risks

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

The group' economic performance and cash flows are exposed to the following risks: (i) slowdown of global economy or a possible recession due to the restrictive monetary politics adopted by the central banks to fight the rising of the inflation potentially leading to "hard landing" of economy with negative outcome on demand caused by the direct effect of higher interest rate on company's growth, and by the possible Dollar appreciation which will drive the raw materials more expensive, (ii) geopolitical tensions on international level caused by the persistent Russian military aggression towards Ukrainian, as well as the of resumption of hostilities between Israel and Arab world, reaching the invasion of Gaza' Strip by the Israeli army, increasing significantly the systematic risks. The risk of protracted conflicts, of expanding Israeli-Palestinian confrontation with other Arab countries supporting Palestine, as well as the impacts of economic sanctions imposed by the international community can have impact on the global production, on supply chain, on customers', companies' and investors' royalty resulting with subsequent delays or halts in spending and investing decisions with effects on demand for energy raw materials and consequent reduction of prices; (iii) the impact on global growth of single country less strong of expected.

The outlook for 2024 remains uncertain, threatened by the fear of "hard landing" of the economy, in particular the American one, by the post pandemic rebooting of chinse economy less robust than predicted and by the risk of financial instability due to restricted monetary politics adopted by the central banks.

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

Climate change risk

Likewise, the industry in general, the companies in the chemical sector are called upon to assess and manage the risks associated with climate change, subjected to a growing awareness of public opinion, the financial community and governments around the world.

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

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

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

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

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

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

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

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

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

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

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

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

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

In November 2023, during the United Nations Climate Changes Conference (COP28), was agreed and established a framework aiming a global goal of adaption. During the event was presented the first -ever global stocktake following the Paris agreement. The Stocktake alighted the necessity to reach the maximum level of global GHG emission by the 2025 and their reduction of 43% by the 2030 and of 60% by the 2035 compared to the levels seen in 2019, to reduce the global warnings at 1.5°C.

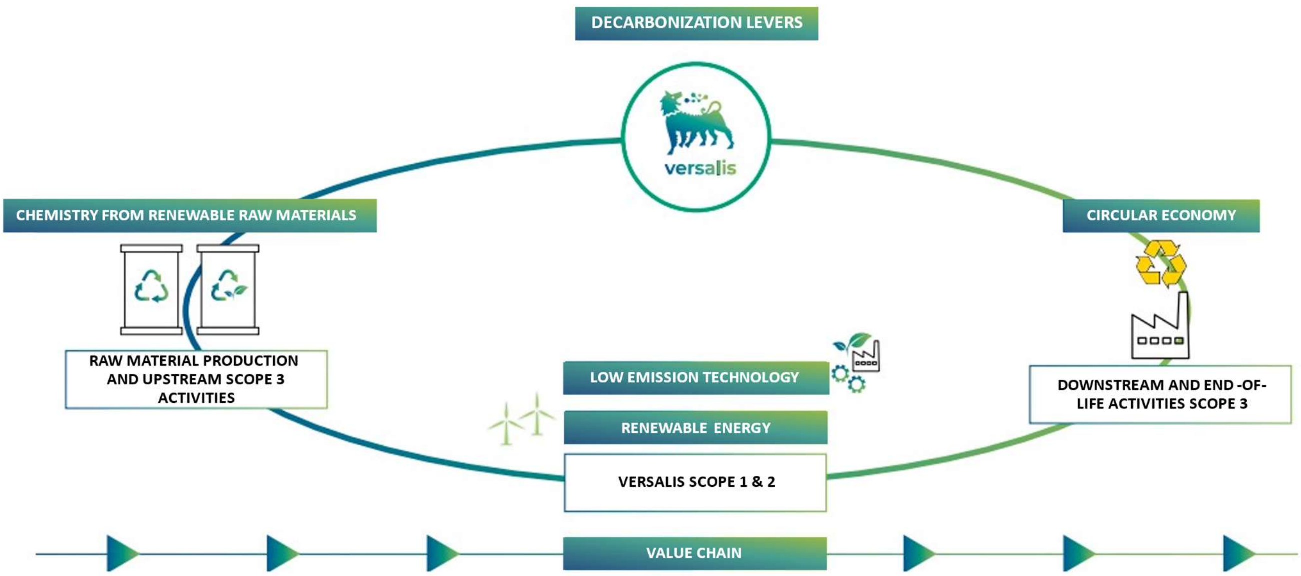
Specifically, Eni has announced to join the Oil & Gas Decarbonisation Accelerator, a platform launched by the Presidency of Cop28 to demonstrate the Oil & Gas industry's concrete contribution to the decarbonisation process, first of all through its commitment to zero emissions for its operations by the 2050.

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

From the point of view of the foreseeable evolution of the market deriving from the development of the transition of the chemical sector, it is currently believed that there are no elements that could affect the economic and financial results of the Group's business plan. At the moment, in fact, there are no regulations that ban or significantly reduce Versalis' product portfolio.

In such a contest, the decarbonization's strategy in Versalis is based on the development of complementary and synergetic products and solutions to meet the targets. In this view, the circular economy, the chemistry from renewable raw materials, the renewable energy and the technologies with low emission are the main pillars in Versalis' strategy.

All chemical transformation investments will be made only if they generate incremental economic benefits, in accordance with the internal regulations of the Eni group.



Operational risk and related HS&E risks

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

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

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

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

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

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

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

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

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

Involvement in legal proceedings

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

Cyber security

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

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

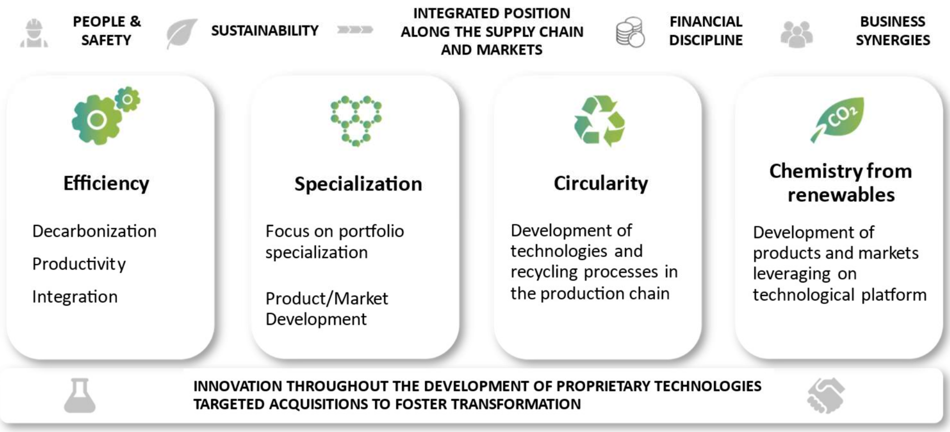
Business outlook

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

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

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

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



Other information

Transactions with related parties

The transactions with related parties carried out by Versalis SpA and the companies included in its consolidation area involve mainly the trading of goods, the performance of services, the provision/receipt of funding and the use of financial resources with the parent company Eni SpA and with companies directly or indirectly controlled by the latter, and with its own non-consolidated subsidiaries and associates, and with other State-owned or controlled companies. 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 (consolidated and statutory accounts).

A Treasury shares and shares in parent company

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

Secondary offices

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

Glossary

ABS (or Acrylonitrile Butadiene Styrene) is an amorphous polymer produced by emulsion or bulk polymerization of acrylonitrile and styrene in presence of polybutadiene. The most important properties are its impact resistance and its toughness.

Compounding is the activity specialized in the production of semi-finished products in granular form obtained from the combination of two or more chemical products.

CTP refers to the Party Technical Consultant, such as the professional hired by the parties to provide technical advice in court.

CTU refers to the court - appointed technical consultant nominated for civil trials.

Elastomers (or Rubber) are polymers, either natural or synthetic, which, unlike plastic materials, are capable of recovering their original shape after being stretched to great extents. Among synthetic elastomers, the most important are Low-Cis polybutadiene (LCBR), il polybutadiene (BR), styrene - butadiene rubber (SRB), ethylene propylene rubber (EPR), thermoplastic rubber (TPR) and nitrile rubbers (NBR).

EPDM is an Ethylene-Propylene Diene Monomer synthetic rubber produced by copolymerization of ethylene, Propylene and a third monomer represented by a diene, which is a compound containing two double bonds.

EPS or the Expanded Sintered Polystyrene (short for Expanded Sintered Polystyrene) is one of the most important use of polystyrene, and is an innovative, durable, versatile, lightweight, recyclable and safe material.

EVA stands for "EthyleneVinylAcetate– is a plastic produced by the combination of ethylene and vinyl acetate.

GPPS (or crystal polystyrene is totally transparent but delicate and is widely used for food packaging applications or display manufacturing.

HDPE (or High-Density Polyethylene) is a thermoplastic polymer belonging to the Polyolefin family. It is produced from the polymerization of ethylene and is one of the most processed and used polymers constituting the largest fraction of world polymer consumption.

LLDPE (or linear low-density polyethylene) n essentially linear low-density polyethylene-based polymer

Moulding is the activity of moulding expanded polyolefins to produce ultralight manufactures.

Oilfield chemicals offers innovative solution in the field of supply of chemicals products and related ancillary services for the Oil &Gas industry.

Olefins are a series of hydrocarbons with chemical reactivity and so used as raw materials in the synthesis of intermediates and polymers.

Plasmix is the term used to refer to mixed plastics that currently cannot be used in the recycling market and can be used as raw materials in Eni's new businesses focused on the circular economy.

SAN is abbreviation which stands for styrene-acrylonitrile or acrylonitrile-styrene copolymer.

TAF (or Groundwater Treatment) is the plant that assures the environmental recovery of groundwater by fitting into an integrated system of intercepting the aquifer, generally consisting of a series of barrier wells, and conveying the water to the 'treatment plant for its purification before reuse.

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 working on the enhancement of people, the protection of health and safety, the protection of the environment, initiative of circular economy, the respect for and promotion of human rights, focus on transparency and the fight against corruption. The ffollowing paragraph illustrates the main initiatives and technological innovation projects.

People

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, 2023, permanent employees in the companies included in the Group area were 7.793.

2021	Permanent employees	2022	**2023**
4.583	Italy	4.587	5.173
2.512	Abroad	2.578	2.620
5.295		**7.165**	**7.793**

The increase of 628 employees compared to the situation as at 31 December 2023 was determined by the following causes:

increasing:

- 764 people of which 619 from the consolidation of Novamont (Italy 561 and abroad 136) and of 145 from the consolidation of Matrìca
- 605 people were hired, of which 19% graduated (363 permanent contracts of which 28% with degrees and 242 with temporary contracts, all with diplomas and 1 with degree);

in reduction:

- 678 people terminated their employment relationship for ordinary reasons (retirements, resignations and consensual terminations, expiry of fixed-term contracts);

24 employees, as negative balance due to the changes in the consolidation perimeter (including Versalis Pacific (India) Private Limited and excluding Finproject Vietnam Company Limited and Finproject do Brasil).

39 people were transferred to other companies of the Eni group.

The breakdown by contractual status is as follows:

2021	Permanent employees	2022	**2023**
125	Executives	121	**137**
4.471	Middle managers and clerks	3.779	**4.167**
2.499	Factory workers	3.265	**3.489**
7.095		**7.165**	**7.793**

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

age range	**Total**	**%**
< 30	1.184	15,2
30-39	1.667	21,4
40-49	2.172	27,9
50-59	2.258	29,0
> 60	512	6,6
	7.793	**100,0**

At December 31, 2023 there were 7.771 employees working in the companies included in the Group area.

Permanent employees	2022	**2023**
Executives	122	138
Middle managers and clerks	3.752	4.153
Factory workers	3.249	3.480
	7.123	**7.771**

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 100 employees in Versalis SpA and its subsidiaries seconded to other Eni Group companies, other entities, or on leave, while 78 are seconded to Versalis SpA and its subsidiaries from other Eni Group companies.

Training

The training program in Italy and in the foreign subsidiaries involved approximately 226,500 man/hours in 2023. This activity was guaranteed with the support of Eni Corporate University SpA, through internal resources and with external suppliers.
During 2023, the commitment, as teachers, of Versalis employees belonging to the Eni Faculty continued both in training initiatives managed by Eni Corporate University and in internal teaching activities.

The year 2022 was characterized by the following elements:

- considerable training and information commitment on environmental, health, safety and quality issues, for a total of over 113,000 hours;
- activation of behavioral training courses, in order to enhance the soft skills of the Manager position;

- promotion of D&I training programs aimed at increasing the level of inclusiveness of the work environment and employees;
- training initiatives carried out in e-learning mode, aimed at extending compliance knowledge to personnel, in particular on Sustainability and Human Rights issues, with the aim of making the guidelines, regulations and internal procedures known and operational which aim to comply with the law in the conduct of Versalis business. The following Zero Tolerance initiatives stand out: violence and harassment and anti-corruption compliance program;
- Team building ed engagement events, addressed at young graduates of Versalis (Feeding our Future, Ravenna), at commercial personnel of BU Styrenics (Styrenics Event) and at personnel of cracking sites (The Management of Assets towards 2030 workshop, Castel Gandolfo).

Incentive and remuneration systems

Versalis SpA, together with the merit policy linked to roles and responsibilities, has implemented 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 2023, the performance appraisal 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 to the level of contribution provided. Furthermore, the incentive system for the sales force operating in Europe was confirmed in 2023. There is also a long-term incentive system for managers with high responsibilities and impact on results, in line with Eni Group's practice and policies.

Security

Versalis' commitment to protecting the health of workers and the environment, as well as in prevention activities in order to guarantee safety in the workplace and protection from industrial risks of the local communities in which the company operates, are also explicit from the commitment of economic resources; the final data for 2023 are as follows:

- 254,5 million euros for expenses for the period (260 million euros in 2022);
- 54,5 million euros for capitalization investments, considering that the controlled entity, Finproject, has entered the consolidation perimeter (60 million euros in 2022).

The strong and constant commitment to safety and the environment continued, strengthening the contents of the "Safety Pact", which has become the "Safety and Environment Pact", a real contract signed between Versalis and third-party service contractors, which provides for concrete, measurable and constantly monitored improvement actions.

Versalis has been measuring accident results for some time by summarizing the events that occurred to its own personnel and to the personnel of third-party companies into specific indicators.

In 2023 the following results were obtained:

	2022	**2023**
Number of invalidating accidents	10	12
Frequency Index	0,80	0,59
Severity Index	0,061	0,010

In 2023
- The employee injury frequency rate (employee injuries/hours worked x 1,000,000) is 0,67
- The contractor accident frequency index (contractor accidents/hours worked x 1,000,000) is 0,44
- The Fatality index (fatal injuries/hours worked x 1,000,000) is 0

Twelve injuries were recorded, of which 9 involving employees and 3 involving contract personnel, linked to episodes mainly attributable to behavioural reasons. In addition, in 2023 a medical treatment of an employee at the Dunkirk site was recorded. In 2023, some activities in support of prevention aimed at increasing the culture of safety and punctual supervision of the field were further strengthened.
It should be noted that, during the year, 28 out of 30 sites achieved the objective of "one year without employee accidents".
In 2023, as required by the HSE 2023 - 2026 four -year plan, the activities (renewal/maintenance) associated with the certifications referable to the SA 8000, ISO 14001, ISO 45001 and EMAS standards were successfully carried out on a regular basis.
Actions to prevent, safeguard and promote the health of workers and communities residing near industrial sites are recognized as primary needs in Versalis policies and contribute significantly to the achievement of high sustainability performance.
Health protection activities are organized and structured in an "integrated management system" strongly oriented towards prevention, in which health checks are combined with the periodic measurement of risk factors, carried out both with environmental survey campaigns and through simultaneous campaigns of biomonitoring.
In particular, in relation to the risks from exposure to chemical, carcinogenic and mutagenic agents, environmental measurements and determinations of exposure through personal samplers are integrated with the monitoring of specific biological indicators of exposure in order to verify the dose actually absorbed by the worker through all routes of exposure. Health promotion programs continued in 2023, such as for example flu vaccination campaigns and cardiovascular prevention, determination of PSA and antibodies against tetanus, awareness campaigns on smoking risk and on the adoption of correct lifestyles.
The internationalization process of Versalis, oriented towards operating in foreign markets, has triggered new projects for the management of medical emergencies and healthcare assistance, not only at a national but also international level, developing specific healthcare protocols which consider the "country" risk associated with the travel, the climate, any infectious diseases, and related vaccinations, defining special information and training programs, and guaranteeing ordinary medical assistance and in the event of an emergency, including any medical repatriations.
Various initiatives have been carried out at the Italian sites to support the National Health System in screening activities with rapid antigenic swabs: particular attention has been paid to the organization of multi-year stops during which were therefore adopted specific plans to envisaged initial screening and periodic check s, defined rules for each working moment (including breaks), suitable areas for coordination meetings, etc.
Lastly, the effective collaboration of all the Business Units has made it possible to standardize emergency management throughout Eni both from a regulatory point of view and on behavioural rules.

Environmental responsibility

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

Total HSE expenditure in 2023[8] was €309 million (€320 million in 2022).

Expenditure relating to the environment amounted to 176 million euros (171 million euros in 2022), including soil and groundwater management activities.

Expenses related to safety amounted to 101 million euros (117 million euros in 2022), industrial hygiene, product safety and health activities amounted to 9 million euros (10 million euros in 2022), while the cost of the HSE structure is equal to 23 million euros.

As regards the control of greenhouse gas emissions, the year 2023 ended with a provisional balance of CO2 emissions, subject to emissions trading, equal to 1.93 million tons of CO2, a reduction of approximately 17% compared to the final balance of 2022.

The 2023 results can be summarized as follows:

- free allowances assigned in 2023: 2.159 million tons of CO2;
- estimated emissions for 2023: 1.93 million tons of CO2;
- surplus: 0.22 million tons of CO2.

Starting from 2021, the ETS system has entered Phase IV with the consequent new processing of the free allowance releases in relation to the results deriving from the collection of the 2014÷2018 reference data, from the definition of the reference benchmarks and from the periodic verification of the levels of activities recorded by the plants starting from the year 2019. As of today, the process for assigning the free allowances for the year 2023 has been completed for most of the Versalis sites.

Among the events characterizing 2023, from the point of view of emissions, it is worth mentioning:

- Porto Marghera: shutdown of the cracking and aromatics plants during the first half of 2022;
- Dunkerque: extension general shutdown of the plants for scheduled maintenance;
- Mantua: extension shutdown of the plant ST40 and reduction of production in the plant ST20.

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

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

As regards the authorization process for reclamation, it has been completed at the sites of: Brindisi, groundwater and soils, Gela, groundwater and soils, Porto Marghera, groundwater and soils, Priolo, groundwater and soils (limited to the soils of the areas south of the Vallone della Neve and to the saturated

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[7] Figure net of decommissioning, demolition and divestment activities, which total approximately 10 million euro, and fines, insurance and taxes, which amount to approximately 8 million euro. The variability of HSE expenses in 2021 compared to the previous year is mainly attributable to capitalized HSE interventions (including decarbonisation and energy saving), and the entry of Finproject sites into the consolidation domain.

8 It should be noted that on December 20, 2023, the ETS Committee published Resolution No. 170/2023 permanently allocating 317,364 free allowances to the Versalis Porto Marghera Plant for the year 2023. Given the plant's current production set-up and the regulatory evaluations that could give rise to a request by ANC to return the free quotas relating to the "steam cracking" and "aromatic hydrocarbons" plants, in order to minimize the management risk by guaranteeing the stock of quotas on the EU ETS register sufficient to cover the possible return, the same have not been valued at sale to date. Therefore, taking into account the release under Resolution 170/2023, the total value of free allowances allocated is 2.46 million tons.

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soils of the "internal" areas D2 and D3), Ferrara, groundwater and surface matrices (soils and impregnation water), Ravenna, groundwater and soils, Sarroch, groundwater (process concluded for soils). For the Mantua site, remediation projects have been approved limited to some specific areas and the supernatant removal phase. Ragusa (following approval of the risk analysis and conclusion of the post-risk analysis monitoring, prescribed by the services conference, the process is in concluded).

The authorized interventions are in progress or have been completed.

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

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

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

Circular Economy

The transition path towards a circular economy is one of the main levers for Versalis to meet current environmental challenges, including of the one for carbon neutrality. In this context, Versalis has been developing complementary recycling technologies for plastic and rubber and is committed to using renewable and secondary raw materials to offer products that are increasingly decarbonized and more sustainable.

Building on this approach, the Company invests in developing innovative solutions for intermediates, rubber, plastics, bioplastics and biochemicals, thus driving the growing of a sustainable and circular market.

Versalis supports the circular transition by investing in dedicated research projects, developing integrated technology platforms, and by forging partnerships with various actors all along the value chain and in the academia world, strengthening its commitment to diversify its portfolio.

Feedstock diversification

Versalis is committed to new and alternative feedstock diversification opportunities, exploring the use of raw materials from renewable sources, such as plant biomass, and the use of secondary raw materials made from recycled waste of plastic and rubber. Versalis continues its efforts to strengthen its competitive positioning in chemistry from renewables – also developing synergies together with Eni's projects – by implementing integrated technological platforms in line with the strategy followed in recent years.

In 2023 Versalis acquired 100% of Novamont' share capital, of which it already held the 36%, strengthening its synergy with the Company leader in bioplastics and in biochemicals and bioproducts by integrating chemistry, environment, and agriculture. This operation, firstly announced on April 28th, 2023, was finalized on October 18th with the acquisition of the remaining 64% of shares.

Production of bioethanol from cellulosic biomass continues in the Crescentino plant (Vercelli), thanks also to high level investments in its reconfiguration. Advanced bioethanol, obtained from residual biomass that does not compete with the food chain (e.g. waste from the wood industries production)) and primarily sourced from short supply chains, meaning within 70 km, is used in blends for the formulation of fuel with a renewable component. The Crescentino production process is based on Proesa® technology for biomass conversion into sugars which are then fermented to produce bioethanol. The process was also consolidated thanks to the acquisition in 2022 of the enzyme production technology for second generation bioethanol from DSM[10].

Versalis has also confirmed its ISCC EU certification (International Sustainability and Carbon Certification) for second-generation bioethanol production in the Crescentino plant, attesting the sustainability and traceability of biofuels by verifying, starting from the biomass, the entire value chain in compliance with European Directive 2018/2001/EU (RED II).

Likewise, in the conventional chemical processes Versalis has renewed its ISCC PLUS certification for monomers, intermediates, polymers and elastomers made from sustainable raw materials in all its Italian and European plants. In 2021 also Finproject obtained the ISCC PLUS certification for three sites in Italy, one in Romania, one in Vietnam, one in India and one in Mexico.

ISCC PLUS, part of the International Sustainability & Carbon Certification system, is a voluntary certification scheme that allows Companies to manufacture sustainable products through the mass balance approach, guaranteeing the sustainability requirements and the traceability of processes and products.

This certification enables Versalis to offer a range of products with sustainability characteristics and identical performance to the conventional ones, making them immediately usable by clients. The resulting range, called Balance®, is composed of lower carbon products made from bionaphtha or recycled oil, meaning pyrolysis oil made through chemical recycling of mixed plastic wastes. Bionaphtha – made from vegetable oils or from used cooking oil and other types of organic waste – is supplied thanks to synergies within Eni (biorefineries[11] in Porto Marghera and Gela).

[10] DSM - a global corporation specialized in the fields of health, nutrition, and bioscience

Development of recycling technologies

Versalis is committed to developing advanced mechanical and chemical recycling technologies for plastic and rubber through in-house research and in partnerships with associations, consortia and players in the supply chain.

Currently, the most consolidated technology in Italy and worldwide is mechanical recycling, due to the presence of a well- structured collection and pre-treatment infrastructure. The practice is composed of a stage of collection and separation of different types of plastic, with a final stage in which the polymers are reprocessed mechanically. This process does not change the properties of the polymer, which can therefore be reused directly to make new products, usually in blend with virgin polymers.

Versalis, in this context, is taking up one of the technological challenges of the circular economy: giving new life to plastic waste through recycling in order to obtain innovative products that can be used in a variety of quality applications. In fact, the Company, with the aim to contribute and reach the European targets on recycling rates and recycled content, has developed the Versalis Revive® range, a product family with different polymer bases (polystyrene, polyethylene and elastomers) containing recycled plastic and rubber. The ever-growing product range currently includes:

- Versalis Revive® PE: composed of low- and high-density polyethylene- compounds containing up to 100% of recycled plastic from urban and/or industrial post-consumer packaging. Its main applications are in agriculture and packaging.
- Versalis Revive® PS: obtained from the recycling of post-consumer plastics, in partnership with Forever Plast SpA, it consists of a range of recycled compact polystyrene grades with partly or 100% recycled content. These materials are used for applications such as thermal insulation, household goods, and packaging, including food packaging. One example of this application is the innovative recyclable food tray containing recycled polystyrene: it's composed by an inner layer containing Versalis Revive® PS and two virgin polystyrene outer layers. This structure, known as an A-B-A functional barrier, ensures food application performance. Using the same functional barrier principle, the Italian FLO group has developed vending machine cups and yoghurt pots from Versalis Revive® PS with a content of polystyrene from mechanically recycled post-consumer waste (rPS) in the central layer.
- Versalis Revive® EPS: it includes the range of expandable polystyrene with a recycled content of up to 80%, from post-consumer polystyrene supplied by the Italian domestic waste sorting, in collaboration with COREPLA. Its main applications are in construction industry as insulating material and in the protective packaging production.
- Versalis Revive® ESBR: SBR (Styrene-Butadiene Rubber) elastomers with recycled content of up to 17%, produced from used tyres.
- Versalis Revive® DVC: it is made from 100% recycled material thanks to the partnership with AGR, a Turin based company that owns a technology for the devulcanization [12]of post-consumer elastomers.

Recycling also plays a key role in the transformation of the Porto Marghera plant via the agreement with Forever Plast[13], integrated with the previous agreement with Ecoplastic[14], which is leading to the construction of the first advanced post-consumer plastic mechanical recycling hub, to make products for the Versalis Revive® range.

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[12] Devulcanization: process of selective breakdown of chemical bonds to allow items made of solid rubber, usually granulates, into a mouldable material ready for use to manufacture new products, e.g. tyres or gaskets.

[13] Foreverplast, an Italian company that leads the post-consumer plastic recycling field in Europe.

[14] Ecoplastic, an Italian company in the De Berg Group, specialized in styrenic polymer recovery, recycling and transformation.

Alongside with advanced mechanical recycling, Versalis has been constantly developing new recycling technologies, considering their complementary essential.
Chemical recycling technology can be used to transform the plastic waste which is not suitable for mechanical recycling, such as plasmix into a secondary raw material such as recycled oil, to make new polymers with identical properties to those made from conventional raw materials. The outcome of a joint development project with Società Italiana Servizio di Ricerca e Sviluppo (S.R.S), Hoop® technology uses pyrolysis recycling technology to make products suitable for high-value applications, such as food contact and pharma. In the Mantua plant the construction of a demo plant was startedin 2023. Once completed, the plant will have a secondary raw material input capacity of 6kt. The Hoop® technology project for chemical recycling of plastics was awarded in 2023 the EU Innovation Fund, EU Innovation Fund, a European fund dedicated to innovative technologies with low carbon emissions.

Collaboration across the supply chain

Creating synergistic partnerships with other supply chain members in order to share the path of transition is a necessary condition for the development of circular business models. Operating in synergy with the value chain and developing strategic partnerships are crucial preconditions for future business sustainability. Versalis works with multiple partners as universities for research and development activities, clients, and brand-owners for transformation and application activities. This strategy can be seen in action in Versalis' project to develop circular solutions for the polyethylene industrial packaging used for own-product shipping.

The Company is also proceeding in its commitment and involvement in several circular economy platforms and associations, including the Circular Plastics Alliance (CPA), the Alliance To End Plastic Waste (AEPW) and Organisation Méditerranéenne de l'Energie et du Climat (OMEC), with the aim of promoting projects and creating tangible solutions for more sustainable plastic waste management. In addition, Versalis participates in sector-specific platforms such as Styrenics Circular Solutions (SCS) and the Polyolefins Circular Economy Platform (PCEP).

Sustainability in moulding and compounding processes

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

- XL EXTRALIGHT® - collaboration with Versalis for the development of new materials made with Balance, Lignin and Guayule products;
- GRS - (Global Recycled Standard), products made with the use of industrial production waste;
- ISCC Plus certified products through the use of bioattributed materials;
- COGEGUM - PSV (Second Life Plastic) certified products containing by -products from domestic production;
- POLIDIEMME – development of new Materials for E-MOBILITY containing raw materials from recycling.

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

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

In 2007 Finproject joined the Compound Group of the PVC information center with the "Green Compound" brand, for the Chemical Industry's Commitment in respecting and supporting Safety, Health and Environmental Sustainability policies.

Finproject industries pursue this commitment by certifying its sites since 2022 according to the EN ISO 14001 and UNI EN ISO 45001 for the health and safety in the workplace, which confirm the company's engagement to protect the environment and to increase the safety by implementing a continuous improvement system for corporate sustainability.

In addition, the company is committed to the implementation of compound formulation projects with recovery and reuse of its own production waste with internally designed machines, the introduction of and compliance with strict prevention rules to ensure product and workplace safety, and constant research work on formulations and production processes.

Suppliers

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

Technological innovation

In 2023, Research and Technology Innovation activities, that involved around 370 employees, were devoted to improvement of processes and products of existing business lines and development of proprietary technologies.

In addition, it was confirmed the growing commitment in sustainability and circular economy as a strategic asset for the Company as well as in decarbonization.

Integration with Finproject company allowed to expand research and innovation activities to the field of new compounds and related production technologies.

Here below the most representative results reached in the year:

Biochemistry

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

In 2023 R&D activities continued aiming at improving the proprietary industrial technology Proesa® used for the conversion of no food-biomass into second-generation sugars used in bioethanol production. In particular, alternative residual raw materials were validated at industrial scale.

During 2023, Versalis has carried out the first experimental trial at the new pilot plant for the extraction and purification of the new bioplastics from renewable sources produced via biochemical fermentation.

In the last quarter of 2022, second-generation ethanol enzyme production technology was acquired from DSM-a global company focused on the health, nutrition and bioscience sectors. In 2023, Versalis has completed the technology transfer of such technology from DSM executing some experimental trials at pilot scale in order to validate the enzyme production and their usage in the hydrolysis step of lignocellulosic biomasses with the proprietary Proesa® technology.

During 2023, activities related to the valorization of lignin, a co-product in the bioethanol production process, continued in various application areas, particularly for composite materials with thermoplastics and for modified bitumen.

The development activities of pelargonic acid-based plant protection products, an active ingredient produced at the Porto Torres plant, continued in 2023 with the aim of extending their use to new countries and new areas of application. Part of these innovation and development activities were included within the NATURAL POWER LIFE project with which Versalis obtained access to European Union funding, called "Life Program", in support of strategic projects relating to nature, environment and climate as a contribution to the implementation of the European Green Deal, including, among others, reaching net zero by 2050, the action plan for the circular economy and the energy transition. The acquisition of control of Novamont strengthens its commitment to researching new green chemistry products and solutions.

Novamont considers research and development as the driving force behind the company's growth consistent with its mission and vocation for innovation and the creation of integrated sustainable models.

During the year, results of great importance to the company's development were achieved both in the short to medium term and in the long term. In particular, Novamont strengthened its patent portfolio by filing and/or extending internationally several new patent applications for:

New polymer compositions with improved mechanical properties and biodegradability characteristics intended for applications with high development potential

- New films, single and multilayer, intended for the food packaging sector

- New molded items intended for high value-added applications

- Innovations aimed at improving the traceability of production chains

- Innovations aimed at improving biotechnological processes for the production of monomers from vegetable oils

- Innovative uses of agricultural biomass in value-added applications

- New processes for the recovery and valorization of biomass from agricultural and industrial by-products,

- Innovations in the reuse of by-products of biotechnological productions and their transformation into value-added products

- New polyesters with optimized performance for applications in high value-added sectors

- Innovations to improve yields, monomer quality and production flexibility of Mater-Biotech subsidiary

- New Applications for Biochemicals produced by Novamont's biorefineries.

In 2023, work continued on the optimization of Mater-Bi grades, resulting in products with better cost positioning (particularly taking into account the significant impact of production costs due to an increase in energy costs), improved performance in terms of chemical-physical properties and compostability in the domestic environment, and improved processability in customers' transformation processes.

New botanical sources for renewable raw materials were also validated to optimize the flexibility and resilience of production chains. Continued were:

- The development of new grades to be laminated with paper and transparencies

- partner support activity in the soles of footwear foam products.

- The development of grades for the production of TNT using Meltblown and Spunbond technology.

In all these cases, the processes for the production of the polyesters underlying the above applications were validated on an industrial scale at the Terni plant.

The validation of some grades of Mater-Bi in aqueous dispersion in formulations for applications in high value-added sectors continued.

In particular, in the "products for agriculture" sector, large-scale validation tests continued on the Ager-Bi herbicide formulation based on Pelargonic Acid, which made it possible to finalize the submission to the competent authorities of the registration dossier for Italy. In parallel, tests were initiated to obtain registration of the formulation in Mozambique and Brazil.

In 2023, activities continued to optimize selective oxidation processes of substrates of Novamont's interest by both fermentation and chemical routes. In particular:

(a) work continued on the development of the process for the production of an acid monomer (FDCA) for use in the production of polyesters by validating on a laboratory scale a series of innovations aimed at lowering the operating costs of the future industrial plant.

(b) pilot-scale study of the production process of an innovative acid monomer for the production of new polyesters has been completed, scale-up activities to the industrial phase have been started.

The Patrica production plant has industrially implemented new catalytic systems for polyester synthesis and operated continuous optimization of the production process on continuous plant for new types of biodegradable polyesters. It has also identified strategies for optimizing process yields of Mater Bi grades, including during plant startup and shutdown.

The Terni production plant has validated the feasibility of recovering by-products from the manufacturing processes.

Regarding the Agro research area, tests for the development of new supply chains of potential interest (Brassicaceae) continued in 2023, and trials on Safflower Alto Oleico were extended to different areas. There has also been a focus on the valorization of by-products of the dryland crops supply chain cultivated in 7 regions in south-central Italy. Of particular note is the collaboration with Terra Felix related to a project of experimental greenhouse cultivation of mushrooms using biomass recovery of. The project won Coldiretti Giovani Impresa's national Oscar Green in the making supply chain section.

In 2023, 33 new R&D Projects were submitted for regional, national and EU funding, 7 were approved and some are still awaiting outcome. During the year, 5 new projects were started, one of which was coordinated by Novamont, and 5 were concluded, making a total of 30 projects active during the year; others are in the process of submission at the regional, national and EU levels.

In the area of integrated biorefineries, coordination and accreditation work has continued with regional, national and EU institutions, industry stakeholders of the SPRING Green Chemistry Cluster, Biobased Industry Consortium (BIC), Based Industries Joint Undertaking (BBI), which in the new EU programming Horizon Europe, has been reconfirmed. The new public-private partnership is Circular Biobased Europe.

Polyethylene

During 2023, research activities in the field of Polyethylene focused on three fundamental strategic lines with the aim of further specializing the product portfolio and supporting the business evolution towards decarbonization and sustainability. These refer to the expansion of the LDPE grades portfolio for pharmaceutical applications, the broadening of the EVA portfolio, and the reduction of environmental impacts of products and processes.

In 2023, the industrialization phase of new LDPE grades designed specifically for the pharmaceutical industry market, identified as Pharmalene grades, was initiated.

At the Dunkerque plant, a dedicated EVA grade for film applications (food packaging, stretch hood, agricultural applications) was consolidated, and an additional EVA grade with a high VA content was produced. The latter was developed for the production of items for hot melt market and for use in the wire&cable sectors and is currently in the testing phase with customers.

At the Oberhausen plant, an EVA grade intended for applications related to renewable energy production was consolidated. At the same time, the development of LDPE for applications related to energy transport continued, in line with the company strategy focused on energy transition and decarbonization.

The activities related to the Versalis Revive® PE grades continued, and thanks to the use of Versalis Revive® PE materials, it was possible to successfully use secondary raw materials in particularly critical applications where the use of recycled materials previously did not allow to achieve the desired performances. Some practical examples are the production of safety bumpers for competition go-karts and the production of expanded foams.

| Elastomers

In 2023, elastomer research activity was mainly focused on the development and industrialization of new grades with greater sustainability, especially for 'sustainable mobility', and specialty products.

The main lines were the expansion of the tire portfolio with high performance grades, the expansion of the EPDM portfolio with the first highly processable grade for injection moulding, the development of high fluidity thermoplastic rubbers for the medical compound sector and the development of new technological solutions to reinforce the offer of sustainable products.

Within the tire portfolio, and especially for HCBR (high cis polybutadienes), EP (easy processing) and HP (high performance) grades have been consolidated on an industrial scale, with significantly improved characteristics compared to traditional grades, intended for tread and sidewall production for high performance tires. These new grades make it possible to reduce the carbon impact of tires throughout their entire life cycle, allowing for a reduction in fuel consumption and reducing energy consumption in the compound preparation phases. With the same objectives, in 2023 a new grade of functionalized LCBR was produced on a pilot scale, intended for the winter and four-season tire market with reduced energy consumption.

Regarding the expansion and consolidation of the EPDM portfolio with specialty grades, in 2023 the first industrial prototype (easy processing) for injection moulding application was produced, aligned with the best competitor, which met the technical standards required by the market.

As part of the thermoplastic rubber portfolio, new SEBS grades were produced on a pilot scale, characterized by high fluidity, intended mainly for the hygienic-sanitary compound market, to produce manufacts with low or no oil content and PVC-free (exempt therefore from phthalates).

Styrenics

R&D for ABS portfolio specialization has been focused both on the current continuous mass technology platform and on the new technology under development: One Step® technology. In details, the reaction conditions have been optimized in order to obtain materials with an improved balance of mechanical properties/costs. In addition, thanks to One Step® technology, it has been developed at prototype level a new ABS grade suitable for premium applications, such as electroplating.

With the aim of reducing chemical and energy consumption and CO_2 emission into the atmosphere, a study for optimizing process conditions and recipes has been started in 2023. This study, currently at a research level, has led to a set of conditions that will be tested industrially on selected industrial plants in 2024.

In 2023, Circular Compounds development activities in the styrenics sector have been strongly focused on development of products for electrical-electronic application containing recycled material and on development of ABS-based compounds.

The gray Revive® PS RT 33010 grade was consolidated with a content of 30% post-consumer secondary raw material; the white Revive® PS RT 31600 grade was industrialized. At pilot level, 2 prototypes of Glow Wire 850 °C self-extinguishing grades were developed.

Concerning ABS-based compounds, the grade Revive ABS L322 black has been industrialized for the molding sector. At pilot level, heat-resistant or self-extinguishing grades for the automotive sector with a recycled material content of 30% to 50% was developed.

Basic chemistry

As part of the downstream specialization of its productions, activities continued the optimization of the proprietary technology for the production of PAH (isopropyl alcohol) by hydrogenation of acetone. In 2023, activities focused on the identification of alternative hydrogenation catalysts with the aim of further improving the plant's performance and making the supply of the catalyst more flexible for the plant. These developments include consolidation in the construction of a 30 kton/y plant at the Versalis site in Porto Marghera.

Regarding the development of phenol production cycle technologies, activities in 2023 focused on heterogeneous catalysts to be applied in hydrogenation sections (phenol to cyclohexanone/cyclohexanol and alpha-methylstyrene to cumene) through the testing of commercial catalysts and the development of proprietary catalysts.

The possibility of increasing the production of pure Acetophenone by purification of commercially available crude Acetophenone was also successfully evaluated through experimental industrial tests and laboratory activities.

As part of the development of proprietary intermediate technologies, two complementary studies were carried out for the valorization of acetone co-produced in the phenol process, as an alternative to the sale of PAH as a pure product: the process of direct alkylation of benzene with PAH/Propylene mixture to cumene, via proprietary catalysis, and the process of dehydration of PAH to propylene and subsequently alkylation to cumene.

Regarding the development of the cumene process, proprietary zeolitic catalysts alternative to benchmarks were studied in 2023 for both reactions: the alkylation of benzene with propylene to cumene and the transalkylation reaction of diisopropylbenzenes to cumene.

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| Specialty Oilfield Chemicals

In 2023, research activity in the field of oilfield chemicals focused on the development of new products used in the sector of inhibition of paraffinic aggregates which, together with the consolidation of products for Drilling & Cementing and new products forming part of the well-area stimulation, further expand the Versalis portfolio of Specialty Oilfield Chemicals.

Furthermore, initiatives have been activated aimed at increasing the sustainability of the sector: from the study of products of bio/renewable origin and with biodegradability characteristics to broaden their use in geographical sites with a growing attention to the environment; to the know-how consolidation for the drag sector.

| Moulding and Compounding

The activities carried out in 2023 were aimed at the study, development and fine-tuning of new compounds and production technologies.

Among the most interesting result, some of which developed in cooperation with Versalis research centers, we can highlight:

- development of compound that involve the use of fillers of natural origin and recovered from waste destined for landfill

- evaluation of advanced modelling systems applied to compounding and moulding processes in order to improve their efficiency

- development of almost 600 news color shades for main brands of footwear industry

- development of polyolefin-based, halogen free and flame retardants (HFFR), focused on widening the offer of grades containing by-products originating entirely from internal productions and intended for use as sheaths for signal and power cables.

- industrial consolidation of a crosslinkable grade based on HDPE (PEX-b) with high organoleptic characteristics, able of satisfying the most recent regulations in force concerning materials for potable water contact.

- pilot-scale development of a new prototype of cross-linkable compound with a content of 50% post-consumer secondary raw material for the insulation of charging cables for electric cars.

Furthermore, as part of the research on silanized polymeric materials to be used in applications related to the production of renewable energy, participation in the Seamless-PV Project began in 2023. Financed and coordinated by the European Union, it aims to develop an efficient and flexible industrial production technology of PV (Photo-Voltaic) modules for "IPV" (Integrated Photo-Voltaic) applications.

| Energy transition

To create value for stakeholders, Versalis' commitment to sustainable and circular chemistry was confirmed:

Hoop® project (advanced chemical recycling of mixed plastics not mechanically recycled): in 2023, the analysis activities of new supply chains for the management of non-mechanically recycled waste and the influence of variables on the yield of the oil conversion process continued. The development activities of the new proprietary technology also proceeded and at the end of the year the construction site for the construction of the Hoop® demonstration plant began at the Versalis industrial site in Mantua.

CCU project: in 2023 numerous lines of research were launched with the aim of developing new technologies capable of using CO_2 as a raw material for the production of chemicals used in the chemical sector. The various initiatives, also carried out in partnership with university research institutes, are aimed at creating a panel of technological platforms that will allow, together with others, to consolidate the path to decarbonisation of industrial processes.

Regarding the development of the new mechanical recycling hub in Porto Marghera, in 2023 the engineering and adaptation works of the site continued regarding Phase 1 for the advanced mechanical recycling hub, scheduled for start-up in 2024, while as regards Phase 2, the Basic of ISBL has been finalized.

Sustainable compounds: with a view to reducing the carbon footprint of modified bitumens for motorway surfaces, a prototype of SBS-based lignin masterbatch was developed at pilot level. Furthermore, during the year, the development of new grades and promotion of the Versalis Revive® eSBR families continued, containing recycled material from end-of-use tire granulate (ELT), and Versalis Revive® DVC, a compound made from tires at the end of use, thanks to the partnership with AGR, a Turin company that owns technology for the devulcanisation of post-consumer tyres, which allows us to offer the market a wide range of sustainable products, with different characteristics depending on customer needs.

Cracker of the Future: Versalis, as part of its participation in the Cracker of the Future research consortium, composed of some of the main European olefin producers (Total Energy, Repsol and Borealis), continued its study activities for the development and industrialization of steam-cracking electrification technologies, characterized by the significant reduction of CO_2 emissions.

p. il Consiglio di Amministrazione

l'Amministratore Delegato

Adriano Alfani

versalis

Consolidated Financial Statements 2023

Consolidated balance sheet

		December 31st, 2023		December 31st, 2022	
(millions of euro)	Notes	Total amount	*of which with related parties*	Total amount	*of which with related parties*
ASSETS					
Current assets					
Cash and cash equivalents	(1)	184	*91*	102	*43*
Other current financial assets	(2)	9		10	*9*
Trade and other receivables	(3)	840	*359*	720	*191*
Inventories	(4)	1.119		1.185	
Income tax receivables	(5)	10		7	
Other current assets	(6)	37	*2*	76	*2*
		2.199		**2.100**	
Non-current assets					
Property, plant and equipment	(7)	578		590	
Right of use asset	(8)	26		15	
Intangible assets	(9)	839		334	
Equity-accounted investments	(11)	76		327	
Other investments	(12)	3		3	
Other non-current financial assets	(13)	1	*1*	19	*16*
Deferred tax assets	(14)	90		41	
Other non-current assets	(15)	12		8	
		1.625		**1.337**	
TOTAL ASSETS		**3.824**		**3.437**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(16)	393	*321*	1.354	*1.327*
Current portion of long-term debt	(17)	315	*314*	209	*209*
Short-term lease liabilities	(8)	4		6	
Trade and other payables	(18)	887	*327*	874	*394*
Income tax payables	(19)	20		27	
Other current liabilities	(20)	43	*3*	28	
		1.662		**2.498**	
Non-current liabilities					
Long-term debt	(21)	1.882	*1.870*	523	*522*
Long-term lease liabilities	(8)	56		10	
Provisions for contingencies	(22)	265		228	
Provisions for employee benefits	(23)	67		63	
Deferred tax liabilities	(14)	29		32	
Other non-current liabilities	(25)	10		16	
		2.309		**872**	
TOTAL LIABILITIES		**3.971**		**3.370**	
SHAREHOLDERS' EQUITY	(26)				
Share capital (a)		300		446	
Legal reserve					
Other reserves		(156)		101	
Retained earnings (losses)		997		402	
Net profit (loss)		(1.288)		(882)	
TOTAL SHAREHOLDERS' EQUITY		**(147)**		**67**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3.824**		**3.437**	

(a) Fully paid-up share capital of 300.000.000 €, consisting in 1.364.790.000 shares with no face value.

Consolidated income statement

		2023		2022	
(€ million)	Note	Total amount	*of which with related parties*	Total amount	*of which with related parties*
REVENUES	(28)				
Net sales from operations		4.236	*362*	6.215	*496*
Other income and revenues		152	*92*	119	*62*
Total revenues		**4.388**		**6.334**	
OPERATING EXPENSES	(29)				
Purchases, services and other		(4.794)	*(1.712)*	(6.269)	*(2.860)*
Net (impairment losses) reversals of trade and other receivables		5		(4)	
Payroll and related costs		(493)		(444)	
OTHER OPERATING (EXPENSE) INCOME	(30)				
DEPRECIATION, AMORTIZATION AND IMPAIRMENT	(31)	**(510)**		**(501)**	
				(1)	
DISPOSAL OF ASSETS					
OPERATING INCOME (LOSS)		**(1.404)**		**(885)**	
FINANCIAL INCOME (EXPENSE)	(32)				
Financial income		63	*3*	68	*35*
Financial expense		(118)	*(55)*	(48)	*(19)*
Derivatives		(4)	*(5)*	5	*5*
		(59)		**25**	
INCOME (EXPENSE) FROM INVESTMENTS	(33)				
Share of profit (loss) from equity-accounted investments		(58)		(66)	
Other gain (loss) from investments		2		**60**	
		(56)		**(6)**	
PROFIT (LOSS) BEFORE INCOME TAXES		**(1.519)**		**(866)**	
Income taxes	(34)	231		(16)	
NET PROFIT (LOSS) FOR THE YEAR		**(1.288)**		**(882)**	

Consolidated statement of comprehensive income (loss)

(€ million)	**2023**	**2022**
NET PROFIT (LOSS) FOR THE YEAR	**(1.288)**	**(882)**
Other items of comprehensive profit (loss)		
Items that are not reclassified to profit or loss in later periods		
Remeasurements of defined benefit plans	(2)	8
Tax effect		(1)
Items that may be reclassified to profit or loss in later periods		
Foreign currency translation differences	(1)	(1)
Change of minor investments at fair value with effects to OCI	(1)	37
Share pertaining to equity-accounted investments		
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(1.292)**	**(839)**

Consolidated statement of changes in shareholders' equity

(€ million)	Share capital	Legal reserve	Cumulative currency transalation difference	Consolidation reserve	Reserve for employee defined-benefit plans	combination under common control	Other distributable reserves	Retained earnings (losses)	Profit (Loss) for the year	Total
Balances at December 31, 2021 (a)	**446**		**(16)**		**(10)**			**402**	**87**	**909**
Loss for the year 2022									*(882)*	**(882)**
Other items of comprehensive income (loss)										
Remeasurements of defined benefit plans net of tax effect					*8*					**8**
Foreign currency translation differences			*(1)*							**(1)**
Share of FVTOCI-accounted investments								*37*		**37**
Share of equity-accounted investments										
Tax effect					*(1)*					**(1)**
Total comprehensive loss for the year 2022 (b)			**(1)**		**7**			**37**	**(882)**	**(839)**
Transactions with shareholders:										
Allocation of 2021 net income								87	(87)	
Dividend distribution										
Share capital reduction and coverage of losses										
Payment of the sole shareholder										
Total transactions with shareholders (c)								**87**	**(87)**	
Changes in the consolidation perimeter and other changes								(3)		(3)
Total other changes (d)								**(3)**		**(3)**
Balance at December 31, 2022 (e=a+b+c+d)	**446**		**(17)**		**(3)**			**523**	**(882)**	**67**
Profit (loss) for the year 2023									(1.288)	**(1.288)**
Other items of comprehensive profit (loss)										
Revaluation of defined-benefit plans for employees net of tax effect					*(2)*					**(2)**
Foreign currency translation differences			*(1)*							**(1)**
Change of minor investments at fair value with effects to OCI								*(1)*		**(1)**
Share pertaining to equity-accounted investments										
Tax effect										
Total comprehensive loss for the year 2023 (f)			**(1)**		**(2)**			**(1)**	**(1.288)**	**(1.292)**
Transactions with shareholders:										
Profit (loss) allocation of the year 2022								(882)	882	
Reduction in shareholder's capital and loss coverage	(1.217)									**(1.217)**
Payment of the sole shareholder	1.071									**1.071**
Total transactions with shareholders (g)	**(146)**							**(882)**	**882**	**(146)**
Changes in the consolidation perimeter and other changes			(1)	(139)	7			1.357		**1.224**
Total other changes (h)			**(1)**	**(139)**	**7**			**1.357**		**1.224**
Balance at December 31, 2023 (i=e+f+g+h)	**300**		**(19)**	**(139)**	**2**			**997**	**(1.288)**	**(147)**

Consolidated statement of cash flows

(€ million)	Notes	**2023**	**2022**
Profit (loss) for the year		(1.288)	(882)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	(31)	105	116
Net Impairments (reversals) of tangible, intangible assets and right of use	(31)	405	385
Net gain on disposal of assets			1
Share of profit (loss) of equity-method investments	(33)	43	6
Currency translation differences from alignment		(2)	(4)
Change in the provisions for employee benefits	(23)	4	2
Gains/Losses on securities and financial receivables, investment, disinvestment		(4)	(35)
Gains/losses from remeasurement of lease liabilities		(1)	
Net gains on disposal of equity investments		(5)	
Interest income	(32)	(3)	
Interest expense	(32)	57	19
Expenses (gains) related to discontinued operations			
Current, deferred and advance income taxes for the period	(34)	(231)	16
Changes in working capital:			
- inventories	(4)	171	(255)
- trade receivables	(3)	90	202
- trade payables	(18)	(103)	(77)
- provisions for contingencies	(22)	65	113
- other assets and liabilities		70	25
Cash flow from changes in working capital		*(627)*	*(368)*
Interest received		3	
Interest paid		(52)	(18)
Income taxes paid, net of tax receivables received		(16)	(37)
Net cash provided by operating activities		**(692)**	**(423)**
of which with related parties	*(35)*	*(1.482)*	*(2.416)*
Investing activities:			
- tangible assets	(7) e (8)	(151)	(223)
- intangible assets	(9)	(36)	(32)
- investments	(11) e (12)	(446)	(8)
- changes in payables relating to investing activities	(18)	8	(15)
Cash flow from investing activities		*(625)*	*(278)*
Disposals:			
- tangible assets		6	1
- intangible assets		15	5
- financial receivables from divesting activities		5	14
- financial receivables from operating activities			(1)
Cash flow from disposals		*26*	*19*
Net cash flow from investing activities		**(599)**	**(259)**
of which with related parties	*(35)*	*(26)*	*(27)*
Increase (decrease) in long-term debt	(19)		
Increase (decrease) in short-term debt	(16)	307	692
Repayments of lease liability		(5)	(7)
Cash flow of equity		1.071	
Net cash flow from financing activities		**1.373**	**685**
of which with related parties	*(35)*	*1.519*	*689*
Net cash flow for the year		**82**	**3**
Cash and cash equivalents - beginning of the year	(1)	102	99
Cash and cash equivalents - end of the year	(1)	**184**	**102**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Significant accounting policies, estimates and judgments

Basis of preparation

The Consolidated Financial have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) [15] as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) pursuant to article 6 of the EC Regulation No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, and in accordance with article 9 of the Italian Legislative Decree No. 38/05.

For the parent company Versalis SpA, the net loss for the year, amounting to €1.170 million, meets the requirements of Article 2446 of the Italian Civil Code. These financial statements have been prepared on a going-concern basis as the directors believe, consistently with what has occurred in previous and current financial years, that they will be able to benefit from the constant equity and financial support of Eni SpA to whose management and coordination Versalis SpA is subject. In this regard, as of the date of approval of these financial statements, the directors have already obtained from Eni SpA both confirmation that it will provide a capital contribution to exit from the situation envisaged by Article 2446 of the Italian Civil Code and confirmation that it will ensure coverage of the net requirements of Versalis SpA and its subsidiaries to the extent necessary to permit the regular fulfilment of its obligations. Pursuant to existing agreements with Eni SpA, the company can also access the financial resources granted by the parent company without contractually defined credit limits.

The consolidated financial statements are prepared by applying the historical cost method, taking into account value adjustments where appropriate, with the exception of those items that under IFRS must be measured at fair value, as indicated in the accounting policies.

The consolidation principles and valuation criteria set out below have been consistently applied to all financial years presented unless otherwise indicated.

Given their significance, the values of the items in the financial statements and the notes thereto are expressed in millions of euro, except where otherwise indicated.

Significant accounting estimates and judgments

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses recognized in the financial statements, as well as amounts included in the notes thereto, including disclosure of contingent assets and contingent liabilities. Estimates are based on complex judgments and past experience of other assumptions deemed reasonable in consideration of the information available at the time. Although the Company uses its best estimates and judgments, actual results could differ from the estimates and assumptions used. The accounting estimates and judgments relevant for the preparation of the Consolidated Financial Statement are illustrated in the description of the respective accounting policy.

[15] The IFRS also include the International Accounting Standards (IAS), which are still in force, as well as the interpretative documents drawn up by the IFRS Interpretations Committee, formerly the International Financial Reporting Interpretations Committee (IFRIC) and even earlier the Standing Interpretations Committee (SIC).

Significant accounting estimates and judgments made in assessing the impacts of climate-related risks

Significant accounting estimates and judgments made by management for the preparation of the 2023 Consolidated Financial Statements are affected by the effects of actions to address climate change and by the potential impact of the energy transition. In particular, the global pressure towards a low carbon economy, carbon pricing schemes, the technological evolution of the green-and-circular chemistry businesses, as well as changes in consumer preferences, could imply a structural decline of the and an increase in operating costs.

The Eni strategy towards Carbon Neutrality, in line with the provisions of the scenarios compatible with maintaining global warming within the 1.5°C threshold; is composed of a series of actions and initiatives aimed to achieve carbon neutrality by 2050, through the Net Zero emissions for all Scope 1, 2 and 3 GHG emissions associated with Eni’s product portfolio. Scenarios adopted by management take into account policies, regulatory requirements and current and expected developments in technology and set out a development path of the future energy system, on the basis of an economic and demographic framework, analysis of existing and announced policies and technologies, identifying those which can reasonably reach maturity within the considered time horizon. Price variables reflect the best estimate by management of the fundamentals of several energy markets, which incorporates the ongoing and reasonably expected decarbonization trends, and are subject to continuous benchmarking with the views of market analysts and peers.

Such scenarios represent the basis for significant estimates and judgments relating to: (i) the assessment of the intention to continue industrial projects; (ii) the assessment of the recoverability of non-current assets.

Principles of consolidation

Subsidiaries

The Consolidated Financial Statements comprise the financial statements of Versalis SpA and those of its subsidiaries, being those entities over which the Company has control, either directly or indirectly.

In this regard, an investor controls an undertaking when it is exposed, or has the right to participate, in the variability of its economic returns and is able to influence those returns through the exercise of its decision-making power over it. Decision-making power exists in the presence of rights giving the parent company the effective ability to direct the relevant activities of the investee, i.e. the activities most likely to affect the investee's economic returns.

Subsidiaries are consolidated, on the basis of consistent accounting policies, from the date on which control is obtained until the date that control ceases. Assets, liabilities, income and expenses of consolidated subsidiaries are fully recognized with those of the parent in the Consolidated Financial Statements, taking into account the appropriate eliminations of intragroup transactions (see the accounting policy for “Intragroup transactions”); the parent’s investment in each subsidiary is eliminated against the corresponding parent’s portion of equity of each subsidiary. Non-controlling interests are presented separately on the balance sheet within equity; the profit or loss and comprehensive income attributable to non-controlling interests are presented in specific line items, respectively, in the profit and loss account and in the statement of comprehensive income.

Taking into account the lack of any material[16] impact on the representation of the financial position and performance of the Group[17], the Consolidated Financial Statements do not fully consolidate some subsidiaries that are immaterial, both individually and in the aggregate, and subsidiaries whose consolidation doesn't have any significant effect.

When the proportion of the equity held by non-controlling interests changes, any difference between the consideration paid/received and the amount by which the related non- controlling interests are adjusted is attributed to Eni owners' equity (within the line item "Retained earnings").

Conversely, the sale of equity interests with loss of control 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 net assets; (ii) any gain or loss recognized as a result of the remeasurement of any investment retained in the former subsidiary at its fair value; (iii) the estimate of fair value of any contingent consideration, to be settled in cash if specified future events occur or conditions are met; and (iv) any amount related to the former subsidiary previously recognized in other comprehensive income which may be reclassified subsequently to the profit and loss account[18]. 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".

Investments in associates

An associate is an entity over which Versalis 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".

Investments in subsidiaries, joint arrangements and associates are presented separately in the annex "List of companies owned by Versalis SpA as of December 31, 2023". This annex includes also the changes in the scope of consolidation.

The equity method of accounting

Investments in joint ventures, associates and immaterial unconsolidated subsidiaries, are accounted for using the equity method[19].

[16] According to IFRSs, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

[17] Unconsolidated subsidiaries are accounted for as described in the accounting policy for "The equity method of accounting"; for further information, see the annex "List of companies owned by Eni SpA as of December 31, 2023".

[18] Conversely, any amounts recognized in other comprehensive income relating to the former subsidiary, for which no reversal to profit or loss is envisaged, are recognized in another equity item.

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

Under the equity method, investments are initially recognized at cost[20], allocating it, similarly to business combinations procedures, to the investee's identifiable assets/liabilities; any excess of the cost of the investment over the share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill, not separately recognized but included in the carrying amount of the investment. If this allocation is provisionally recognized at initial recognition, it can be retrospectively adjusted within one year from the acquisition date, to reflect new information obtained about facts and circumstances that existed at the acquisition date. Subsequently, with the aim of reflecting the Group's share of the investee's net assets and the related changes, 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.

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 (see below), 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 (the so-called net investment), 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.

As a general rule, distributions received from equity-accounted investees are recognized by the participating enterprise as a reduction of the carrying amount of the investment. An investee could distribute a dividend in excess of the carrying amount of the investment in the financial statements of the participating enterprise. In such circumstances, the participating company:

- resets the book value of the shareholding to zero;
- verifies the existence of legal or constructive 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 a legal or constructive obligation, recognizes the difference with respect to the carrying amount of the investment as income in the income statement under "Other income (expenses) from investments".

Distributions received from an equity-accounted investee reduce the carrying amount of the investment. 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 (see below), 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

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[20] If an investment in an equity instrument becomes an equity-accounted investee, the related cost is the sum of the fair value of the previously held equity interest in the investee and the fair value of any consideration transferred.

the carrying amount of the investment and any long-term interests (the so-called net investment), is recognized in a specific provision only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the investee.

Whenever there is objective evidence of impairment (e.g., relevant breaches of contracts, significant financial difficulty, probable default of the counterparty, etc.), the carrying amount of the net investment, resulting from the application of the abovementioned measurement criteria, is tested for impairment by comparing it with the related recoverable amount, determined by adopting the criteria indicated in the accounting policy for “Impairment of non-financial 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 “Other 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 at its fair value[21]; and (iii) any amount related to the former joint venture/associate previously recognized in other comprehensive income which may be reclassified subsequently to the profit and loss account[22]. Any investment retained in the former joint venture/associate is recognized at its fair value at the date when joint control or significant influence is lost and shall be accounted for in accordance with the applicable measurement criteria.

Business combinations

Business combinations are accounted for 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 resulting from contingent considerations, contractually agreed and dependent upon the occurrence of specified future events. Acquisition-related costs are accounted for as expenses.

The acquirer shall measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values[23], 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 are measured as the proportionate share in the recognized amounts of the acquiree’s identifiable net assets at the acquisition date excluding 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 interests in the acquiree and the consideration transferred for obtaining control; the previously held equity interests are remeasured at their acquisition-date fair value and the resulting gain or loss, if any, is recognized in the profit and loss account. Furthermore, on obtaining control, any amount recognized in other comprehensive income related

21 If the retained investment continues to be classified either as a joint venture or an associate and so accounted for using the equity method, no remeasurement at fair value is recognized in the profit and loss account.

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

23 Fair value measurement principles are described in the accounting policy for “Fair value measurements”.

to the previously held equity interests is reclassified to the profit and loss account, or in another item of equity when such amount may not be reclassified to the profit and loss account.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the 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.

Significant accounting estimates and judgments: investments and business combinations

The assessment of the existence of control, joint control, significant influence over an investee, as well as for joint operations, the assessment of the existence of enforceable rights to the investee's assets and enforceable obligations for the investee's liabilities imply that management makes complex judgments on the basis of the characteristics of the investee's structure, arrangements between parties and other relevant facts and circumstances. Significant accounting estimates by management are required also for measuring the identifiable assets acquired and the liabilities assumed in a business combination at their acquisition-date fair values. For such measurement, to be performed also for the application of the equity method, Versalis adopts the valuation techniques generally used by market participants taking into account the available information and, for the most significant acquisitions, it engages external independent evaluators.

Intragroup transactions

All balances and transactions between consolidated companies, and not yet realized with third parties, including unrealized profits arising from such transactions, have been eliminated[24].

Unrealized profits arising from transactions between the Group and its equity-accounted entities are eliminated to the extent of the Group's interest in the equity-accounted entity. In both cases, unrealized losses are not eliminated as the transaction provides evidence of an impairment loss of the asset transferred.

Foreign currency translation

The financial statements of foreign operations having a functional currency other than the euro, that represents the parent's functional currency as well as the presentation currency of the Consolidated Financial Statements, are translated into euros using the spot exchange rates on the balance sheet date for assets and liabilities, historical exchange rates for equity and average exchange rates for the profit and loss account and the statement of cash flows.

The cumulative resulting exchange differences are presented in the separate component of Eni owners' equity "Cumulative currency translation differences"[25]. Cumulative amount of 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 or significant influence over the foreign operation. On a partial disposal that does not involve loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative exchange differences is reattributed to the non-controlling interests in that foreign operation. On a partial disposal of interests in joint arrangements or in associates that does not involve loss of joint control or significant influence, the proportionate share of the cumulative 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

24 Exchange differences associated with intragroup monetary assets and liabilities arising from transactions between consolidated companies operating in different currencies are not eliminated.

25 When the foreign subsidiary is partially owned, the cumulative exchange difference, that is attributable to the non-controlling interests, is allocated to and recognized as part of "non-controlling interest".

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.

The main foreign exchange rates used to translate the financial statements into the parent's functional currency are indicated below:

(currency amount for 1 euro)	**Average exchange rate 2023**	**Exchange rate at December 31, 2023**	Average exchange rate 2022	Exchange rate at December 31, 2022
US Dollar	**1,08**	**1,11**	1,05	1,07
Pound Sterling	**0,87**	**0,87**	0,85	0,89
Hungarian Forint	**381,71**	**382,37**	391,23	400,53
Chinese Renmimbi	**7,66**	**7,84**	7,08	7,42
Korean Republic Won	**1.412,87**	**1.423,39**	1.357,23	1.349,66

Material accounting policies

The material accounting policies used in the preparation of the Consolidated Financial Statements are described below.

Tangible assets

Tangible assets are recognized at cost and carried at purchase price or production cost including directly attributable ancillary costs necessary to make the assets ready for use[26].

For assets that necessarily take a substantial period of time to get ready for their intended use, the purchase price or construction cost comprises the borrowing costs incurred in the period to get the asset ready for use that would have been avoided if the expenditure had not been made. Property, plant and equipment are not revalued for financial reporting purposes. Expenditures on upgrading, revamping and reconversion are recognized as items of property, plant and equipment 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 particular existing item of property, plant and equipment, qualify for recognition as assets when they are necessary for running the business. Depreciation of tangible assets begins when they are available for use, i.e. when they are in the location and condition necessary for it to be capable of operating as planned. Property, plant and equipment are depreciated on a systematic basis over their useful life. The useful life is the period over which an asset is expected to be available for use by the Company. When tangible assets are composed of 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 its useful life, if it is significant and can be reasonably determined. Land is not depreciated, even when acquired together with a building. Tangible assets held for sale are not depreciated (see the accounting policy for "Assets held for sale and discontinued operations"). Changes in the asset's useful life, in its residual value or in the pattern of consumption of the future economic benefits embodied in the asset, are accounted for prospectively. Assets to be handed over for no consideration are depreciated over the shorter term between the duration of the concession or 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

26 When the agreement for the purchase and sale of a tangible asset provides for, in addition to the initial payment, future additional payments contingent upon the realization of future conditions or events (known as contingent consideration), at the acquisition date the purchase cost is equal to the consideration paid and does not include the estimated contingent consideration; the liability for contingent consideration is recognized, as a balancing entry to the tangible asset, when the uncertainty to which it is linked is resolved.

account. Nonremovable leasehold improvements are depreciated over the earlier of the useful life of the improvements and the lease term. Expenditures for ordinary maintenance and repairs, other than replacements of identifiable components, which reintegrate, and do not increase the performance of the assets, are recognized as an expense as incurred. The carrying amount of property, plant and equipment 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

A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration; such right exists whether, throughout the period of use, the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. At the commencement date of the lease (i.e., the date on which the underlying asset is available for use), a lessee recognizes on the balance sheet an asset representing its right to use the 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 lease term is the non-cancellable period of a contract, together with, if reasonably certain, periods covered by extension options or by the non-exercise of termination options. In particular, 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 purchase 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 on 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[27], any accumulated impairment losses (see the accounting policy for "Impairment of non-financial assets") and any remeasurement of the lease liability.

27 Depreciation charges are recognized on a systematic basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Nevertheless, if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset.

Significant accounting estimates and judgments: lease transactions

With reference to lease contracts, management makes significant estimates and judgments related to: (i) determining the lease term, considering all facts and circumstances that generate an economic incentive, or not, to exercise any extension and/or termination options; (ii) determining the lessee's incremental borrowing rate; (iii) identifying and, where appropriate, separating non-lease components from lease components, where an observable stand-alone price is not readily available, taking into account also the analysis performed with external experts; (iv) recognizing lease contracts, for which the underlying assets are used in oil and gas activities (mainly drilling rigs and FPSOs), entered into as operator within an unincorporated joint operation, considering if the operator has primary responsibility for the liability towards the third-party supplier and the relationships with the followers; (v) identifying the variable lease payments and the related characteristics in order to include them in the measurement of the lease liability.

Intangible assets

Intangible assets are identifiable non-monetary 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 described in the accounting policy for "Tangible assets" and they are never revalued for financial reporting purposes.
Intangible assets with finite useful lives are amortized on a systematic basis over their useful life; the amortization is carried out 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 verified 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[28], the excess is recognized as an impairment loss. The impairment loss is allocated primarily to the carrying amount of goodwill; any remaining excess is allocated to the other assets of the cash generating unit pro-rata on the basis of the carrying amount of each asset in the unit, up to the recoverable amount of assets with finite useful lives. An impairment loss recognized for goodwill cannot be reversed in a subsequent period[29].
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.

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28 For the definition of recoverable amount, see the paragraph "Tangible assets".
29 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.

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

Non-financial assets (tangible assets, intangible assets and right-of-use assets) are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable.

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

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

The recoverability of a CGU is assessed by comparing its carrying amount with the recoverable amount, which is the higher of the CGU's fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from continuing use of the CGU and, if significant and reliably measurable, the cash flows expected to be obtained from its disposal at the end of its useful life, after deducting the costs of disposal. The expected cash flows are determined on the basis of reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the CGU, giving greater weight to external evidence.

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

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

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

For impairment test purposes, cash outflows expected to be incurred to guarantee compliance with laws and regulations regarding CO_2 emissions (e.g., Emission Trading Scheme).

For the determination of value in use, the estimated future cash flows are discounted using a rate that reflects a current market assessment of the time value of money and of the risks specific to the asset that are not reflected in the estimated future cash flows. In particular, the discount rate used is the Weighted Average Cost of Capital (WACC) adjusted for the specific country risk of the CGU. These adjustments are measured considering information from external parties. WACC differs considering the risk associated with each operating segment/business where the asset operates. In particular, taking into account the relative different risk levels compared to Eni's overall risk, specific WACCs were defined on the basis of a sample of

comparable companies for the assets belonging to the Chemical business, adjusted to take into account the specific country risk in which the activity is carried out.
For the other businesses, considering the substantial coincidence of risk with Eni's overall risk, the same discount rate is used. The value in use is determined net of the tax effect as this method produces values substantially equivalent to those obtainable by discounting pre-tax cash flows at a pre-tax discount rate derived, iteratively, from the post-tax valuation result.
When the carrying amount of the CGU, including goodwill allocated thereto, determined taking into account any impairment loss of the non-current assets belonging to the CGU, exceeds its recoverable amount, the excess is recognized as an impairment loss. The impairment loss is allocated first to reduce the carrying amount of goodwill; any remaining excess is allocated to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the CGU, up to the related recoverable amount.
When an impairment loss no longer exists or has decreased, a reversal of the impairment loss is recognized in the profit and loss account. The impairment reversal shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Grants related to assets

Government grants related to assets are recognized by deducting them in calculating the carrying amount of the related assets when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received.

Inventories

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

Financial instruments

Financial assets

Financial assets are classified, on the basis of both contractual cash flow characteristics and the entity's business model for managing them, in the following categories: (i) financial assets measured at amortized cost; (ii) financial assets measured at fair value through other comprehensive income (hereinafter also OCI); (iii) financial assets measured at fair value through profit or loss.
At initial recognition, a financial asset is measured at fair value; trade receivables that do not have a significant financing component are measured at their transaction price.
After initial recognition, financial assets whose contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (the so-called hold to collect business model). For financial assets measured at amortized cost, interest income determined using the effective interest rate, foreign exchange differences and any

impairment losses are recognized in the profit and loss account (see the accounting policy for "Impairment of financial assets").

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

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

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

Cash and cash equivalents

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

Impairment of financial assets

The expected credit loss model is adopted for the impairment of financial assets that are debt instruments but are not measured at FVTPL[30].

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

With reference to trade and other receivables, Probabilities of Default of counterparties are determined by adopting the internal credit ratings already used for credit worthiness and are periodically reviewed using, inter alia, back testing analyses. For customers without internal credit ratings, the expected credit losses are measured by using a provision matrix, defined by grouping, where appropriate, receivables into adequate clusters to which apply expected loss rates defined on the basis of their historical credit loss experiences, adjusted, where appropriate, to take into account forward-looking information on credit risk of the counterparty or clusters of counterparties[31].

30 The expected credit loss model is also adopted: (i) for issued financial guarantee contracts not measured at FVTPL; as well as (ii) for issued performance guarantees contracts Expected credit losses recognized on issued guarantees are not material.

31 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.

Considering the characteristics of the reference markets, financial assets with more than 180 days past due or, in any case, with counterparties undergoing litigation, restructuring or renegotiation, are considered to be in default. Counterparties are considered undergoing litigation when judicial/legal proceedings aimed to recover a receivable have been activated or are going to be activated. Impairment losses of trade and other receivables are recognized in the profit and loss account, net of any impairment reversal, within the line item of the profit and loss account “Net (impairment losses) reversals of trade and other receivables”.
The recoverability of financial receivables related to operating activities, granted to associates and joint ventures, which in substance forms part of the entity’s net investment in these investees, is evaluated considering also the underlying industrial operations and the macroeconomic scenarios of the countries where the investees operate.

Significant accounting estimates and judgments: impairment of financial assets

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

Minority interests

Investments in equity instruments that are not held for trading are measured at fair value through other comprehensive income, without subsequent transfer of fair value changes to profit or loss on derecognition of these investments; conversely, dividends from these investments are recognized in the profit and loss account, within the line item “Income (Expense) from investments”, unless they clearly represent a recovery of part of the cost of the investment. In limited circumstances, an investment in equity instruments can be measured at cost if it is an appropriate estimate of 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 (see below) that are separated from the host contract, are assets and liabilities measured at their fair value.
With reference to the defined risk management objectives and strategy, the qualifying criteria for hedge accounting requires: (i) the existence of an economic relationship between the hedged item and the hedging instrument in order to offset the related value changes and the effects of counterparty credit risk do not dominate the economic relationship between the hedged item and the hedging instrument; and (ii) the definition of the relationship between the quantity of the hedged item and the quantity of the hedging instrument (the so-called hedge ratio) consistent with the entity’s risk management objectives, under a defined risk management strategy; the hedge ratio is adjusted, where appropriate, after taking into account any adequate rebalancing. A hedging relationship is discontinued prospectively, in its entirety or a part of it, when it no longer meets the risk management objectives on the basis of which it qualified for hedge accounting, it ceases to meet the other qualifying criteria or after rebalancing it.
When derivatives hedge the risk of changes in the fair value of the hedged items (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. Consistently, 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 items (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 effective changes in the fair value of the derivatives 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 hedging derivatives, recognized in equity, are included directly in the carrying amount of the hedged non-financial asset/liability (commonly referred to as a “basis adjustment”).
The changes in fair value of derivatives, that are not designated as effective hedging instruments, including any ineffective components of hedge derivative financial instruments, are recognized in the profit and loss account. In particular, the changes in the fair value of non-hedging derivatives on interest rates and exchange rates are recognized in the profit and loss account line item “Finance income (expense)”, conversely, the changes in the fair value of non-hedging derivatives on commodities are recognized in the profit and loss account line item “Other operating (expense) income”.

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

Offsetting of financial assets and liabilities

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

Derecognition of financial assets and liabilities

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

Provisions, contingent liabilities and contingent assets

A provision is a liability of uncertain timing or amount on the balance sheet date. Provisions are 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 on 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 expected cash outflows determined taking

into account the risks associated with the obligation. The change in provisions due to the passage of time is recognized within “Finance income (expense)” in the profit and loss account.
When the liability regards property, plant and equipment (e.g., dismantling and site restoration), the provision is recorded with a corresponding counter-entry, that is the asset to which it refers; the effects of the provision on the income statement are accounted for through the amortization process.
A provision for restructuring costs is recognized only when the Company has a detailed formal plan for the restructuring and has raised a valid expectation in the affected parties that it will carry out the restructuring.
Provisions are periodically reviewed and adjusted to reflect changes in the estimates of costs, timing and discount rates. Changes in provisions are recognized in the same profit and loss account line item where the original provision was charged or, when the liability relates to tangible assets (i.e., dismantling and restoration of sites), the changes in the estimate of the provision are recognized as a counter-entry to the assets to which they refer within the limits of the relative book values; any excess is recognized in the income statement.
The following contingent liabilities are described in the notes to the Consolidated Financial Statements: (i) possible obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or (ii) present obligations arising from past events, whose amount cannot be reliably measured or whose settlement will probably not result in an outflow of resources embodying economic benefits. Contingent assets, i.e., possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, are not recognized unless the inflow of the related economic benefits is virtually certain. If an inflow of economic benefits is probable, contingent assets are disclosed in the notes. Contingent assets are assessed continually to evaluate the probability of obtaining economic benefits.

Provisions for environmental risks

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

Significant accounting estimates and judgments: decommissioning and restoration liabilities, environmental liabilities and other provisions

Versalis holds provisions for dismantling and removing items of property, plant and equipment, and restoring land or seabed at the end of the oil and gas production activity. Estimating obligations to dismantle, remove and restore items of property, plant and equipment is complex. It requires management to make estimates and judgments with respect to removal obligations that will come to term many years into the future and contracts and regulations are often unclear as to what constitutes removal. In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known as asset removal technologies and costs constantly evolve in the countries where Eni operates, as do political, environmental, safety and public expectations. The estimates about the timing and amount of future cash outflows, any related update as well as the related discounting are based on complex managerial judgments.
Decommissioning and restoration provisions, recognized in the financial statements, include, essentially, the present value of the expected costs for decommissioning oil and natural gas facilities at the end of the

economic lives of fields, well- plugging, abandonment and site restoration of the Exploration & Production operating segment. Any decommissioning and restoration provisions associated with the other operating segments' assets, given their indeterminate settlement dates, also considering the strategy to reconvert plants in order to produce low carbon products, are recognized when it is possible to make a reliable estimate of the discounted abandonment costs. In this regard, Eni performs periodic reviews for any changes in facts and circumstances that might require recognition of a decommissioning and restoration provision.

Versalis is subject to numerous EU, national, regional and local environmental laws and regulations concerning its operations, production and other activities. They include legislations that implement international conventions or protocols. Environmental liabilities are recognized when it becomes probable that an outflow of resources will be required to settle the obligation and such obligation can be reliably estimated. On this regard, with reference to groundwater treatment plants, the enhancement of the know-how gained on water contamination trends, as well as the positions of the competent authorities, allows the definition of a predictive model for estimating the time horizon within which the operations of those plants will be terminated and, therefore, for estimating the cost of managing and monitoring them.

The reliable determinability is verified on the basis of the available information such as, for example, the approval or filing of the environmental projects to the relevant administrative authorities or the making of a commitment to the relevant administrative authorities, where supported by adequate estimates.

Management, considering the actions already taken, insurance policies obtained to cover environmental risks and provisions already recognized, does not expect any material adverse effect on Versalis' consolidated results of operations and financial position as a result of such laws and regulations. However, there can be no assurance that there will not be a material adverse impact on Versalis' consolidated results of operations and financial position due to: (i) the possibility of an unknown contamination; (ii) the results of the ongoing surveys and other possible effects of statements required by applicable laws; (iii) the possible effects of future environmental legislations and rules; (iv) the effects of possible technological changes relating to future remediation; and (v) the possibility of litigation and the difficulty of determining the related liability, if any, against other potentially responsible parties with respect to such litigations and the possible reimbursements.

In addition to environmental and decommissioning and restoration liabilities, Eni recognizes provisions primarily related to legal and trade proceedings. These provisions are estimated on the basis of complex managerial judgments related to the amounts to be recognized and the timing of future cash outflows. After the initial recognition, provisions are periodically reviewed and adjusted to reflect the current best estimate.

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.
The liabilities for termination benefits are recognized at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that involves the payment of termination benefits. Such liabilities are measured in accordance with the nature of the employee benefit. In particular, if the termination benefits are an enhancement to post-employment benefits, the related liability is measured in accordance with the requirements for post-employment benefits. Otherwise, liabilities for termination benefits are determined applying the requirements: (i) for short-term employee benefits, if the termination benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the termination benefits are recognized; or (ii) for long-term benefits if the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period.

Significant accounting estimates and judgments: employee benefits and share-based payments

Defined benefit plans are evaluated with reference to uncertain events and based upon actuarial assumptions. The significant assumptions used to account for defined benefit plans are determined as follows: (i) discount and inflation rates are based on the market yields on high quality corporate bonds (or, in the absence of a deep market of these bonds, on the market yields on government bonds) and on the expected inflation rates in the reference currency area; (ii) the future salary levels of the individual employees are determined including an estimate of future changes attributed to general price levels (consistent with inflation rate assumptions), productivity, seniority and promotion; (iii) healthcare cost trend assumptions reflect an estimate of the actual future changes in the cost of the healthcare related benefits provided to the plan participants and are based on past and current healthcare cost trends, including healthcare inflation, changes in healthcare utilization, changes in health status of the participants and the contributions paid to health funds; and (iv) demographic assumptions such as mortality, disability and turnover reflect the best estimate of these future events for individual employees involved.
The amount of the net defined benefit liability (asset) changes according to the remeasurements, comprising, among others, changes in the current actuarial assumptions, differences in the previous actuarial assumptions and what has actually occurred and differences in the return on plan assets, excluding amounts included in net interest, usually occur. Similar to the approach followed for the fair value measurement of financial instruments, the fair value of the shares underlying the incentive plans is measured by using complex valuation techniques and identifying, through structured judgments, the assumptions to be adopted.

Revenue from contracts with customers

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

reference to the most important products sold by Versalis, the moment of recognition of the revenues generally coincides with the shipment.
Revenue is measured at the fair value of the consideration to which the company expects to be entitled in exchange for transferring promised goods and/or services to a customer, excluding amounts collected on behalf of third parties. In determining the transaction price, the promised amount of consideration is adjusted for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. The promised amount of consideration is not adjusted for the effect of the significant financing component if, at contract inception, it is expected that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.
If the consideration promised in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods and/or services to a customer; in particular, the amount of consideration can vary because of discounts, refunds, incentives, price concessions, performance bonuses, penalties or if the price is contingent on the occurrence or non-occurrence of a future event.
If, in a contract, the company grants a customer the option to acquire additional goods or services for free or at a discount (for example sales incentives, customer award points, etc.), this option gives rise to a separate performance obligation in the contract only if the option provides a material right to the customer that it would not receive without entering that contract.
When goods or services are exchanged for goods or services that are of a similar nature and value, the exchange is not regarded as a transaction which generates a revenue.

Costs

Costs are recognized when the related goods and services are sold or consumed during the year, when they are allocated on a systematic basis or when their future economic benefits cannot be identified.
Costs associated with emission quotas, determined on the basis of the market prices, are recognized in relation to the amounts of the carbon dioxide emissions that exceed free allowances. Costs related to the purchase of the emission rights that exceed the amount necessary to meet regulatory obligations are recognized as intangible assets. Revenue related to emission quotas is recognized when they are sold. In the event of a sale, the purchased emission rights are deemed sold first. Monetary receivables granted to replace the free award emission rights are recognized as a contra to the line item “Other income and revenues”.
The costs for the acquisition of new knowledge or discoveries, the study of products or alternative processes, new techniques or models, the planning and construction of prototypes or, in any case, costs incurred for other scientific research activities or technological development, which cannot be capitalized (see above the accounting policy for “Intangible assets”), are included in the profit and loss account when they are incurred.

Exchange differences

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

Dividends

Dividends are recognized when the right to receive payment of the dividend is established.

Income taxes

Current income taxes are determined on the basis of estimated taxable income; the estimated liability is posted in the item "Current income tax payables". Current income tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax assets and liabilities are recognized for temporary differences arising between the carrying amounts of the assets and liabilities and their tax bases, based on tax rates and tax laws that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized when their recoverability is considered probable, i.e., when it is probable that sufficient taxable profit will be available in the same year as the reversal of the deductible temporary difference. Similarly, deferred tax assets for the carry-forward of unused tax credits and unused tax losses are recognized to the extent that their recoverability is probable. The carrying amount of the deferred tax assets is reviewed, at least, on an annual basis.
Deferred tax liabilities related to the taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, are not recognized if the investor is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.
Deferred tax assets and liabilities are included in non-current assets and liabilities and are offset at single entity level if related to off-settable taxes. The balance of the offset, if positive, is recognized in the line item "Deferred tax assets" and, if negative, in the line item "Deferred tax liabilities". When the results of transactions are recognized directly in the shareholders' equity, the related current and deferred taxes are also charged to the shareholders' equity.
For Versalis SpA, as part of the Eni Group's National IRES Tax Consolidation, it is applicable the remuneration mechanism for IRES tax losses, based on which, after having possibly offset its taxable amount, the company transfers previous tax losses to the parent company Eni SpA to offset positive taxable income of other companies participating in the National Tax Consolidation. The parent company Eni SpA, once the consolidation of the IRES tax positions of the companies participating in the National Tax Consolidation has been completed, recognizes the benefit deriving from the tax losses transferred by Versalis SpA. Following a specific amendment interpreting the 2023 regulation, the consolidating company Eni SpA recognized the immediate recoverability of tax losses produced during the year by the company itself.

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 on the balance sheet are classified as current and non-current. Items in the profit and loss account are presented by nature. The statement of comprehensive income shows the economic result integrated with income and expenses that, by express provision of IFRS, are recognized directly in equity. The statement of changes in equity shows the comprehensive profit (loss) for the year, transactions with shareholders and other changes in equity. The statement of cash flows is presented using the indirect method, whereby net profit (loss) is adjusted for the effects of non-cash transactions[32].

Changes in accounting policies

The amendments to IFRSs, as well as the requirements of IFRS 17 "Insurance Contracts", effective from January 1, 2023, did not have a material impact on the Consolidated Financial Statements.
The Italian Legislative Decree No. 209/2023 of December 19, 2023, adopted the EU Directive 2022/2523; such Directive, implementing the Pillar Two model rules published by OECD, ensures a global minimum level of taxation for multinational enterprise groups. The provisions of the new tax regime are effective from the financial year 2024. At present, no significant impacts are expected. In this regard, it should be noted that with Regulation No. 2023/2468, issued by the European Commission on 8 November 2023, the amendments to IAS 12 "International Tax Reform" were endorsed. These amendments, applicable as of January 1, 2023, introduce, in addition to specific disclosures, a mandatory temporary exception to the recognition of deferred tax assets and liabilities arising from approved or substantially approved tax regulations that implement the principles of the Pillar Two model published by the OECD.

IFRSs not yet effective

IFRSs issued by the IASB and adopted by the EU

By the Commission Regulation No. 2023/2579 issued on November 20, 2023, the European Commission adopted the amendments to IFRS 16 "Lease Liability in a Sale and Leaseback", aimed to clarify the subsequent measurement of lease liabilities arising from sale and leaseback transactions. The amendments shall be applied for annual reporting periods beginning on or after January 1, 2024.

By the Commission Regulation No. 2023/2822 issued on December 19, 2023, the European Commission adopted the amendments to IAS 1 "Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants", aimed to clarify: (i) the classification of liabilities as current or non-current; and (ii) the classification, as current or non-current, of liabilities with covenants. The amendments shall be applied for annual reporting periods beginning on or after January 1, 2024.

IFRSs issued by the IASB and not yet adopted by the EU

On May 25, 2023, the IASB issued the amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements", aimed to introduce disclosure requirements about supplier finance arrangements (e.g., reverse factoring) that enable investors to assess the effects of those arrangements on the buyer's liabilities, cash flows and exposure to liquidity risk. The amendments shall be applied for annual reporting periods beginning on or after January 1, 2024.
On August 15, 2023, the IASB issued the amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability" aimed, substantially, to require the estimate of a spot exchange rate when a

[32] in the net cash flow from investing activities section of the cash-flow statement, the specifically identifiable tax outlay related to a disposal transaction is presented separately.

currency is not exchangeable into another currency. The amendments are effective for annual reporting periods beginning on or after January 1, 2025.
Eni is currently reviewing the IFRSs not yet effective in order to determine the likely impact on the Consolidated Financial Statements.

Business combinations and other significant transactions

On October 18, 2023, Versalis completed the acquisition of the stake in Novamont, of which it already owned 36%. As a result of the transaction, Versalis obtained control of the Novamont group, which was therefore included in the scope of consolidation with backdating of the effects to October 1, 2023, the impact being deemed immaterial. The balance sheet of the Novamont group as of October 1, 2023, including the Purchase Price Allocation, is shown below. This balance sheet situation directly impacted the change in the group's consolidated balance sheet items due to the change in the scope of consolidation.

€ million	**Total**	Matrica SpA	Novamont Group
Cash and cash equivalents	4	2	2
Other current financial assets	1		1
Other current assets	195	48	147
Total current assets	**200**	**50**	**150**
Property, plant and equipment	255	31	224
Right of use assets	3		3
Intangible assets/Goodwill	535		535
Other non-current financial assets	69		69
Deferred tax assets	33		33
Other non-current assets	5		5
Total non-current assets	**900**	**31**	**869**
TOTAL ASSETS	**1.100**	**81**	**1.019**
Current financial liabilities	173	5	168
Other liabilities	184	40	144
Total current liabilities	**357**	**45**	**312**
Non-current financial liabilities	108	34	74
Provisions for risks and charges			
Deferred tax liabilities			
Other non-current liabilities	4	2	2
Total non-current liabilities	**112**	**36**	**76**
TOTAL LIABILITIES	**469**	**81**	**388**
Shareholders' equity	631		631
TOTAL SHAREHOLDERS' EQUITY	**631**		**631**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1.100**	**81**	**1.019**

Following the acquisition of control, an independent expert was commissioned to allocate the higher price paid. This allocation, prepared on a provisional basis, took as a reference the total price paid (Price consideration) compared to the net equity at the date of consolidation.
The price consideration of €631 million is the sum of (i) the total consideration recognized for the acquisition of 64% of the group equal to €404 million and (ii) the fair value of the stake previously held equal to €227 million, in accordance with IFRS 3 for step acquisitions. The price does not include any contractually agreed earn-out, since, based on Novamont's expected results for 2023 and 2024, no further outlay is expected.
The step-ups identified all related to intangible assets and concerned, in particular, customer relationships, trademarks, authorization licenses and industrial patents, for a total countervalue of approximately €491 million, to which deferred tax liabilities of approximately €134 million were associated. The goodwill remaining after allocation amounted to €19 million.

The 50% shareholding in Matrìca was assigned a value of 0, due to the structural losses envisaged in the business plan. In addition, the licenses that had been contributed by Novamont at the time of the company's incorporation for a value, net of deferred tax effects, of €39 million were eliminated for consolidation purposes.

Details of the allocated step-up, showing both the book value and the relative fair value at the date of consolidation, are shown below.

(€ million)	Fair value	Book value	Allocation
Price consideration (100%)			**631**
Net equity at September 30, 2023		281	
Pre-existent goodwill		(16)	
Net equity with pre-existent goodwill			**265**
Higher price to be allocated			**366**
Customer relationship	14	4	10
Brands	126	5	121
Licenses - authorizations	60		60
Patents	290		290
Deferred taxes - PPA			(134)
Residual goodwill	**490**	**9**	**19**

The Novamont acquisition transaction resulted in a net negative cash flow of €400 million in 2023, equal to the outlay for the 64% purchase of €404 million, partially absorbed by the group's cash and cash equivalents of €4 million at the date of first consolidation.

The impact of Novamont on group results, considering the three months of consolidation and including Matrìca, consisted of higher revenues of €74 million and a higher net loss of €37 million. The goodwill arising from the purchase price allocation of €19 million was allocated to the Bio Chemistry CGU.

The costs related to the acquisition of the Novamont group recorded in the profit and loss amount to approximately €3 million.

Current assets

1. Cash and cash equivalents

Cash and cash equivalents amount to €184 million (€102 million as at December 31, 2022), of which €91 million deposited in Eni Group financial companies.

2. Other current financial assets

Other current financial assets of €9 million (€10 million as at December 31, 2022) mainly refer to the financial receivables of Versalis Singapore (€7 million).

3. Trade and other receivables

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

(€ million)	December 31, 2023	December 31, 2022
Trade receivables	504	602
Other receivables	336	118
	840	**720**

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

As at December 31, 2023, Versalis factored trade receivables without recourse for €136 million (€130 million as at December 31, 2022).
The company distinguishes credit exposures deriving from trade relationships and other relationships, according to a specific risk assessment of the counterparty. In particular, the probability of default is assessed on the basis of a defined internal rating, which considers the following: (i) specialist analysis of balance sheet, of current and prospective financial situation of clients; (ii) previous trade and administrative relationships (regularity of payments, presence of elements that mitigate the risk, etc.); (iii) any further qualitative information collected by the sales functions of each business unit and by specialized info-providers; (iv) any specific contractual clauses for credit protection; (v) performance of the reference sector; (vi) country risk that considers the probability of occurrence of events related to the debtor's operating context, over a medium-term time period, which may compromise the ability to fulfill the obligation towards Versalis. The internal ratings and the corresponding probability of default are updated through back-testing analysis and risk assessments of the current and forward-looking portfolio. The loss given default of these customers is estimated by the company's businesses on the basis of historical experience in recovering commercial debts; for customers in default, estimates are used based, among other things, on the experience of recovering debts in litigation or restructuring.

For counterparties not subject to an individual reliance process, the expected loss is determined, by homogeneous clusters, on the basis of a generic model that summarizes in a single parameter (so-called expected loss ratio) the values of the probability of default and the ability to recover (loss given default) having regard to the company's historical debt recovery data, systematically updated, supplemented, where appropriate, with prospective considerations regarding the evolution of the risk of default.

The following table shows information on gross credit risk exposure and allowance for impairment with reference to trade and other receivables for which an analytical assessment and/or on the basis of the generic model, prepared on the basis of internal ratings, has been carried out:

(€ million)	Performing loans	Non-performing loans	Total
Business customers	446	166	**612**
Other counterparties	359	3	**362**
Gross amount as at December 31, 2023	**805**	**169**	**974**
Allowance for doubtful accounts	6	128	**134**
Net amount as at December 31, 2023	**799**	**41**	**840**

Trade and other receivables are stated net of the allowance for doubtful accounts of €134 million (€147 million as at December 31, 2022). Receivables from other counterparties refer to trade and other receivables from Eni Group companies. Changes in the allowance for doubtful accounts occurred in 2023 are disclosed as follows:

(€ million)	Total
Carrying amount at December 31, 2022	**147**
- additions	1
- deductions	(16)
- changes in the consolidation area	4
- other changes	(2)
Carrying amount at December 31, 2023	**134**

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, 2023	December 31, 2022
Receivables due from parent company	241	27
Advances for services and guarantee deposits	13	17
Receivables for patents and royalties	13	2
Receivables due from incentives to production of renewable energy	9	8
Receivables due from associated companies	9	3
Receivables due from Eni Group companies	8	25
Receivables due from joint ventures	6	9
Receivables due from personnel	2	2
Other receivables	35	25
	336	**118**

Receivables from the parent company Eni SpA mainly relate to receivables from participation to group national tax consolidation (€221 million) and to group VAT regime (€16 million). Receivables due from Eni Group companies mainly relate to Eni Rewind SpA for environmental remediation activities (€6 million) and to Eni Trade and Biofuels SpA for price adjustments on Virgin Naphta supplies (€1 million). Receivables due from joint ventures of €4 million mainly relate to Lotte Versalis Elastomers for the sale of licenses.

Other receivables of €35 million are mainly related to chargebacks for remediation costs incurred at the Mantua plant (€9 million), to receivables from royalties on licences (€1 million) and chargebacks for freight and demurrage costs (€1 million). The remainder consists of other receivables from Versalis France (€10 million) from Novamont (€8 million) and from Versalis Deutschland (€3 million).

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

4. Inventories

Inventories are detailed in the table below:

	December 31, 2023				December 31, 2022			
(€ million)	Oil derivatives	Chemicals	Other	Total	Oil derivatives	Chemicals	Other	Total
Raw and auxiliary materials and consumables	65	198	121	384	59	213	91	363
Work in progress and semi-finished products	5	10	25	40	1	7		8
Finished products and goods	21	636	38	695	30	763	21	814
	91	**844**	**184**	**1.119**	**90**	**983**	**112**	**1.185**

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

(€ million)	Opening balance	Changes over the period	Additions	Deductions	Currency translation differences	Change in consolidation area	Ending balance
December 31, 2023							
Gross inventories	1.331	(178)			2	105	1.260
Allowance on inventories	(146)		(19)	26		(2)	(141)
Net inventories	**1.185**	**(178)**	**(19)**	**26**	**2**	**103**	**1.119**
December 31, 2022							
Gross inventories	969	365			(3)		1.331
Allowance on inventories	(35)		(111)				(146)
Net inventories	**934**	**365**	**(111)**		**(3)**		**1.185**

There is no collateral on inventories. Additions to the allowance on inventories in 2023 mainly relate to the 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 €10 million (€7 million as at December 31, 2022) 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, 2023	December 31, 2022
Other current tax assets	28	72
Fair value of non-hedging derivatives	1	1
Other assets	8	3
	37	**76**

Other assets of €37 million (€76 million as at December 31, 2022) mainly include VAT receivables (€18 million), the contribution for R&D costs and the contributions for the energy and gas-intensive companies, established by government decrees no. 4 of 27 January 2022, n.17 of 1 March 2022, n.21 of 21 March 2022 and subsequent amendments, which are accrued and not yet compensated at the end of the year by Versalis SpA (€3 million) and Novamont SpA (€2 million), prepayments for rents and instalments (€3 million), prepaid services (€1 million) and other receivables from foreign tax authorities (€1 million).

Non-current assets

7. Property, plant and equipment

Property, plant and equipment are detailed as follows:

(€ million)	Opening net balance	Investments	Depreciation	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 depreciation and impairment of assets
December 31, 2023											
Land	34			(22)			4	1	**17**	114	97
Buildings	37	2	(3)	(6)			45	1	**76**	432	356
Plant and machinery	384	59	(59)	(235)	(1)		179	60	**387**	6.130	5.743
Industrial and commercial equipment	9	1	(3)	(1)			8	2	**16**	138	122
Other assets	14	2	(2)	(1)			1		**14**	49	35
Assets under construction and advances	112	87		(102)			18	(47)	**68**	371	303
	590	**151**	**(67)**	**(367)**	**(1)**		**255**	**17**	**578**	**7.234**	**6.656**
December 31, 2022											
Land	47			(9)				(4)	**34**	110	76
Buildings	37	4	(3)	(5)				4	**37**	390	353
Plant and machinery	570	118	(79)	(305)	(1)			81	**384**	5.969	5.585
Industrial and commercial equipment	11	2	(4)	(1)				1	**9**	128	119
Other assets	8	5	(1)					2	**14**	47	33
Assets under construction and advances	167	94		(63)				(86)	**112**	313	201
	840	**223**	**(87)**	**(383)**	**(1)**			**(2)**	**590**	**6.957**	**6.367**

The change in the consolidation area of €255 million mainly refers to the assets acquired through the consolidation of Novamont SpA (€147 million), Mater Biotech (€71 million), Matrìca (€31 million) and Dagöplast (€5 million).

Investments of €151 million (€223 million as at December 31, 2022) are disclosed in the appropriate chapter of the Director's Report.

Financial expenses capitalized in the year of €2 million (same amount of 2022) were determined by applying an interest rate of 3,0% (2,9% as at December 31, 2022). Increase on internal work capitalized in the period of €19 million (€10 million as at December 31, 2022) refers to services provided by internal staff.

Assets under construction and advances mainly relate to: adaptation of buildings and circular economy initiatives for mechanical recycling projects in Porto Marghera, adaptation of the plants of Brindisi and Ferrara in order to comply with safety and environmental regulations.
The main amortization rates adopted on annual basis, similar if compared to the previous years, are within the following ranges:

(annual %)	2023	2022
Buildings	2 - 14	4 - 16
Plant and machinery	3 - 24	4 - 25
Industrial and commercial equipment	10 - 33	10 - 30
Other assets	12 - 20	12 - 20

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

Reductions in property, plant and equipment of €6 million (same amount as at December 31, 2022) refer to net government grants and reimbursement from third parties, of which €3 million related to Matrìca, €2 million to Versalis SpA and €1 million to Novamont SpA.

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:

	Right of use		Total
(€ million)	Land and buildings	Other assets	
Opening balance as at January 1, 2023	11	4	**15**
Increase	50		**50**
Amortisation	(1)	(4)	**(5)**
Write-downs	(34)		**(34)**
Other changes			
Ending balance as at December 31, 2023	**26**		**26**

	Lease liabilities		Total
(€ million)	Short-term	Long-term	
Opening balance as at January 1, 2023	6	10	**16**
Increase		50	**50**
Decrease	(4)	(1)	**(5)**
Other changes	2	(3)	**(1)**
Ending balance as at December 31, 2023	**4**	**56**	**60**

The right of use of land and buildings mainly refers to land on which some industrial sites of the group are located. The net variation from the previous year is mainly due to the recognition of the right of use on the land on which Versalis France's plants and other service facilities are located, following the new lease agreement; the land was then written down for €34 million. Other leased assets relate to cars granted to employees. As of January 1st, 2023, cars granted to employees no longer fall within the scope of IFRS 16, due to irrelevance.

The total amount of cash flow from lease liabilities of €5 million mainly refers to repayment of principal; related interest expenses amount to less than €1 million in 2023.

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

(€ million)	**2023**	**2022**
Purchases, services and other costs:		
- leases of modest value	1	1
Depreciation		
- depreciation of right of use assets	5	7
Write-downs of right of use of assets	34	1
Financial income (expense)		
- interest expense on lease liabilities	…	(1)

… amount is less than €0.5 million

9. Intangible assets

Intangible assets are detailed as follows:

(€ million)	Net opening balance	Investments	Change in consolidation area	Amortization	Write-downs and write-backs	Disposals	Other changes	Net ending balance	Gross ending balance	Provision for amortization and impairment
December 31, 2023										
Intangible assets with defined useful life										
- R&D costs	**2**			(1)				**1**	32	**31**
- Industrial patents and intellectual property rights	**2**		291	(6)				**287**	347	**60**
- Grants, licences, trademarks and similar rights	**54**	3	206	(15)	(2)	(3)	2	**245**	415	**170**
- Assets under construction and advances	**22**	26	1		(1)		(16)	**32**	37	**5**
- Other intangible assets	**137**	7	16	(11)	(1)	(12)		**136**	274	**138**
Intangible assets with undefined useful life										
- Goodwill	**93**		19					**112**	112	
- Other intangible assets with undefined useful life not held fo	**24**		2					**26**	26	
	334	**36**	**535**	**(33)**	**(4)**	**(15)**	**(14)**	**839**	**1.243**	**404**
December 31, 2022										
Intangible assets with defined useful life										
- R&D costs	**4**						(2)	**2**	32	**30**
- Industrial patents and intellectual property rights	**3**			(1)				**2**	56	**54**
- Grants, licences, trademarks and similar rights	**61**	3		(11)			1	**54**	207	**153**
- Assets under construction and advances	**9**	18					(5)	**22**	26	**4**
- Other intangible assets	**138**	11		(10)	(1)	(5)	4	**137**	263	**126**
Intangible assets with undefined useful life										
- Goodwill	**93**							**93**	93	
- Other intangible assets with undefined useful life not held fo	**24**							**24**	24	
	332	**32**		**(22)**	**(1)**	**(5)**	**(2)**	**334**	**701**	**367**

Industrial patents of €287 million (€2 million as at December 31, 2022) relate to the value of Novamont patents resulting from the provisionary purchase price allocation (PPA).

In a similar way, grants, licenses and trademarks of €245 million (€54 million as at December 31, 2022) mainly refer to assets resulting form the PPA of Novamont; more specifically, they relate to the trademarks Mater-BI and BioBag (€121 million and €1 million respectively) and to licenses for energy production through cogeneration (€39 million), tri-generation (€19 million) and biomethane (€2 million). The remainder mainly relates to industrial licenses.

Other intangible assets of €136 million (€137 million as at December 31, 2022) mainly relate to customer relationship and to know-how of Finproject group (€96 million), to customer lists of Novamont and Biobag resulting from the provisionary PPA (€10 million), to property rights linked to the use of the Gas Phase technology for the Brindisi plant and to capitalized excess emission rights for the remainder.
Goodwill of €112 million was recognized following the acquisitions of Finproject in 2021 (€93 million) and Novamont in 2023 (€19 million).
Other assets with an indefinite useful life of €26 million relate to the trademarks Levirex® and Extralight® owned by Finproject group.
Other changes mainly concern reclassifications from assets under construction to completed assets.
Further information on the criteria used to determine net write-backs (impairment losses) and the related analysis are disclosed in note 10.

The main amortization rates adopted on annual basis are within the following ranges:

(annual %)	**2023**	**2022**
- R&D costs	4 - 20	4 - 20
- Industrial patents and intellectual property rights	2 - 10	2 - 10
- Grants, licences, trademarks and similar rights	4 - 15	4 - 33
- Other intangible assets	3 - 20	4 - 15

The useful lives attributed to the assets resulting from the provisionary PPA of Novamont are the following:

- customer lists of Novamont and BioBag: 20 years
- Mater-BI, BioBag and Green Polly trademarks: 15 years
- license for the tri-generation plant: 9 years
- licenses for the cogeneration and biodigestion plants: 7 years
- patents: useful lives aligned to their validity

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, following the acquisition of Novamont group and Matrìca, management identified a new cluster of *Cash Generating Unit* (CGU), which coincides with the Bio Chemistry business unit.

The new CGU is in addition to those previously identified: Intermediates, Polyethylene, Styrene, Elastomers, Biotech Crescentino and Moulding & Compounding.

The net impairment loss of the year, which amounts to €405 million, is related to tangible assets for €367 million, to right-of-use assets for €34 million and to intangibles assets for €4 million; the result of the impairment test is divided on the individual Cash Generating Units as follows:

- CGU Intermediates: write-down of €235 million;

- CGU Styrene: write-down of €124 million;
- CGU Elastomers: write-down of €26 million;
- CGU Biochem: write-down of €5 million;

each write-down brings the book value of the relative CGU to 0.

Moreover, the assets of the logistic hub of Porto Marghera were written down by €15 million.

On the other hand, no write-downs or write-backs were made in respect of assets attributable to the Polyethylene, Bio Chemistry and Moulding & Compounding CGUs, whose impairment test showed recoverable values higher than the carrying amounts. The related book values as at December 31, 2023 are €299 million, €777 million and €290 million respectively.

The CGU Polyethylene, despite a reduction in the projected margins, did not require any write-downs and maintains headroom equal to its book value; for this CGU, in fact, a demand-supply rebalancing is planned starting from 2024-25, and a realignment of the benchmark spreads to the pre-crisis period. The headrooms of the Bio Chemistry and Moulding & Compounding CGUs are 43% and 61% of the relative book value, respectively. In general, write-downs are mainly due to the deterioration of the contribution margins envisaged in the Business Plan due to the increase in steam costs, only partially absorbed by the increase in sales prices. The write-downs as determined above were then allocated proportionally to the individual assets (tangible assets and intangible assets) belonging to the individual CGUs on the basis of the provisions of IAS 36.

The impairment loss was calculated by comparing the book value of each CGU with its value in use, which was determined with the Discounted Cash Flows model. The time horizon is 20 years (adequate for the economic-technical life which on average for the plants is equal to 20 years, as ascertained by independent appraisals). With reference to the Eni 2024-2027 and long-term scenario, the trend for chemical commodities in the four-year period is expected to worsen slightly 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 both research and development/enhancement outflows and their expected benefits. Cash flows from contribution margin are calculated on the basis of expected scenario spreads and of variable costs, developed on the basis of projected scenario parameters. For years subsequent to those of the plan, the standard material balance per product family is valued; a rate of increase equal to scenario inflation is applied to fixed costs; stay-in-business investments, until the end of the economic-technical life, are constant (real term) and equal to the average of planned plan investments and historical data.

Free allocations of EUAs to meet atmospheric CO2 emission commitments are projected to steadily decrease by 4 percent per year.

For the purposes of discounting the flows determined according to the aforementioned criteria, the management has adopted a WACC discount rate of 7,6%.

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 losses 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, neither a positive or negative change of 5% in the benchmark spread of the cracker margin, neither a 20% positive or negative change in the WACC would have any economic impact.

11. Equity-accounted investments

Equity-accounted investments are disclosed as follows:

(€ million)	Net opening balance	Acquisitions and subscriptions	Fair value adjustments	Share of profit (loss) on equity-accounted investments	Reclassifications	Other changes	Net ending balance
December 31, 2023							
Investments in:							
- subsidiaries	1	2		(1)			2
- associated companies	286	14		(29)	(240)		31
- joint ventures	40	32		(29)			43
	327	48		(59)	(240)		76
December 31, 2022							
Investments in:							
- subsidiaries	1						1
- associated companies	29	2		(53)	220	88	286
- joint ventures	52	7	(6)	(13)			40
	82	9	(6)	(66)		88	327

Acquisitions and subscriptions of €48 million relate to the payment to cover the losses of Lotte Versalis Elastomers (€18 million), to the payment to cover the losses of Matrìca (€14 million) made at the beginning of the year, before the company entered the consolidation area, and to the simultaneous increase in the share of capital held in Novamont (€14 million), from 35% to 36%.

The negative effect from valuation of investments with the equity method of €59 million refers to the valuation of Novamont, before its acquisition, for €29 million, to Lotte Versalis Elastomers for €15 million and to the non-consolidated controlled subsidiaries of Biobag International for €1 million.

Reclassifications of €240 million refer to the shift of Novamont SpA from associated company to consolidated subsidiary, starting from October 1st, 2023, following the acquisition of the remaining 64% share of the company. Equity-accounted investments are held in the following companies:

(€ million)	**December 31, 2023**	**December 31, 2022**
Lotte Versalis Elastomers Co Ltd	43	41
Priolo Servizi ScpA	21	21
Ravenna Servizi Industriali ScpA	4	4
Servizi Porto Marghera Scarl	3	3
Brindisi Servizi Generali Scarl	1	1
IFM Ferrara ScpA	1	1
VPM Oilfield Specialty Chemicals Llc	1	...
BioBag Finland OY	1	...
BioBag Plastics Ltd	1	...
Versalis Chem-invest LLP	...	...
Finproject Brasil Industria De Solados Eireli	...	...
Padanaplast America Llc	...	...
BioBag Norge AS	...	...
Mater-Agro Srl	...	...
Novamont GmbH	...	...
BBI Sverige AB	...	...
BioBag Zenzo AS	...	...
BioBag Baltic OU	...	...
Polymer Servizi Ecologici Scarl	...	...
BioBag UK Ltd	...	...
Novamont SpA	...	255
Versalis Pacific India Private Ltd.	...	1
	76	**327**

... amounts less than €0,5 million

Ownership percentages are shown in note 41.

12. Other investments

Other investments are held in the following companies:

(€ million)	**December 31, 2023**	**December 31, 2022**
Consorzio Exeltium SAS	3	3
BKV Beteiligungs-und-Kunststoffverwertungsgesellschaft mbH	...	...
Socratis - Societa' Consortile Rilancio Aree Industriali e Servizi a RL	...	...
Consorzio Crea Assemini	...	...
National Biodiversity Future Center	...	...
Genomatica Inc	...	...
IAS Industria Acqua Siracusana	...	...
Sociedad Espanola de Materiales Plasticos	...	...
	3	**3**

... amounts less than €0,5 million

(€ million)	Opening balance	Acquisitions and subscriptions	Value adjustments	Reclassifications	Other changes with effects to OCI	Closing balance
December 31, 2023						
- Consorzio Exeltium	3					**3**
- Other						
	3					**3**
December 31, 2022						
- Consorzio Exeltium	3					**3**
- Novamont	183			(220)	37	
- Other						
	186			**(220)**	**37**	**3**

Ownership percentages are shown in note 41.

13. Other non-current financial assets

Other financial assets of €1 million (€19 million as at December 31, 2022) refer to financial receivables for loans to employees with the parent company Eni SpA. The decrease from the previous period is due to the elision of the financial credit granted to Matrìca, following the consolidation of the company.

14. Deferred tax assets

Deferred tax assets of €90 million (€41 million as at December 31, 2022) are net of countervailable deferred tax liabilities of €208 million (€65 million as at December 31, 2022) and of impairment losses of €1.113 million (of which, €607 million related to tax losses).

(€ million)	December 31, 2023	December 31, 2022
Deferred tax assets	298	106
Countervailable deferred tax liabilities	(208)	(65)
Net deferred tax assets	**90**	**41**

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, 2022**	**Net increase**	**Net deductions**	**Changes in the consolidation area**	**Amount as at December 31, 2023**
Prepaid taxes:					
- non-deductible write-downs	354	114	(75)		393
- tax losses	601	344	(228)	54	771
- revaluation of tangible assets				124	124
- provisions for risk and charges	52	15	(8)		59
- employee benefits	13	5	(3)		15
- leases	2	11			13
- other	36				36
Total prepaid taxes	**1.058**	**489**	**(314)**	**178**	**1.411**
(Write-down)/write-backs on deferred tax assets	(952)	(372)	211		(1.113)
Prepaid taxes net of write-downs	**106**	**117**	**(103)**	**178**	**298**
Deferred taxes:					
- excess amortisation/depreciation	49	4	(3)	137	187
- other	16	5			21
Total deferred taxes	**65**	**9**	**(3)**	**137**	**208**
Net deferred tax assets	**41**	**108**	**(100)**	**41**	**90**

Impairment losses of €372 million mainly refer to the results of the recoverability test of the deferred tax assets of Versalis SpA (€322 million) and of Versalis France (€47 million).

15. Other non-current assets

Other assets of €12 million (€8 million as a December 31, 2022) mostly relate to the prepayment for the TAF facilities management (€4 million), to the prepayment for the development contract in the field of plastics recycling in Porto Marghera, that will be realized in the next few years (€3 million), to the fair value of derivative contracts (€1 million), to other receivables from tax administrations (€3 million) and to receivables due from personnel (€2 million).

Current liabilities

16. Short-term debt

Short-term debt of €393 million (€1.354 million as at December 31, 2022) mainly refer to financing granted by the parent company Eni SpA and by other subsidiaries of Eni Group for €317 million; even if formally short-term, these loans are renewed at maturity for amounts that take into account the expected financial needs.

The remainder part mainly refers to the financial exposure of Novamont SpA (€46 million) and Finproject SpA (€15 million) to banks.

The average annual interest rate was 2,98% (2,09% as at December 31, 2022).

17. Current portion of long-term debt

For details on the current portion of long-term debt of €315 million (€209 million as at December 31, 2022), 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, 2023	December 31, 2022
Trade payables	731	743
Other payables		
- related to investment activities	36	28
- other	120	103
	887	**874**

Trade payables of €731 million refer to payables due to third-party suppliers (€445 million), payables due to associated companies, joint ventures and other Eni Group subsidiaries (€146 million) and payables to the parent company Eni SpA (€140 million).

Payables from investment activities amount to €36 million and refer to maintenance activities on the plants of Versalis SpA.

Other payables of €120 million are mainly due to personnel (€64 million), to social security institutions (€26 million), to the parent company Eni SpA for participation to Group VAT regime (€7 million), to factors (€6 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 €20 million (€27 million as at December 31, 2022) relate to the income taxes of foreign consolidated companies, such as Versalis Deutschland (€18 million) and Foam Creations Mexico (€1 million).

20. Other current liabilities

Other current liabilities are disclosed as follows:

(€ million)	December 31, 2023	December 31, 2022
Other current tax liabilities	22	15
Deferrals on advanced income	13	8
Advances and prepayments	5	3
Fair value of non-hedging derivatives	3	2
	43	**28**

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 €2.197 million (€732 million as at December 31, 2022) is detailed as follows:

	December 31, 2023			December 31, 2022		
(€ million)	Long-term portion	Short-term portion	Total	Long-term portion	Short-term portion	Total
Due to shareholders for financing	1.871	314	2.185	523	209	732
Due to other lenders	11	1	12			
	1.882	**315**	**2.197**	**523**	**209**	**732**

The average effective interest rate for the year was 1,88% (1,35% in 2022). 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						
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Oltre**	**Totale**
Due to shareholders for financing	732	2.184	314	242	667	400	409	153	2.185
Due to other lenders		13	1	1	1	1	7	1	12
	732	**2.197**	**315**	**243**	**668**	**401**	**416**	**154**	**2.197**

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, 2023	December 31, 2022
A. Cash	184	102
B. Cash equivalents	-	-
C. Other current financial assets	9	10
D. Liquidity (A+B+C)	**193**	**112**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	393	1.354
F. Current portion of non-current financial debt	319	215
G. Current financial debt (E+F)	**712**	**1.569**
H. Net current financial debt (G-D)	**519**	**1.457**
I. Non-current financial debt (excluding current portion and debt instruments)	1.938	533
J. Debt instruments	-	-
K. Non-current trade and other payables	-	-
L. Non-current financial debt (I+J+K)	**1.938**	**533**
M. Total financial debt (H+L)	**2.457**	**1.990**

22. Provisions for risks and charges

(€ million)	December 31, 2023	December 31, 2022
Provision for environmental risks	199	169
Provision for disposal and restructuring	45	13
Provision for Everen insurance cover	2	2
Provision for litigations	2	2
Provision for redundancy incentives	1	2
Provision for financial risk and charges		28
Other provisions	16	12
	265	**228**

Provisions for risks and charges are detailed as follows:

(€ million)	Opening balance	Increase	Utilization for charges	Surplus utilization	Other changes	Ending balance
December 31, 2023						
Provision for environmental risks	169	58	(28)			**199**
Provision for disposal and restructuring	13	33			(1)	**45**
Provision for Everen insurance cover	2					**2**
Provision for litigations	2			(1)		**1**
Provision for redundancy incentives	2	1			(2)	**1**
Provision for financial risk and charges	28				(28)	**-**
Other provisions	12	3	(2)		4	**17**
	228	**95**	**(30)**	**(1)**	**(27)**	**265**
December 31, 2022						
Provision for environmental risks	51	136	(18)			**169**
Provision for financial risk and charges	6				22	**28**
Provision for disposal and restructuring	16			(3)		**13**
Provision for litigations	2	1		(1)		**2**
Provision for redundancy incentives	2					**2**
Provision for Everen insurance cover	4			(2)		**2**
Other provisions	13	2	(2)		(1)	**12**
	94	**139**	**(20)**	**(6)**	**21**	**228**

Provision for environmental risks of €199 million relate to environmental charges on various company sites for the portion which is not under the guarantee issued by Eni Rewind SpA, upon the transfer of the “Strategic Chemical Activity" business. The increase in the provisions for environmental risks of €58 million mainly concern the sites of Versalis SpA (€29 million), the TAF provision (€22 million) and the environmental risks of Versalis France (€7 million). For further information, see the appropriate section of the Management Report.

Provisions for disposal and restructuring of €45 million mainly refer to the disposal of the Grangemouth site (€33 million) and Sarroch site (€8 million), following the sale of the “Aromatici” business branch in 2014 and to the restructuring of the Porto Marghera site (€4 million).

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

Provisions for redundancy incentives of €1 million refer to expenses for ordinary mobility of personnel.

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

Other provisions of €16 million mainly include mobility grants of €7 million, social security contributions and severance indemnities related to the deferred monetary incentives for managers of €1 million.

23. Provisions for employee benefits

Provisions for employee benefits of €67 million are detailed as follows:

(€ million)	December 31, 2023	December 31, 2022
Severance indemnity	32	33
Supplementary healthcare provision for Eni managers and other foreign medical plans	10	10
Foreign retirement plans	(2)	(2)
Other employee benefit plans	27	22
	67	**63**

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 main terms of Eni's incentive plans for the executives who are awarded with shares at the closing of fiscal year 2023 are shown below.

Specifically, the Shareholders' Meeting at its meetings on May 13, 2020 and May 10, 2023 approved the Long-Term Incentive Plans 2020-2022 and 2023-2025, respectively, vesting the Board of Directors with all powers necessary to implement the Plans and authorizing it to dispose of up to a maximum of 20 million treasury shares to service the 2020-2022 Plan and 16 million treasury shares to service the 2023-2025 Plan (also authorizing the disposition of the treasury shares originally allocated to the 2020-2022 Long-Term Incentive Plan, for the portion relating to unused shares, amounting to approximately 6,7 million shares).

The Long-Term Incentive Plans provide for three assignments of ordinary shares each (respectively, in the years 2020, 2021 and 2022 and in the years 2023, 2024 and 2025) and are intended for the chief executive officer of Eni SpA and for the executives of Eni SpA and its subsidiaries 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 2020-2022 Plan, the number of shares that will be assigned at maturity depends: (i) for 25%, on a market target related to the three-year Total Shareholder Return (TSR) measured by the difference, over the three-year period, between the TSR of the Eni stock and the TSR of the FTSE Mib index of Borsa Italiana, adjusted for Eni's correlation index, compared with the similar differences recorded for each company in a group of Eni's competitors ("Peer Group"); (ii) for 20% by an industrial target measured in terms of the annual unit value ($/boe) of the Net Present Value of certain reserves (NPV), compared with the similar values recorded for the companies in the Peer Group, with the final result equal to the average of the annual results over the three-year period; (iii) for 20% by an economic/financial objective measured on the cumulative Organic Free Cash Flow (FCF) over the three-year period of reference, achieved in comparison with the equivalent cumulative value envisaged in the first 3 years of the Strategic Plan approved by the Board of Directors in the year of allocation and kept unchanged over the performance period. The final FCF is calculated net of the effects of exogenous variables, in application of a variance analysis methodology predetermined and approved by the Compensation Committee, in order to enhance the actual business performance resulting from management action; (iv) for the remaining part (35%) by an environmental sustainability and energy transition objective articulated in three three-year absolute targets, namely: (a) for 15% by a decarbonization target measured by the actual value at the end of the three-year period of the Intensity of upstream GHG Emissions Scope 1 and Scope 2 equity ($tCO2eq/kboe$), compared to the equivalent value provided at year 3 of the Strategic Plan approved by the Board of Directors in the year of allocation and kept unchanged in the performance period; (b) for 10% by an energy transition target measured at the end of the three-year period in terms of Megawatts of installed capacity of electric generation from renewable sources compared to the equivalent value envisaged at the 3^{rd} year of the Strategic Plan approved by the Board of Directors in the year of allocation and kept unchanged in the performance period; (c) for 10% by a circular economy target measured in terms of the progress at the end of the three-year period of three relevant projects compared to the progress envisaged at the 3^{rd} year of the Strategic Plan approved by the Board of Directors in the year of allocation and kept unchanged in the performance period.

With reference to the 2023-2025 Plan, the number of shares that will be awarded at maturity depends: (i) for 25%, on a market objective of a relative type linked to Total Shareholder Return (TSR) measured by the difference, over the three-year performance period, between the TSR of the Eni stock and the TSR of the FTSE Mib index of the Italian Stock Exchange, adjusted for Eni's correlation index, compared with the similar differences recorded for each company in the Peer Group; (ii) for 40% by an economic/financial objective measured as the cumulative value of the organic Free Cash Flow (FCF) over the three-year reference period, compared with the equivalent cumulative value envisaged in the first 3 years of the Strategic Plan approved by the Board of Directors in the year of allocation and kept unchanged in the performance period; (iii) for the remaining part (35%) by an environmental sustainability and energy transition objective articulated in three three-year objectives, namely: (a) for 10% by a decarbonization target measured in terms of net upstream scope 1 and scope 2 equity GHG emissions ($tCO2eq$) at the end of the three-year reporting period compared to the homologous value provided at year 3 of the Strategic Plan approved by the Board of Directors in the year of allocation and kept unchanged over the performance period; (b) for 15% by an energy transition target calculated as installed electric generation capacity from renewable sources in terms of megawatts and biojet fuel production capacity in terms of ktons, both evaluated against the homologous values provided at the end of Year 3 of the Strategic Plan approved by the Board of Directors in the year of allocation and kept unchanged in the performance period; (c) for 10% by a circular economy target measured in terms of the percentage value of vertical integration of Agribusiness for biojet fuel production at the end of the three-year performance period compared with the values forecasted at the end of Year 3 of the Strategic Plan approved by the Board of Directors in the year of allocation and kept unchanged in the performance period.

Based on the development of the performance parameters above, the number of shares that will be offered for free after three years after grant may be between 0% and 180% of the number of shares initially granted. 50% of the shares that will actually be granted to each grantee in service will be subject to a lock-up clause that prevents their transfer for 1 year from the grant date for the 2020-2022 Long-Term Incentive Plan, and for 2 years from the grant date for the 2023-2025 Long-Term Incentive Plan.

On the grant date, a total of: (i) 130.588 shares were granted by Eni in 2023; the weighted average fair value of these shares on the same date was 10,82 euros per share; (ii) in 2022, 152.001 shares; the weighted average fair value of these shares on the same date was 9,20 euros per share; (iii) in 2021, 159.308 shares; the weighted average fair value of these shares on the same date was 8,15 euros per share.

The fair value was determined by adopting appropriate valuation techniques having regard to the different performance parameters provided by the plans (stochastic method with reference to both Long-Term Incentive Plans in place) taking into account, essentially, the value of the Eni stock on the grant date (€15.482 and €15.068 depending on the grant date for the 2023 grant; €12.918 and €14.324 depending on the grant date for the 2022 grant; €12.164 and €11.642 depending on the grant date for the 2021 award), reduced by the expected dividends over the vesting period (6,6% and 6,8% for the 2023 award; 6,8% and 6,1% for the 2022 award; and 7,1% and 7,4% for the 2021 award of the share price on the grant date), considering the volatility of the stock (28,2% and 28,4% for the 2023 award; 30% and 31% for the 2022 award; 44% and 45% for the 2021 award), forecasts for the trend of performance parameters, as well as the lower value attributable to shares characterized by the transferability restriction at the end of the vesting period (so-called lock-up period).

Costs related to Long-Term Incentive Plans, which are recognized as a component of labor costs as they pertain to company employees, amount to 1 million euros (less than 1 million euros in 2022 and 1 million euros in 2021) with a balancing entry in equity reserves.

Employee benefit provisions, valued by applying actuarial techniques, are analyzed as follows:

(€ million)	December 31, 2023 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	**33**	**(2)**	**10**	**22**	**63**
Current service cost				3	3
Interest cost	1	1		1	3
Remeasurements:	1	2		(1)	2
- actuarial gains and losses due to changes in financial assumptions	1	1		(1)	1
- experience gains and losses		1			1
Costs for past services				10	10
Benefits paid	(5)	(2)		(8)	(15)
Effect of business combinations, divestments, transfers	1				1
Currency translation differences and other changes	1				1
Present value of benefit liabilities at the end of the year (a)	**32**	**(1)**	**10**	**27**	**68**
Plan assets at the beginning of the year					
Interest income		1			1
Return on plan assets					
Contributions of the employer to the plan	6	1	1	8	16
Benefits paid	(6)	(1)	(1)	(8)	(16)
Currency translation differences and other changes					
Plan assets at the end of the year (b)		**1**			**1**
Redemption rights at the end of the year (c)					
Assets/liabilities ceiling at the end of the year (d)					
Net liability recognized in the financial statements (a-b±d)	**32**	**(2)**	**10**	**27**	**67**

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

Other provisions for long-term employee benefits of €27 million (€22 million as at December 31, 2022) primarily concern the “Contratto di Espansione” for €12 million (€9 million as at December 31, 2022), deferred monetary incentives for €8 million (same amount as at December 31, 2022) and seniority rewards for €5 million (same amount as at December 31, 2022).

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

(€ million)	TFR	Foreign defined benefit plans	FISDE and foreign healthcare plans piani medici esteri	Other provisions for long-term employee benefits	Total
December 31, 2023					
Current service cost				3	3
Costs for past services and gains/losses for extinction			1	10	11
Net interest expense (income):					
- Interest expense on the obligation	*1*	*1*		*1*	*3*
- Interest income on plan assets		*1*			*1*
Total net interest expense (income)	1			1	2
Remeasurement of long-term plans					
Other costs				(1)	(1)
Total	**1**		**1**	**13**	**15**
- of which included in payroll costs			*1*	*13*	*14*
- of which included in financial gains (losses)	*1*				*1*
December 31, 2022					
Current service cost				3	3
Costs for past services and gains/losses for extinction				7	7
Net interest expense (income):					
- Interest expense on the obligation		*1*			*1*
- Interest income on plan assets					
Total net interest expense (income)		1			1
Remeasurement of long-term plans					
Other costs				(1)	(1)
Total		**1**		**9**	**10**
- of which included in payroll costs				*9*	*9*
- of which included in financial gains (losses)		*1*			*1*

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

	December 31, 2023					**December 31, 2022**				
(€ million)	**TFR**	**Foreign defined benefit plans**	**FISDE and foreign healthc are plans**	**Other provisions for long-term employee benefits**	**Total**	**TFR**	**Foreign defined benefit plans**	**FISDE and foreign healthc are plans**	**Other provisions for long-term employee benefits**	**Total**
Remeasurements:										
- Actuarial gains and losses from changes in financial assumptions	(1)	1		1	1	7	8	3	2	20
- Experience gains and losses		1			1	(1)				(1)
- Return on plan assets							(11)			(11)
	(1)	**2**		**1**	**2**	**6**	**(3)**	**3**	**2**	**8**

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

(%)	**TFR**	**Foreign defined benefit plans**	**FISDE and foreign healthcare plans**	**Other provisions for long-term employee benefits**
2022				
Discount rate	3.7	3.7-3.8	3.7	3.4-3.8
Salary growth-trend rate	3.4			
Inflation rate	2.4	2.0-2.2	2.4	2.0-2.2
2021				
Discount rate	3.1	3.2-4.5	3.1	3.2-4.5
Salary growth-trend rate	3,0			
Inflation rate	2,0	2.2-3.4	2,0	2.0-3.4

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

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

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

The total contributions expected to be paid into defined-benefit plans in the next year amount to €11 million.

24. Deferred tax liabilities

Deferred tax liabilities of €29 million mainly refer to the tax effect of the higher cost paid for the acquisition of Finproject Group and Novamont Group, which has been allocated to intangible assets and net of deferred tax offsets.

25. Other non-current liabilities

Other non-current liabilities of €10 million (€16 million as at December 31, 2022) refer to deferred income on multi-year revenues.

26. Shareholders' equity

Negative shareholders' equity of €147 million (€67 million as at December 31, 2022) is disclosed as follows:

(€ million)	December 31, 2023	December 31, 2022
Share capital	300	446
Legal reserves		
Other reserves	(158)	101
Gains (losses) from previous years	999	402
Gains (losses) of the year	(1.288)	(882)
	(147)	**67**

Net equity amounts to €147 million and decreases by €214 million compared to previous year. The variation was due to the following factors:
- net loss of the year of €1.288 million
- payment by the sole shareholder to cover losses of €1.071 million, of which €421 million aimed at the acquisition of Novamont

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

Share capital

Share capital consists of 1.364.790.000 ordinary shares, without par value and exclusively owned by Eni SpA. Paid capital amounts to €300 million and has been reduced due to losses from the previous year of €146 million.

Legal reserve

The legal reserve was zeroed in the past years.

Other reserves

Other negative reserves for €158 million mainly include the negative consolidation reserve for €139 million and the negative reserve for exchange rate differences from translations of financial statements in currencies other than the Euro for €19 million.

27. Guarantees, commitments and risks

Guarantees

Guarantees are detailed as follows:

	December 31, 2023			December 31, 2022		
(€ million)	Sureties	Other personal guarantees	Total	Sureties	Other personal guarantees	Total
Guarantees	4	145	149	1	138	139
	4	145	149	1	138	139

Other personal guarantees of €145 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 €4 million issued in favour of Eni SpA, on behalf of Versalis employees that received financing by Eni SpA.

Effective commitment as at December 31, 2023, amounts to €148 million.

Commitments and risks

Commitments and risks are detailed as follows:

(€ million)	**December 31, 2023**	**December 31, 2022**
Risks		
Third party assets in custody	7	4
Other risks	39	39
	46	**43**

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*[33] 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 Finance Support Function 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.

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

Commodity risk. Versalis Group's results are affected by changes in prices of the products sold. A decrease in the prices of plastics and chemical intermediates generally has a negative impact on the company's operating profit and vice versa. Conversely, an increase in the costs of petroleum feedstock leads to a reduction in operating profit and vice versa. For example, it can be estimated that an increase of $10 per ton of petroleum feedstock would lead to a reduction in the annual operating profit of around €31 million.[34]

Until 2020 Versalis carried out commodity risk hedging activities through derivative transactions on Virgin Naphtha. During 2020, the Board of Directors of the parent company Eni SpA approved the classification of Versalis' commodity risk as a strategic risk; therefore, the company discontinued on the natural maturity date all commodity derivative contracts.

[33] 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.
[34] Assumptions of transferring the higher cost to sales prices are not considered in the simulation.

Credit risk

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

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

During 2023, the dynamics of trade receivables from third parties showed a sharply decreasing trend compared to the previous year, in particular at the end of the year. The average exposure in 2023 is lower than in 2022, just as the average turnover in 2023 is lower than in the previous year. The total level of sales to factors was lower than in the previous year, with the exception of the year-end transaction, which is in line with December 2022; transfers to factors still allowed the reduction of accounting exposure at quarterly closings.

New litigations are increasing compared to 2022; the average overdue level is slightly lower than in the previous year, in the presence of a lower average exposure than in the previous year. Average intercompany exposure decreased, as average turnover decreased from 2022.

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 guarantees an adequate level of liquidity for the whole Group, minimizing the relative opportunity cost and maintaining a balance in terms of duration and composition of the debt.

Versalis SpA is wholly owned by Eni SpA, to whose management and coordination it is subject and has the right to access, without contractually defined credit limits, to the financial resources granted by Eni SpA, based on existing agreements with the latter. Eni SpA therefore grants its financial support by renewing the credit lines periodically, without applying covenants or penalties, depending on the cash needs of Versalis SpA and its subsidiaries., so that they can regularly fulfill their obligations. In this regard, as of the date of approval of these financial statements, the directors have already obtained confirmation from Eni SpA that it will take action with a capital contribution aimed at exiting the situation envisaged by Article 2446 of the Civil Code.

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)	2024	2025	2026	2027	2028	Beyond	**Total**
Short-term debt	393						**393**
Long-term debt including current portion	315	243	668	401	416	154	**2.197**

Future payments against trade and other payables

Trade and other payables are fully due within the next financial year.

	Year of maturity						
(€ million)	2024	2025	2026	2027	2028	Beyond	**Total**
Commercial debt	731						**731**
Advances and other payables	154						**154**
	885						**885**

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)	2024	2025	2026	2027	2028	Beyond	**Total**
Costs (charges) relating to environmental provisions	33	25	18	11	8	104	**199**
Other commitments	1.425	187	48	7			**1.667**
	1.458	**212**	**66**	**18**	**8**	**104**	**1.866**

Other commitments of €1.667 million mainly refer to commitments for contracts to purchase raw materials to be used in the production process.

Investment commitments

Over the next few years, Versalis Group plans to carry through a program of capital expenditure of €217 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)	2024	2025	2026	2027	2028	Beyond	**Total**
Other commitments	210	6					**216**
	210	**6**					**216**

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

Risks related to the impact of Eni's activities on the environment, health, and safety are described in the paragraph "Risk and uncertainty factors – operating and associated risks in terms of HS&E" of 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. It should also be noted that on May 13, 2023, Directive 2023/959 was published, amending Directive 2003/87/EC to provide for a more ambitious 2030 emission reduction target and an emission trajectory aligned with the Paris Agreement targets.

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 2023, 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 accordance with the adopted accounting policies, will proceed to suspend the surplus of 2023 and recognize the related proceeds upon the subsequent realization of the surplus rights through disposal.

Litigations

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

Porto Torres dock

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

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

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

Also due to the failure to evaluate in the judgment the scientific arguments set forth by the defense's technical consultants in the technical report filed at trial, which demonstrate the total absence of a danger to public safety in the Service Dock area, an appeal was filed against the judgment of the Corte d'Appello and a hearing was scheduled. At that hearing, held on March 16, 2023, the Cassazione rejected the defense appeals and upheld the conviction previously issued in December 2021 by the Cagliari Court. Cassazione also upheld the general condemnation of the three defendants to pay compensation for the damages suffered by the civil parties, to be settled in a separate civil suit, granting the civil parties - Ministry for the Environment, Region of Sardinia, Municipality of Porto Torres, Polese Giovanni and Alessandro, ANPANA Association, Lega per l'Abolizione della Caccia Onlus, Citizens' Committee "Tuteliamo il golfo dell'Asinara," Protection and Sustainability Action Committee North West Sardinia - provisional damages in the total amount of €540,000.00.

Preventive seizure at the Priolo Gargallo plant.

In February 2019 the Court of Syracuse, at the request of the Public Prosecutor, in the context of an investigation concerning the offenses involving the hazardous throw of things and environmental pollution, by the former plant manager, of Versalis pursuant to Legislative Decree 231/01 and the other industries of the Industrial Pole, relating to the emissions produced by the industrial complex of Priolo Gargallo, ordered the preventive seizure, allowing the faculty of use of the Versalis plants which, on the basis of the technical findings formulated by the appointed Technical Consultants by the Prosecutor's Office, present emission points that do not comply with the Best Available Techniques (BAT). The provision is based on the assumption that, according to the technical assessments of the public prosecutor's consultants, some of these emissions in the atmosphere are not compliant with regulatory requirements.
Versalis SpA has already been carrying out the plant improvements requested by the Public Prosecutor and his consultants for a few years and for this reason the proceeding was challenged before the Court of Review which on March 26, 2019, ordered the release from seizure of the plants with the cancellation of the decree.
In March 2021, a notice of conclusion of the preliminary investigations was issued by the Syracuse Public Prosecutor's Office which, as regards Versalis and the former plant manager, confirms the hypothesis of offense previously formulated.

Environmental crime investigation (Mantua Site).

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

Following the filing of defense briefs, some subjective positions were removed from the proceedings and filed. The Public Prosecutor's Office subsequently formulated a request for indictment, in which the crime hypotheses set forth in the act of closing of the investigation were substantially confirmed. At the Preliminary Hearing stage, MITE, the Province of Mantua, the Municipality of Mantua and the Mincio Regional Park have joined as civil parties, and Eni Rewind, Versalis and Edison have been sued as civil defendants. The Preliminary Hearing Phase was closed by order of the GUP of Mantua of April 29, 2022, which ordered the indictment of all the defendants and the companies Versalis, Eni Rewind and Edison, with the exception of a former employee of Versalis and 2 people from Edison. The criminal trial is in the trial phase.

ADMINISTRATIVE PROCEDURES

Following proceedings initiated pursuant to art. 244 of the T.U.A., the Province of Mantua, between 2012 and 2017, identified Edison as the party wholly or largely responsible for the contamination of the site, with the consequent obligation to intervene for remediation. This finding triggered a wide-ranging and complex administrative dispute that led both in the first instance (ruling of the Brescia Regional Administrative Court no. 802/2018), and in the second instance, (ruling no. 2195/2020 of the Council of State), to the confirmation of the remediation obligation on Edison.

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 no. 2195/2020 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.

CIVIL PROCEDURES

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

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

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

The Court rejected Edison's petition for suspension and confirmed the start of the preliminary investigation phase by requesting an investigation into the origin of the contamination, also independent of the investigations already carried out by the administrative authorities. The deadline for submission of the draft CTU, initially scheduled for December 2022, was postponed. In parallel, in November 2021, Edison filed an appeal against the above-mentioned non-final judgment. The company duly entered an appearance, and on June 8, 2023, a hearing was held for the clarification of conclusions, with the parties being assigned deadlines for the filing of closing briefs and replies.

Simultaneously, negotiations initiated to reach an agreement to close the dispute were successful. In July 2023, Eni and Edison signed an agreement sanctioning cooperation between the two companies for the management of environmental remediation projects at all the industrial sites at the time (1989) contributed by Montedison to Enimont. The agreement will regulate the equal economic competition, both for costs already incurred and those to be incurred, for the remediation work, which has long since been initiated by Eni Rewind and Versalis, in execution of the projects decreed by the Ministry of the Environment. The implementation of the site-by-site agreement, with related planning activities, cost sharing and relations with institutions will be coordinated by a joint technical-legal committee between the two companies.

Following the mutual exchange of the acts of waiver and acceptance, the Court of Milan by order dated September 20, 2023, declared the case extinct. On October 17, 2023, the Court of Appeals issued a ruling declaring that the matter in dispute had ceased to exist.

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 to start the Bay environmental remediation and restoration within 90 days, basing his claim on an alleged finding of liability precisely on the basis of the 2012 TAR order.

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, without prejudice to the need for the entities to proceed to the correct identification of the party responsible for the contamination detected.

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

In January 2021, the Company, 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 co-settled 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 party responsible for the pollution, which, in June 2022 found by postponing the assessment until the conclusion of technical investigations on the contamination.

At the hearing on November 8, 2023, the Catania TAR held all appeals for decision. In judgments all having the same content, published between December 27, 2023 and January 9, 2024, the Catania TAR declared the appeals inadmissible due to the nature of the warning as an act not capable, as such, to affect - immediately and directly - the legal sphere of the appellants. The TAR did not take a position on the existence or non-existence of a judgement of responsibility regarding the contamination of the Rada, limiting itself to highlighting the fact that the proceeding administration considers it instead subsisting.

Priolo sewage treatment plant operated by IAS SpA.

At the beginning of February 2022, Versalis was notified of a request for an extension of the term of the preliminary investigation by the Syracuse Public Prosecutor's Office, which - in relation to the system of discharges of industrial effluents from the Versalis plant into the Priolo sewage treatment plant operated by IAS SpA - hypothesized the crimes of environmental disaster (452 quater c. p.) and of violation of discharge regulations, according to the accusatory assumption in progress, against two former directors of the Versalis plant in Priolo, as well as an employee of Versalis, then having a managerial role in Priolo Servizi.

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

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

In late September 2022, therefore, a request for an evidentiary incident was served by the Syracuse Public Prosecutor's Office. From this request it was learned that the investigation was also extended to the current Director of the Versalis Plant and the CEO of Priolo Servizi, an employee of Versalis SpA. In parallel, Versalis SpA has challenged before the Catania Regional Administrative Court the AIA issued to IAS only for the part in which the measure is interpreted as imposing new and different limits on discharge than those contained in the authorizations held by the company. In the meantime, the AIA issued for IAS's operation of the treatment plant was suspended by the Region of Sicily. Versalis has, therefore, challenged before the Regional Administrative Court the measure initiating the review of its AIA and, in a separate appeal, the measure suspending the AIA of IAS by the Region of Sicily. In June 2023, the GIP of Syracuse ordered the revocation of the previous experts and subsequently appointed a new expert panel, which started its investigations. The criminal proceedings are still pending at the investigation stage.

Civil litigation Novamont SpA - Mater-Biotech SpA - Mater-Biopolymer Srl / Axpo Italia Srl

On 26 April 2022, Novamont SpA and its affiliates Mater-Biotech SpA and Mater-Biopolymer Srl (merged into Novamont by deed dated 25 November 2022) filed a lawsuit before the Court of Genoa concerning the terms and conditions of the supply of natural gas by Axpo Italia Srl for the entire year 2022 relating to sites belonging to the three companies.

The case relates to the interpretation of contractual documentation on quantities subject to a price fixing carried out for the companies. At the hearing of 9 June 2023, the Judge considered the preliminary investigation concluded and ordered the case to be adjourned to the hearing of 30 April 2024 for the definition of the conclusions.

Tax litigations

Registration tax

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

Transfer prices for intragroup transactions

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

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

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

- Sale of raw materials to Dunastyr: the Office agrees with the Party's choice to use as a basis in the calculation of the price formula for the sale of raw materials the evidence of the price lists for the European market, published by independent operators such as ICIS (Independent Commodity Information Service) but does not agree with the choice of using a multiplier lower than one (0,885), which actually results in a discount on the list price applied by the independent operator, as no supporting documentation or motivation is capable of justifying this reduction. The Office therefore considered it correct to bring the multiplier used by the Company back to at least one, thereby neutralizing the discount applied.
- Sale of finished products to Versalis International: the Office agrees with the Party in the use of the Transactional Net Margin Method "TNMM", in the choice of the tested foreign party (VI) as a functionally less complex subject and in the adoption as a profit level ROS (Return of Sales) indicator. Since the Company has not provided a benchmark to demonstrate compliance with the free competition value of

the transaction in question, the Office used the results of its own analysis conducted for the chemical sector in the wholesale branch with the 2013-2015 observation period. As a result of this analysis, it was found that the VI ROS of 6,35% for the 2015 tax period was higher than the third quartile of the identified range (2,72%). The Office therefore reduced the profitability to the median value (2,06%).

During the meeting, the Officials anticipated that the higher taxable amount deriving from the aforementioned criticalities amounts to 14,5 million euros for Dunastyr and 2,7 million euros for Versalis International, therefore, against positive components declared in 437 million euro, the higher taxable amount ascertained is less than 10% of the same and the relief will not have repercussions in the criminal law field. On 9 June 2021, the Office notified the Company of the assessment notices for IRES and IRAP purposes that were challenged in the Provincial Tax Commission. Anyway, the higher income ascertained for IRES purposes is covered by the tax losses of the Company transferred to the Tax Consolidation, while for IRAP purposes the higher ascertained value decreases the result for the period, which remains negative. At the beginning of December 2021, the IRES and IRAP appeals were presented, by means of which Versalis intends to demonstrate the illegality of the findings raised by the Tax Authority, with reference to both the above transactions and, at the same time, request the cancellation of the Deed of assessment on transfer prices for intragroup transactions that took place in the 2015 financial year.

In particular, the complaints made by the Company concern the fact that, regarding the sale of raw materials to Dunastyr, the multiplier of less than 1 applied in the formula for the sale of styrene to the Hungarian subsidiary is consistent with the large quantities of material that it has purchased from Versalis in 2015; for third-party customers, the multiplier applied was slightly higher, but still lower than 1, since they ordered lower quantities of goods; consequently, the discount applied to them was also lower in terms of percentage. For further support, the company provided the Agency with the results of a similar assessment carried out by the Hungarian Tax Authority on the transfer prices of Dunastyr, relating to the period 2012-2018; in this document, the Hungarian Tax Authority recommends that the affiliate be particularly cautious in determining intercompany transfer prices, so as not to compromise the profitability of Dunastyr's manufacturing activity, whose business essentially consists in the purchase of raw material from Versalis SpA and resale to third parties at the end of the transformation cycle. The orientation of the Hungarian tax authorities is therefore substantially opposite to that of the Italian Tax Authority.

As regards the sale of finished products to Versalis International, the dispute raised by the Company relates to the fact that the basket of peers chosen by the Agency to determine the median ROS is made up predominantly of Italian companies, while the subsidiary Versalis International carries out its own commercial activity directly in the Benelux market and, indirectly, through its network of branches and subsidiaries, in the EMEA area. The chosen group of peers should therefore have included a greater presence of companies established under foreign law. Furthermore, the ROS taken as a reference by the Italian Tax Authority is not relevant as it is calculated taking into account all the revenues produced by the company Versalis International SA, instead of only the revenues related to the resale activity.

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

By judgment No. 2403/23 filed on 25 July 2023, the Lombardy Regional Administrative Court of Second Instance rejected the company's appeal.

For the year 2016 on the basis of the same assumptions as in 2015, Notices of Assessment No. TMB0E4F00586/2022 for IRES and No. TMB0C4F00593/2022 for IRAP were served on 14 December 2022 with higher taxable income and higher value of production of €17,265,074.00. For IRES purposes, an IPEC petition has been filed for the use of the tax losses of the consolidated tax return, which entails extending the deadline for filing the appeal. The company will file an appeal to challenge the notices. The company filed an out-of-court settlement request and asked for the hearing to be postponed.

For the 2017 tax year, the notices of assessment no. TMB0C4F00538/2023 for IRES and no. TMB0E4F00525/2023 for IRAP were served on November 21, 2023 with the same grounds; the company filed appeals and petition for adhesion while waiting for the court appearance.

Discussions are ongoing with the Internal Revenue Service to verify the possibility of settling the 2016 and 2017 assessments.

Excise duties for the production of electricity

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

VAT 2018-2019

Following the tacit rejection by the Agenzia delle Entrate - Direzione Regionale della Lombardia (Lombardy Regional Directorate of the Italian Revenue Agency) of the application for reimbursement of VAT amounting to €1.113.005,56 erroneously applied and paid by the customer Ineos Olefins S.A., for certain supplies of goods destined for the Rosignano VAT warehouse, the company, in agreement with the customer, filed an appeal. The Agency, accepting the clarifications provided by the company, ordered the reimbursement and therefore a joint petition to discontinue the matter in dispute was filed. The company, according to the agreements, returned the sums refunded to the customer Ineos Olefins S.A.

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)	2023	2022
Sales of petrochemical products	3.790	5.640
Other services	160	245
Sales of other products	286	330
	4.236	**6.215**

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)	2023	2022
Italy	2.051	2.999
Rest of Europe	1.792	2.694
Asia	149	235
Americas	146	180
Africa	96	104
Other areas	2	3
	4.236	**6.215**

Other income and revenues

Other income and revenues are detailed as follows:

(€ million)	2023	2022
Income from emission rights	50	42
Licence rights and royalties	29	30
Recovery of other costs and expenses	24	21
Insurance compensations	21	
Capital gain from disposal of assets	6	
Income from investment properties	5	3
Contractual penalties	1	
Sale of electricity		5
Income from sale of Energy Efficiency Certificates		5
Sale of precious metal		5
Research grants		4
Other	16	4
	152	**119**

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 (€7 million), to the chargeback of sundry costs and expenses to other companies working at the Group's production sites (€13 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)	**2023**	**2022**
Production costs - raw, ancillary and consumable materials and goods	2.962	4.244
Service costs	1.475	2.062
Net provisions for risks and charges	63	115
Other expenses	92	72
Leasing and rental charges	40	30
Increase (decrease) in allowance for doubtful accounts	(5)	4
Increase (decrease) in fixed assets for internal works	(9)	1
Changes in inventories	171	(255)
	4.789	**6.273**

Costs for raw materials, ancillary materials, consumables and goods amounting to €2.962 million mainly refer to the purchase of Virgin Nafta and other raw materials used in the production cycle.

Service costs of €1.475 million mainly refer to costs for utilities (€875 million, net of the extraordinary contribution to energy-intensive companies, totaling €61 million), logistics and transport (€262 million), maintenance (€138 million), ICT, supplying and administrative centralized services (€82 million), environmental services provided by Eni Rewind (€ 65 million), consulting and industrial services (€31 million), professional services (€20 million) and industrial insurance (€8 million).

Other expenses of €92 million mainly include costs for the purchase of emission rights (€42 million), charges for environmental remediation (€21 million), indirect taxes and duties (€14 million), costs related to the Dunkerque site (€6 million), customs duties (€4 million) and membership fees (€3 million).

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

Leasing and rental charges of €40 million mainly include expenses for concessions and licenses (€22 million), rentals (€10 million), leases of land and buildings (€7 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 4.

Research and development costs that do not meet the conditions established for their capitalization amount to €41 million (€42 million in 2022). This amount is to be considered net of the contribution deriving from the tax credit of €5 million, provided for by law no. 160/2019 and extended by the recent law no. 234/2021.

Payroll and related costs

Payroll and related costs are detailed as follows:

(€ million)	2023	2022
Payroll	365	330
Social security contributions	98	88
Provisions for severance pay (TFR)	17	16
Costs related to defined benefit plans and defined contribution plans	15	10
Other costs	7	8
	502	**452**
Less:		
Increase in fixed assets for internal work	(9)	(8)
	493	**444**

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, 2023 amount to €5 million and are disclosed as follows:

(€ million)	2023	2022
Payroll	3	3
Costs related to employee benefits	2	2
	5	**5**

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

	2023	2022
Senior management	122	124
Middle management and staff	3.881	3.753
Workers	3.271	3.284
	7.274	**7.161**

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 2022. The average number of executives includes managers hired and operating abroad whose organizational position is similar to the position of executive.

30. Other operating income (expenses)

There were no other operating expenses nor income during the year.

31. Depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

(€ million)	2023	2022
Depreciation and amortization:		
- Property, plant and equipment	67	87
- Intangible assets	33	22
- Lease assets	5	7
	105	**116**
Impairment losses (restatements):		
- Property, plant and equipment	367	383
- Intangible assets	4	1
- Lease assets	34	1
	405	**385**
	510	**501**

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)	2023	2022
Financial income	63	68
Financial expenses	(118)	(48)
Derivatives	(4)	5
	(59)	**25**

Il valore netto dei proventi (oneri) finanziari si analizza come segue:

(€ million)	2023	2022
Financial income (expenses) on net financial debt		
- Interest and other expenses towards Eni Group companies	(53)	(20)
Positive (negative) exchange rate differences		
- Positive exchange rate differences	58	66
- Negative exchange rate differences	(61)	(60)
Derivatives	(4)	5
Other financial income and expenses		
- Capitalized financial expenses	2	2
- Interest and other income on financial receivables and securities related to operations	5	35
- Other financial income (expenses)	(6)	(3)
	(59)	**25**

Net income (expenses) on derivatives relate to derivative contracts that do not meet the formal conditions to be classified as “hedges” as specified by IFRS 9 and, therefore, the related fair value changes are stated in the income statement. Net income on derivative instruments refers to contracts on currencies. Income (expenses) on derivative contracts is determined as a result of the recognition in the income statement of the effects related to the fair value measurement of derivative contracts that cannot be considered as hedging under IFRS, as they are realized for amounts corresponding to the net exposure of foreign exchange and interest rate risks and, therefore, not referable 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.

33. Income (expenses) from investments

Income (expenses) from investments is detailed as follows:

(€ million)	2023	2022
Effects from measurement at equity method	(59)	(66)
Other net income (expenses)	3	60
	(56)	**(6)**

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

34. Income taxes

Income taxes are detailed as follows:

(€ million)	2023	2022
Current taxes:		
- Italian companies	(227)	4
of which income from tax consolidation	(221)	
- foreign companies	6	28
	(221)	**32**
Net deferred (prepaid) taxes:		
- Italian companies	(11)	(27)
- foreign companies	1	11
	(10)	**(16)**

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:

(%)	2023	2022
Theoretical tax rate	**31,3**	**23,4**
Items increasing (decreasing) compared to theoretical tax rate:		
- (impairments) restatements of prepaid taxes	(12)	(4)
- income (expenses) from investments	(4)	(1)
- permanent tax differences	(3,6)	7,3
- different tax burden on foreign companies	(0,8)	0,6
- benefits from the application of tax relief rules	0,3	0,4
- previous years taxes		
- other changes	4,2	(29)
Total changes	**(15,9)**	**(25,2)**
Effective tax rate	**15,4**	**(1,8)**

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, as better explained further. All the transactions are part of core operations are carried out in the best interest of Versalis Group.

The main transactions (i.e. revenues-costs exceeding €5 million) were carried out with the following companies:

a) Eni SpA: purchase of natural gas; sale of basic chemicals and transactions of an administrative and financial nature, sale of electricity, procurement and information technology services, legal services, research services and services for personnel, treasury services and administrative activities;

b) Azule Energy Angola SpA (participated da Eni SpA): marketing of products and services;

c) Brindisi Servizi Generali Scarl, Ravenna Servizi Industriali ScpA, Servizi Porto Marghera Scarl and Priolo Servizi Scarl (associate companies of Versalis SpA): supply of general and auxiliary services at sites where Versalis SpA is also present;

d) Ecofuel SpA (controlled by Eni SpA): sale of olefin cycle products, transactions deriving from rental of the "MTBE/ETB and BTH" business unit in Ravenna;

e) Eni Global Energy Markets (controlled by Eni SpA): purchase of energy certificates;

f) Eni Insurance DAC (controlled by Eni SpA): insurance cover for risks;

g) Enilive SpA (controlled by Eni SpA): purchase of oil fillers and Virgin Naphtha for cracking plants;

h) Eni Petroleum Co Inc, Eni Congo SA, Eni Mexico S. de RL de CV, (controlled by Eni SpA): marketing of oilfield products and services;

i) EniPower SpA (controlled by Eni SpA), EniPower Mantova SpA and Società EniPower Ferrara Srl (controlled by EniPower SpA): purchase of electricity and steam; provision of auxiliary and general services;

j) EniServizi SpA (controlled by Eni SpA): provision of general services;

k) Eni Rewind SpA (controlled by Eni SpA): marketing of products, purchase and sale of products and exchange of services and utilities;

l) Eni Trade & Biofuels SpA (controlled by Eni SpA):): transport by sea, purchase and sale of raw materials of basic chemical products, as well as derivative contracts on commodities;

m) IFM Ferrara ScpA (associate company of Eni SpA): supply of general and auxiliary services at sites where Versalis SpA is also present;

n) Lotte Versalis Elastomers Co Ltd (joint venture): marketing of products and services;

o) Gruppo Enel: supply of utilities in the sites where Finproject is present;

p) Gruppo Ferrovie dello Stato: rail transport;

q) GSE - Gestore dei Servizi Energetici: incentives relating to the production of electricity from renewable sources.

An analysis of transactions of a commercial and other nature with the parent company, unconsolidated subsidiaries, associates and joint ventures, and other companies owned or controlled by Eni SpA or the State is as follows:

(€ million)				Costs			Revenues		
Company name	Receivables and other assets	Payables and other liabilities	Derivatives	Goods	Services	Other expenses	Goods	Services	Other revenues
Associate companies									
Brindisi Servizi Generali Scarl		1			8				
IFM Ferrara ScpA		1			5				
Priolo Servizi Scarl		(2)			28				
Ravenna Servizi Industriali ScpA	8	2			11	1	1		1
Servizi Porto Marghera Scarl	1	11			20				
Finproject Viet Nam Co Ltd	4	1		4					
Versalis International Cote d'Ivoire Sarlu	1						1		
Padanaplast America Llc							1		
BBI Sverige AB							1		
BioBag Zenzo AS							1		
Polymer Servizi Ecologici Scarl					1				
Subtotal	**14**	**14**		**4**	**73**	**1**	**5**		**1**
Joint Ventures									
LOTTE Versalis Elastomers Co Ltd	5	4		11	8			1	
Subtotal	**5**	**4**		**11**	**8**			**1**	
Parent company									
Eni SpA	257	148	(1)	11	606	2	8	78	4
Subtotal	**257**	**148**	**(1)**	**11**	**606**	**2**	**8**	**78**	**4**
Eni Group Companies									
Azule Energy Angola SpA	7						5	1	
CE P.I.M. SpA		1			2				
Ecofuel SpA	15	6		36	2		104	10	1
Eni Congo SA	15						15	4	
Eni Corporate University SpA					2				
Eni Gas & Power France SA		3			8				
Eni Ghana Exploration & Production Ltd	1						3		
Eni Global Energy Markets SpA						40			57
Eni Insurance Designated Activity Co					7				20
Eni Mediterranea Idrocarburi SpA	2						1	1	
Eni Mexico S. de RL de CV	4						8		
Eni Petroleum Co Inc	10	1			1		29		
EniPower SpA	3				2			9	1
Eni UK Ltd							1		
EniPower Mantova SpA	1							4	
EniServizi SpA		1			9	1			
Eni Rewind SpA	10	44		3	77	3		4	8
Eni Trade and Biofuel SpA	4	71		471	98	1	65		
Raffineria di Gela SpA	1								
Societa' EniPower Ferrara Srl					1				
Enilive SpA	1	30		217			1		
Coral FLNG SA	1						1		
Societa' EniPower Ferrara Srl (JO)					2				
Subtotal	**75**	**157**		**727**	**211**	**44**	**233**	**33**	**87**
State owned or State-controlled companies									
Gruppo Enel		1			8				
Gruppo Ferrovie dello Stato		1			4				
Gruppo Snam								1	
Gruppo Terna	1				1	1		1	
GSE - Gestore Servizi Elettrici	5								
Gruppo Sace		2							
Gruppo Saipem	2						2		
Subtotal	**8**	**4**			**13**	**1**	**2**	**2**	
Total	**359**	**327**	**(1,00)**	**753**	**911**	**48**	**248**	**114**	**92**

Financial transactions with the parent company, non-consolidated subsidiaries, associated companies and jointly controlled companies and with other companies owned or controlled by Eni SpA include the following:

(€ million)	December 31, 2023		2023		
Company name	**Receivables**	**Payables**	**Expenses**	**Revenues**	**Derivatives**
Associate companies					
BBI Sverige AB		1			
BioBag Zenzo AS		1			
Parent Company					
Eni SpA	84	2.505	(50)	3	(5)
Eni Group companies					
Banque Eni SA	8				
Eni finance international SA			(5)		
Total	**92**	**2.507**	**(55)**	**3**	**(5)**

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

(€ million)	December 31, 2023			December 31, 2022		
	Total	**Related parties**	**%**	**Total**	**Related parties**	**%**
Cash and cash equivalents	184	91	49	102	43	42
Trade and other receivables	840	359	43	720	191	27
Other current assets	37	2	5	76	2	3
Other financial assets	9			10	10	100
Other non-current financial assets	1	1	65	19	16	86
Short-term financial liabilities	393	321	82	1.354	1.327	98
Trade and other payables	887	327	37	874	394	45
Other current liabilities	43	11	26	28		
Long-term financial liabilities	1.882	1.870	99	523	522	100
Short-term portions of long-term financial liabilities	315	314	100	209	209	100

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

	December 31, 2023			December 31, 2022		
(€ million)	**Total**	**Related parties**	**%**	**Total**	**Related parties**	**%**
Revenues from operating activities	4.236	362	9	6.215	496	8
Other income	152	92	61	119	62	52
Purchases, services and other costs	(4.794)	(1.712)	36	(6.269)	(2.911)	46
Payroll and related costs	(493)			(444)		
Financial income	63	3	5	68	35	51
Financial expenses	(118)	(55)	47	(48)	(19)	40
Gains/losses on derivatives	(4)	(5)	125	5	5	100

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

(€ million)	**2023**	**2022**
Revenues and other income	454	558
Expenses and other costs	(1.712)	(2.911)
Changes in trade and other receivables and in other assets	(168)	72
Changes in trade and other payables and in other liabilities	(56)	(117)
Dividends, interest and taxes		(18)
Net cash flow from operating activities	**(1.482)**	**(2.416)**
Investments:		
- investments and securities		(8)
- financial receivables	(26)	20
- changes in payables and receivables related to investment activities		
Cash flow from investments	*(26)*	*12*
Net cash flow from investment activities	**(26)**	**12**
- Changes in financial debt	448	689
- Capital injection	1.071	
Net cash flow from financing activities	**1.519**	**689**
Total cash flow to related parties	**11**	**(1.715)**

The impact of financial flows with related parties is disclosed in the table below:

	2023			**2022**		
(€ million)	Total	Related parties	%	Total	Related parties	%
Net cash flow from operating activities	(692)	(1.482)	n.s	(423)	(2.414)	n.s
Net cash flow from investment activities	(599)	(26)	4	(259)	(27)	10
Net cash flow from financing activities	1.373	1.519	111	685	689	101

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

Versalis group companies have not granted disbursements to public and private companies, persons and entities, falling within the scope of Law No. 124/2017. In particular, the following do not fall within the scope of the aforementioned legislation: (i) the forms of incentives/subsidies received in application of a general aid scheme for all those entitled; (ii) fees relating to works/services, including sponsorships; (iii) reimbursements and allowances paid to subjects engaged in training and orientation internships; (iv) contributions received for continuing education from inter-professional funds set up in the legal form of association; (v) membership fees for joining category and regional associations as well as in favor of foundations, or equivalent organizations, functional to the activities connected with the core business; (vi) (where applicable to the company) the costs incurred for social projects connected with the investment activities carried out. Disbursements are identified on a cash basis. Disclosures include disbursements exceeding €10 thousand made by the same disbursing party during 2023, including through a plurality of acts. Pursuant to the provisions of Article 3-quater of Decree-Law 135/2018, converted with amendments by Law No. 12 of 11 February 2019, for disbursements received, refer to the indications contained in the National Register of State Aid referred to in Article 52 of Law No. 234 of 24 December 2012. For the disbursements received, in addition to the indications contained in the National Register of State Aid referred to in Article 52 of Law no. 234 of 24 December 2012, there are no additional cases.

37. Significant non-recurring events and operations

In 2023 Versalis group benefited from the tax credits recognized in Italy for energy- and gas-intensive companies established by Decree-Laws No. 4 of January 27, 2022, No. 17 of March 1, 2022 and No. 21 of March 21, 2022, as amended, to meet the higher charges incurred for the purchase of natural gas and electricity.
The economic benefit for the year recognized as a reduction in the purchase costs of these commodities during the year was: €59 million for Versalis SpA and €2 million for Finproject SpA; the portion that was financially recovered in 2023 was €106 million for Versalis SpA and €2 million for Finproject SpA.
Following the fire that damaged the Dunkirk plant, Versalis France received insurance compensation of €20 million.
On December 13, 2023, the Versalis UK shareholders' meeting resolved to end production at the Grangemouth plant, the trade unions were then informed of the decision taken and on December 20, 2023 the minutes were signed.
The plant is expected to continue production on two lines until early April 2024. Based on the current estimates, the company recorded a provision for restructuring and decommissioning of approximately €33 million.

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, 2023, there were no assets held for sale and disposals.

40. Main events subsequent to December 31, 2023

No events occurred after the close of the 2023 financial year that could have a material impact on the Group's financial statements. On February 20, 2024, Eni S.p.A. issued a Support Letter to the Company, in which it reaffirmed Eni's policy to provide the subsidiaries, directly or indirectly, with the necessary funds to meet their obligations, specifically confirming the necessary financial support, including any capitalization, to guarantee the going concern of Versalis S.p.A. and its subsidiaries for at least 12 months from the date of approval of their respective financial statements for the year 2023.

41. List of investments

Versalis SpA investments as at December 31, 2023

In accordance with articles 38 and 39 of Legislative Decree 127/1991, by art. 126 of Consob resolution no. 11971 of May 14, 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, 2023, as well as the significant investments, are disclosed below.

The companies are divided between residents in Italy and abroad, and in alphabetical order. For each company the following details are disclosed: name, registered office, share capital or the consortium fund, shareholders and the respective percentages of ownership; for consolidated companies, the consolidated percentage pertaining to Versalis SpA is indicated; for non-consolidated companies in which consolidated companies own stakes, the valuation criterion is shown (equity, fair value or cost).

Versalis shareholdings as at December 31, 2023

CHANGES IN THE CONSOLIDATION AREA

Effective October 1, 2023, Matrìca and eight Novamont Group companies entered the scope of consolidation, following the acquisition of the entire shareholding of Novamont SpA. Effective December 1, 2023, Finproject Singapore merged into Versalis Singapore.

CONSOLIDATING COMPANY

Name		Registered office	Currency	Share Capital	Shareholder	% of ownership	% of conoslidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Versalis SpA	● ● ● ● ● ●	San Donato Milanese (MI)	EUR	300.000.000,00	Eni SpA	100,00	100,00	L.b.L

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

Main business conducted

● Intermediates

● Polyethylene

● Elastomers

● Styrenics

● Oilfield chemicals

● Biochem

● Moulding & Compounding

○ Other services

SUBSIDIARIES

In Italy

Name	Registered office	Currency	Share Capital	Shareholder	% of ownership	% of consolidated shares pertaining to Versalis Group	Consolidation method or
Finproject SpA	Morrovalle (MC)	EUR	18.500.000	Versalis SpA	100,00	100,00	L.b.L
Mater-Agro Srl	Novara (NO)	EUR	50.000	Novamont SpA	85,00	85,00	N.E.
				Third parties	15,00		
Mater Biotech SpA	Novara (NO)	EUR	120.000	Novamont SpA	100,00	100,00	L.b.L
Matrìca SpA	Porto Torres (SS)	EUR	37.500.000	Versalis SpA	50,00	100,00	L.b.L
				Novamont SpA	50,00		
Novamont SpA	Novara (NO)	EUR	20.000.000	Versalis SpA	100,00	100,00	L.b.L

Abroad

Name	Registered office	Currency	Share Capital	Shareholder	% of ownership	% of consolidated 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
BBI Sverige AB	Torsby (Sweden)	SEK	100.000	BioBag International	100,00	100,00	N.E.
BioBag Americas Inc	Dunedin (USA)	USD	476	Biobag International	100,00	100,00	L.b.L
BioBag Finland OY	Vantaa (Finland)	EUR	203.784	Biobag International	97,99	97,99	N.E.
				Soci terzi	2,01		
BioBag Inc	Toronto (Canada)	CAD	100	Biobag International	100,00	100,00	N.E.
BioBag International AS	Indre Østfold (Norway)	NOK	3.565.000	Novamont SpA	100,00	100,00	L.b.L
BioBag Norge AS	Indre Østfold (Norway)	NOK	200.000	Biobag International	100,00	100,00	N.E.

Name	Registered office	Currency	Share Capital	Shareholder	% of ownership	% of conoslidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
BioBag Plastics Ltd	Delgany	EUR	1.000	Biobag International	90,10	90,10	N.E.
	(Ireland)			Soci terzi	9,90		
BioBag Polska Sp zoo	Wroclaw	PLN	106.100	Biobag International	100,00	100,00	N.E.
	(Poland)						
BioBag UK Ltd	Belfast	GBP	1.000	Biobag International	90,100	90,10	N.E.
	(UK)			Soci terzi	9,90		
BioBag Zenzo A/S	Hillerød	DKK	400.000	Biobag International	100,00	100,00	N.E.
	(Denmark)						
Dagöplast AS	Hiiumaa	EUR	76.800	Biobag International	100,00	100,00	L.b.L
	(Estonia)						
Dunastyr Polystyrene Zrt	Budapest	HUF	5.219.443.200	Versalis SpA	96,34	100,00	L.b.L
	(Hungary)			Versalis International	1,83		
				Versalis Deutschland Gmb	1,83		
Finproject Asia Ltd	Hong Kong	USD	1.000	Finproject SpA	100,00	100,00	L.b.L
	(Hong Kong)						
Finproject Brasil Industria De Solados Eireli	Franca	BRL	1.000.000	Finproject SpA	100,00	100,00	N.E.
	(Brasil)						
Finproject Guangzhou Trading Co Ltd	Guangzhou	USD	180.000	Finproject SpA	100,00	100,00	L.b.L
	(China)						
Finproject India Pvt Ltd	Jaipur	INR	46.712.940	Versalis Singapore	99,99	100,00	L.b.L
	(India)			Finproject SpA	0,01		
Finproject Romania Srl	Valea Lui Mihai	RON	7.523.030	Finproject SpA	100,00	100,00	L.b.L
	(Romania)						
Finproject Viet Nam Company Limited	Hai Phong	VND	19.623.250.000	Finproject Asia Ltd	100,00	100,00	N.E.
	(Vietnam)						

Name	Registered office	Currency	Share Capital	Shareholder	% of ownership	% of consolidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Foam Creations (2008) Inc	Quebec City (Canada)	CAD	1.215.000	Finproject SpA	100,00	100,00	L.b.L
Foam Creations México SA de CV	León (Mexico)	MXN	35.956.433	Foam Creations (2008)	53,23	100,00	L.b.L
				Finproject SpA	46,77		
Novamont France SAS	Paris (France)	EUR	40.000	Novamont SpA	100,00	100,00	L.b.L
Novamont GmbH	Eschborn (Germany)	EUR	25.564	Novamont SpA	100,00	100,00	N.E.
Novamont Iberia SLU	Cornellà De Llobregat (Spain)	EUR	50.000	Novamont SpA	100,00	100,00	L.b.L
Novamont North America Inc	Shelton (USA)	USD	50.000	Novamont SpA	100,00	100,00	L.b.L
Padanaplast America Llc	Wilmington (USA)	USD	70.000	Finproject SpA	100,00	100,00	N.E.
Padanaplast Deutschland GmbH	Hannover (Germany)	EUR	25.000	Finproject SpA	100,00	100,00	N.E.
Versalis Americas Inc	Dover, Delaware (USA)	USD	100.000	Versalis International SA	100,00	100,00	L.b.L
Versalis Congo Sarlu	Pointe-Noire (Congo)	XAF	1.000.000	Versalis International SA	100,00	100,00	L.b.L
Versalis Deutschland GmbH	Eschborn (Germany)	EUR	100.000	Versalis SpA	100,00	100,00	L.b.L
Versalis France SAS	Mardyck (France)	EUR	126.115.582,90	Versalis SpA	100,00	100,00	L.b.L
Versalis International SA	Bruxelles (Belgium)	EUR	15.449.173,88	Versalis SpA	59,00	100,00	L.b.L
				V. Deutschland GmbH	23,71		
				Dunastyr Zrt	14,43		
				Versalis France SAS	2,86		
Versalis International Côte d'Ivoire Sarlu	Abidjan (Ivory Coast)	XOF	270.000.000	Versalis International SA	100,00	100,00	N.E.
Versalis Kimya Ticaret Limited Sirketi	Istanbul (Turkey)	TRY	20.000	Versalis International SA	100,00	100,00	L.b.L

Name	Registered office	Currency	Share Capital	Shareholder	% of ownership	% of conoslidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Versalis México S. de R.L. de CV.	Mexico City (Mexico)	MXN	45.001.000	Versalis International SA Versalis SpA	99,99 0,01	99,99	L.b.L
Versalis Pacific (India) Private Limited	Mumbai (India)	INR	238.700	Versalis Singapore PTE. LTD. Third parties	99,99 0,01	99,99	L.b.L
Versalis Pacific Trading (Shanghai) Co Ltd	Shanghai (China)	CNY	15.237.236	Versalis SpA	100,00	100,00	L.b.L
Versalis Singapore Pte. Ltd.	Singapore (Singapore)	SGD	5.886.800	Versalis SpA	100,00	100,00	L.b.L
Versalis UK Ltd	London (UK)	GBP	4.018.042	Versalis SpA	100,00	100,00	L.b.L
Versalis Zeal Ltd	Takoradi (Ghana)	GHS	5.650.000	Versalis International SA Third parties	80,00 20,00	80,00	L.b.L

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

ASSOCIATED COMPANIES

In Italy

Name	Registered office	Currency	Share Capital	Shareholder	% 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		
Polymer Servizi Ecologici Scarl	○ Terni (TR)	EUR	10.000	Novamont SpA	32,44	32,44	N.E.
				Third parties	67,56		
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	Shareholder	% of ownership	% of consolidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
BioBag Baltic OÜ	● Tallinn (Estonia)	USD	3.846	BioBag International	35,00	35,00	N.E.
				Third parties	65,00		
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

Abroad

Name	Registered office	Currency	Share Capital	Shareholder	% of ownership	% of conoslidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Lotte Versalis Elastomers Co Ltd	Yeosu (Jeollanam)	KRW	601.800.000.000	Versalis SpA	50,00	50,00	N.E.
	(South Korea)			Third parties	50,00		
Versalis Chem-invest limited liabilited partnership	Uralsk City	KZT	64.194.000	Versalis International SA	49,00	49,00	N.E.
	(Kazakhstan)			Third parties	51,00		
VPM Oilfield Specialty Chemicals LLC	Abu Dhabi	AED	1.000.000	Versalis International SA	49,00	49,00	N.E.
	(UAE)			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	Shareholder	% of ownership	% of conoslidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
IFM Ferrara ScpA	○	Ferrara (FE)	EUR	5.304.464	Versalis SpA	19,61	19,61	Co.
					Eni Rewind SpA	11,51		
					S.E.F. Srl	10,63		
					Third parties	58,25		
Consorzio Crea Assemini	○	Cagliari (CA)	EUR	70.000	Versalis SpA	7,14	7,14	Co.
					Third parties	92,86		
IAS Industria Acqua Siracusana SpA	○	Siracusa (SR)	EUR	102.000	Versalis SpA	1,00	1,00	Co.
					Third parties	99,00		
Socratis Scarl in liquidazione	○	Caserta (CE)	EUR	100.000	Novamont SpA	10,00	10,00	Co.
					Third parties	90,00		
National Biodiversity Future Center Scarl	○	Palermo (PA)	EUR	100.000	Novamont SpA	2,50	2,50	Co.
					Eni SpA	2,50		
					Third parties	95,00		

Abroad

Name		Registered office	Currency	Share Capital	Shareholder	% of ownership	% of conoslidated shares pertaining to Versalis Group	Consolidation method or measurement criterion (*)
Sociedad Espanola de Materiales Plasticos SA	○	Madrid (Spain)	EUR	61.002	Versalis International SA	7,88	7,88	Co.
					Third parties	92,12		
BKV Beteiligungs-und Kunststoffverwert-ungsgesellschaft mbH	○	Frankfurt am Main (Germany)	EUR	14.147.400	Versalis Deutschland GmbH	1,22	1,22	Co.
					Third parties	98,78		
EXELTIUM SAS	○	Paris (France)	EUR	12.358.090	Versalis France SAS	1,67	1,67	Co.
					Third parties	98,33		
Genomatica Inc	●	San Diego (USA)	USD	31.308.448	Versalis SpA	0,03	0,03	F.V.
					Third parties	99,97		

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

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the sole shareholder of Versalis SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Versalis SpA (the Company) and its subsidiaries (the Group), which comprise the balance sheet as of 31 December 2023, the income statement, statement of comprehensive income (loss), statement of changes in shareholder's equity, statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, 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 pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Versalis SpA or to cease operations or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional skepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010

The directors of Versalis SpA are responsible for preparing a report on operations of the Versalis Group as of 31 December 2023. 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 2023 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 2023 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decre 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, 5 April 2024

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.

Andrea Crespi
(Revisore legale)

Versalis SpA Annual Financial Statements 2023

Balance sheet

(€ million)	Note	31.12.2023 Total amount	31.12.2023 *of which with related parties*	31.12.2022 Total amount	31.12.2022 *of which with related parties*
ASSETS					
Current assets					
Cash and cash equivalents	(1)	66.211	*56.422*	24.486.767	*24.474.801*
Other financial activities	(2)	93.125.000	*93.125.000*	8.801.819	*8.801.819*
Trade and other receivables	(3)	783.426.533	*471.681.126*	636.404.793	*280.953.189*
Inventories	(4)	750.212.170		892.552.253	
Income tax receivables	(5)	156.936		156.936	
Other current assets	(6)	6.616.478	*1.403.697*	52.150.724	*1.708.922*
		1.633.603.328		**1.614.553.292**	
Non current assets					
Property, plants and equipment	(7)	138.817.297		356.977.364	
Right of use assets	(8)			3.254.873	
Intangible assets	(9)	76.278.757		73.183.365	
Equity-accounted investments	(11)	1.208.633.841		966.217.798	
Other investments	(12)	1.046.102		1.046.102	
Other non-current financial assets	(13)	13.832.199	*13.832.199*	98.565.504	*98.565.504*
Deferred tax assets	(14)	33.000.000		29.000.000	
Other non-current assets	(15)	9.497.396		7.808.457	
		1.481.105.592		**1.536.053.463**	
TOTAL ASSETS		**3.114.708.920**		**3.150.606.755**	
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current liabilities					
Short term debt	(16)	322.153.270	*315.201.914*	1.213.009.879	*1.205.086.075*
Current portion of long-term debt	(17)	312.957.004	*312.829.677*	209.249.409	*208.825.389*
Short-term lease liabilities	(8)			1.675.515	
Trade and other payables	(18)	649.187.095	*307.052.786*	701.959.389	*405.357.901*
Income tax payables	(14)				
Other non-current liabilities	(19)	22.049.599	*9.086.816*	15.698.189	*2.334.606*
		1.306.346.968		**2.141.592.381**	
Non current liabilities					
Passività finanziarie a lungo termine	(20)	1.413.250.156	*1.413.125.000*	522.420.153	*521.875.000*
Passività per leasing a lungo termine	(8)			2.379.407	
Fondi per rischi e oneri	(21)	223.461.740		214.373.351	
Fondi per benefici ai dipendenti	(22)	63.331.291		62.968.070	
Altre passività		101.164	*100.000*	101.165	*100.000*
		1.700.144.351		**802.242.146**	
TOTAL LIABILITIES		**3.006.491.319**		**2.943.834.527**	
SHAREHOLDER'S EQUITY	(23)				
Share capital [a]		300.000.000		446.050.729	
Legal reserve		977.372.228		500.000.000	
Other reserves		974.423		139.577.000	
Retained earnings (losses)				(115.797.313)	
Net profit (losses)		(1.170.129.050)		(763.058.188)	
TOTAL SHAREHOLDER'S EQUITY		**108.217.601**		**206.772.228**	
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**3.114.708.920**		**3.150.606.755**	

(a) Fully paid-up share capital consisting of 1.364.790.000 shares with no face value.

Income Statement

(€ million)	Note	Total amount	*of which with related parties*	Total amount	*of which with related parties*
REVENUES	(25)				
Net sales from operations		3.122.800.045	*519.998.095*	4.753.104.967	*738.559.079*
Other income and revenues		111.569.851	*71.044.420*	100.895.569	*68.212.627*
Total revenues		**3.234.369.896**		**4.854.000.536**	
OPERATING EXPENSES	(26)				
Purchases, services and other		(3.676.011.934)	*(1.408.918.264)*	(5.108.188.172)	*(2.428.030.337)*
Net (impairment losses) reversals of trade and other receivables	(3)	2.661.854		(1.202.473)	
Payroll and related costs		(327.181.249)	*(3.078.078)*	(312.860.617)	*(1.373.116)*
DEPRECIATION, AMORTIZATION	(28)	**(40.452.645)**		**(64.507.075)**	
IMPAIRMENT	(28)	**(319.537.160)**		**(296.673.000)**	
OPERATING INCOME (LOSS)		**(1.126.151.238)**		**(929.430.801)**	
FINANCIAL INCOME (EXPENSE)	(29)				
Financial income		10.221.122	*2.907.056*	27.754.666	*839.166*
Financial expense		(54.815.640)	*(43.773.002)*	(9.197.720)	*(17.951.831)*
Derivatives		244.961	*244.961*	1.594.141	*1.594.141*
		(44.349.557)		**20.151.087**	
INCOME (EXPENSE) FROM INVESTMENTS	(30)	**(226.602.839)**		**121.732.899**	
PROFIT (LOSS) BEFORE INCOME TAXES		**(1.397.103.634)**		**(787.546.815)**	
Income taxes	(31)	226.974.584		24.488.627	
NET PROFIT (LOSS) FOR THE YEAR		**(1.170.129.050)**		**(763.058.188)**	

Statement of comprehensive income (loss)

(€)	**2023**	**2022**
NET PROFIT (LOSS) FOR THE YEAR	**(1.170.129.050)**	**(763.058.188)**
Other items of comprehensive profit (loss)		
Remeasurements of defined benefit plans	(654.618)	9.998.645
Tax effect related to other components of comprehensive loss not reclassified to P&L		(913.843)
Change of investments at fair value with effects to OCI		37.538.819
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(1.170.783.668)**	**(716.434.567)**

Statement of changes in shareholder's equity

(€ million)	Share capital	Legal reserve	Reserve Business combination under common control	Changes in the value of equity-accounted investments	Other Capital Reserves	Reserve for employee defined-benefit plans	Retained earnings (losses)	Profit (Loss) for the year	Total
Balances at December 2021 (a)	**446**			**106**	**500**	**(12)**		**(116)**	**924**
loss of the year 2022								*(763)*	*(763)*
Remeasurements of defined benefit plans net of tax effect						*9*			*9*
Changes in fair value of investments				*37*					*37*
Total comprehensive loss of the year 2022 (b)				**37**		**9**		**(763)**	**(717)**
Transactions with shareholders:									
Allocation of 2021 loss							(116)	116	
Total transactions with shareholders (c)							**(116)**	**116**	
Balance at December 31, 2022 (e=a+b+c)	**446**			**143**	**500**	**(3)**	**(116)**	**(763)**	**207**
Profit (loss) for the year 2023								(1.170)	**(1.170)**
Revaluation of defined-benefit plans for employees net of tax effect									
Changes in investments at fair value									
Total comprehensive loss for the year 2023 (f)								**(1.170)**	**(1.170)**
Transactions with shareholders:									
Allocation of 2022 loss							(763)	763	
Reduction in shareholder's capital and loss coverage	(146)			(143)	(500)	4	785		
Payment of the sole shareholder					977		94		**1.071**
Total transactions with shareholders (g)	**(146)**			**(143)**	**477**	**4**	**116**	**763**	**1.071**
Balance at December 31, 2023 (i=e+f+g)	**300**				**977**	**1**		**(1.170)**	**108**

Statement of cash flow

(€ million)	Note	2023	2022
Profit (loss) for the year		(1.170)	(763)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	(28)	40	65
Net Impairments (reversals) of tangible, intangible assets and right of use	(10)	320	297
Depreciation (revaluation) of equity investments	(11)	278	(2)
Write-down (reinstatement) of financial receivables instrumental to operating activities	(2)	(4)	(35)
Currency differences from alignment			2
Net capital gains on asset disposals	(25)	(5)	
Dividends	(30)	(51)	(120)
Interest income	(29)	(2)	(1)
Interest expenses	(29)	46	17
Income taxes	(31)	(227)	(24)
Changes in working capital:			
- inventories	(4)	142	(184)
- trade receivables	(3)	67	81
- trade payables	(18)	(56)	(75)
- provision for contingencies	(21)	25	116
- other assets and liabilities		33	47
Cash flow from changes in working capital		*(564)*	(579)
Changes in provisions for employee benefits	(22)	5	(1)
Dividends received		51	123
Interest received		2	1
Interest paid		(42)	(16)
Income taxes paid, net of tax receivables received		3	(3)
Net cash provided by operating activities		**(545)**	**(475)**
of which with related parties	*(33)*	(1.094)	(1.569)
Investing activities:			
- tangible assets	(7)	(136)	(81)
- intangible assets	(9)	(19)	(27)
- investments	(11) e (12)	(537)	(8)
- financial receivables			
- changes in payables and receivables relating to investing activities	(18)	26	(14)
Net cash flow from investing activities		*(666)*	*(130)*
Disposal:			
- tangible assets	(7)	6	
- intangible assets		10	5
- financial receivables			
Cash flow from investing activities		*16*	*5*
Net cash flow from investing activities		**(650)**	**(125)**
of which with related parties	*(33)*	(511)	(22)
Increase (decrease) in long-term debt	(20)	1.200	
Increase (decrease) in short-term debt	(20)	(209)	(9)
Increase of lease liabilities	(8)		2
Repayments of lease liability	(8)		(2)
Increase (decrease) in current financial debt	(16)	(891)	626
Equity contribution from shareholders	(23)	1.071	
Cash flow from equity		**1.171**	**617**
of which with related parties	*(33)*	1.176	*614*
Net cash flow for the year		**(24)**	**17**
Cash and cash equivalents - beginning of the year	(1)	**24**	**7**
Cash and cash equivalents - end of the year	(1)		**24**

Notes to the Financial Statements

Significant accounting policies, estimates and judgments

Basis of preparation

The Annual Financial Statements of Versalis SpA have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "international accounting principles") as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) pursuant to article 6 of the EC Regulation No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, and in accordance with article 9 of the Italian Legislative Decree No. 38/05.

The Financial Statements have been prepared on a historical cost basis, considering where appropriate any value adjustments, except for certain items that under IFRSs must be measured at fair value as required by the accounting policies.

The parent company Versalis SpA, following the net loss for the year of 1,170 million euros, falls within the conditions set out in art. 2446 of the Civil Code. These financial statements have been prepared on a going-concern basis since the directors believe, consistently with what happened in previous years and in the current one, that they can benefit from the constant financial support from Eni SpA, whose management activity and coordination Versalis Spa is submitted. In this regard, on February 20 2024 Eni SpA issued a Support Letter in which it reiterated Eni's policy to ensure to all entities, directly or indirectly controlled, the coverage of the financial needs to the extent that allows them to regularly fulfill their obligations confirming, specifically, the necessary financial support, including any capitalization, to guarantee the going concern of Versalis and its subsidiaries for twelve months following the date of approval of their respective financial statements for the year 2023.

The notes of Balance Sheet and Profit & Loss accounts are presented in millions of euros, considering the materiality if the amounts, except where otherwise indicated.

Significant accounting estimates and judgments

The application of the internationally accepted accounting standards for the preparation of annual and interim financial statements implies that the management uses accounting estimates based on complex and/or subjective judgements, on 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. Changes in the conditions upon which judgements, assumptions and estimates are based could significantly affect the subsequent results.

Evaluation Criteria

The valuation criteria are the same as those adopted for the preparation of the consolidated financial statements, to which reference should be made, except for the recognition and valuation of investments in subsidiaries, affiliates and jointly controlled companies. Specifically, these are valued at purchase cost including directly attributable incidental costs. Where there is objective evidence of impairment, recoverability is tested by comparing the carrying value with the relevant recoverable value represented by the higher of fair value, net of disposal charges, and value in use. The latter is determined by discounting to present value the cash flows expected from the equity investment and, if significant and reasonably determinable, from its disposal, net of disposal costs or by considering all the results of the impairment tests conducted by the investees; in the absence of different evidence, the value in use is made at least equal to the equity in consolidated use.

When the reasons for the write-downs made no longer apply, equity investments valued at cost are revalued to the extent of the write-downs made, with the effect charged to the income statement under "Other income/expenses on equity investments."

The investor's share of any losses of the investee, in excess of the carrying value of the investment, is recognized in a special provision to the extent that the investor is committed to fulfilling legal or implied obligations of the investee, or otherwise, to cover its losses.

Transactions involving the sale and purchase of business units and controlling equity investments entered into with subsidiaries and having a purely reorganizational purpose are recognized in continuity with the related book values; any difference between the price and the book value of the object transferred results in the subsidiary recognizing an increase/decrease in equity and consequently in the parent company increasing the book value of the equity investment or recognizing a dividend in the income statement.

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.

Dividends resolved by subsidiaries, associates or jointly controlled companies are charged to the Income Statement even if they result from the distribution of profit reserves generated prior to the acquisition of the equity investment. The distribution of such profit reserves represents an event that gives rise to the presumption of an impairment loss and, therefore, the need to verify the recoverability of the carrying value of the investment.

The fair value of the incentive plan with share-based payment, settled through Eni shares and issued for the benefit of the company's employees is recognized in accordance with the valuation criteria set out in the consolidated financial statements, to which reference should be made. Differently, the fair value of the share-based payment incentive plan, settled through treasury shares and issued for the benefit of employees of subsidiaries, is recognized, over the vesting period, as an increase in the value of the investment with an offsetting entry to equity reserves.