versalis

Annual Report 2015

Ordinary Shareholders' Meeting of April 29, 2016

Mission

Versalis SpA – a company wholly owned and controlled by Eni SpA and subject to its direction and coordination – manages the production and marketing of petrochemical products (basic chemicals, polyethylene, elastomers and styrenes) and the sale of licences relating to technologies and know-how.

Countries in which Versalis operates

The Versalis Group is present in Italy (Brindisi, Ferrara, Mantua, Porto Marghera, Porto Torres, Priolo, Ragusa, Ravenna and Sarroch), France (Dunkirk), Germany (Oberhausen), Great Britain (Grangemouth), Hungary (Szàzhalombatta), with Research Centres and Units in Italy (Brindisi, Ferrara, Mantua, Novara and Ravenna), sales networks in Italy, Belgium, Czech Republic, Slovak Republic, Denmark, France, Germany, Great Britain, Greece, Poland, Slovenia, Romania, Spain, United States, Sweden, Switzerland, Turkey, Hungary and China, and a representative office in Russia.

Boards of Directors and of Statutory Auditors

BOARD OF DIRECTORS(1)

Chairman

Salvatore Sardo

Chief Executive Officer

Daniele Ferrari

Directors

Cristiana Argentino

Davide Calabrò

Rosanna Fusco

(1) Appointed by the Shareholders' Meeting of April 23, 2013 for a three-year period which expires upon the approval of the financial statements for the year 2015.

(2) Appointed by the Shareholders' Meeting of April 23, 2013 for a three-year period which expires upon the approval of the financial statements for the year 2015.

BOARD OF STATUTORY AUDITORS(2)

Chairman

Carlo Invernizzi

Statutory auditors

Patrizia Ferrari(3)

Alberto Luigi Gusmeroli

Alternate statutory auditor

Marco Mencagli

INDEPENDENT AUDITORS(4)

Reconta Ernst & Young SpA

(3) Took over as Statutory Auditor following the resignation of Elisabetta Corvi on January 14, 2015.

(4) Appointed by the Shareholders' Meeting of April 15, 2010 for a nine-year period which expires upon approval of the financial statements for the year 2018.

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Highlights

Eni classifies the Versalis Group as discontinued operations

On February 26, 2016, the parent company Eni announced that, with regard to its Chemical Sector, led by its subsidiary Versalis SpA, an agreement was being finalized with an industrial partner for the purchase of the Company's controlling interest. Consequently, in Eni's consolidated financial statements as at December 31, 2015, presented at Eni's Board of Directors meeting on March 17, 2016, Versalis was classified as discontinued operations.

Based on these premises, the management of Versalis developed a Strategic Plan for the period 2016 – 2021 assuming stand-alone operations, (thereby considering the Company independent from the Eni Group), and taking into account the effects of the exit from the Eni Group when preparing the Versalis consolidated and statutory financial statements for the year.

Workers' safety

The Versalis Group's commitment to workers' safety has enabled the frequency rate of accidents in 2015 to be in line with the previous year's rate. In addition, for the first time in the industrial history of chemistry, during the year, all its eighteen sites achieved the goal of a year without injuries to employees.

Bio-Butadiene

Versalis, through a technological joint venture with Genomatica, a leading company in bio-engineering solutions, has developed a comprehensive and innovative process for the specific production of bio-butadiene (bio-BDE), from various types of sugars, (utilized as raw material), totally renewable, in place of traditional hydrocarbons. A bio-rubber, bio-polybutadiene (bio-BR), was thus produced, and from the first tests, has shown good compatibility with the industry standards. Versalis is continuing to test the use of bio-butadiene in other proprietary technologies for the production of elastomers and plastics and is planning to make available the innovative biotechnology license.

Marketing of Styrene-Butadiene

Versalis Pacific Trading (Shanghai) signed a commercial agreement with the Indian company Reliance Industries Ltd, to which it had granted license and technological know-how for the production of styrene-butadiene rubber (SBR) in 2011. Versalis, through the distribution of part of the production of Reliance's new Indian facility, will intensify its market position in Asia, where the automotive and tyre industries are in rapid development and represent a significant potential for the rubber manufacturers.

Technological cooperation with Ecombine and EVE

In 2015, Versalis, Ecombine Advanced Materials, and EVE Rubber Institute, (subsidiaries of Mesnac, the Chinese world leader in the production of machinery for the processing of synthetic rubber and tyre production), signed a Technological Cooperation Agreement for the development of an innovative technology aimed at the production of green high-performance tyres. The partnership involves research, conducted jointly by Versalis and EVE, for the development of an innovative integrated technological platform for the production of a new range of tyres with high mechanical performance and low environmental impact. With a view to developing a long-term collaboration, the new technology will subsequently be made available by Versalis and EVE for joint licensing activities.

Technology license agreement with Lotte Chemical

Versalis and Lotte Chemical, (one of the major Korean chemical companies), have signed a technology license agreement regarding the product lines Styrene-Isoprene-Styrene and Styrene-Butadiene-Styrene (SIS / SBS). Under this agreement, Versalis will provide proprietary technology SIS / SBS, the commercial know-how and technical assistance services to Lotte Versalis Elastomers, a joint venture 50% owned by both companies, for the construction of a production plant of 50 thousand tonnes per year in Yeosu. Lotte Chemical will ensure a vertical integration with its new isoprene plant and will run the Yeosu site, providing maintenance services and existing infrastructure, including logistics. The integration of the new facility SIS/SBS with the isoprene plant and with the existing butadiene plant will generate a production capacity of about 250 thousand tonnes per year.

Porto Marghera Plant

In January 2015, the Porto Marghera cracker facility was temporarily restarted for the sole purpose of responding to Shell's supply needs. The development strategies, aimed at ensuring the long term sustainability of the site through the consolidation of the logistics system and the development of a new integrated Technological Pole chemistry from renewable sources, remain unaffected, making use of the partnership with the American company Elevance Renewable Sciences, as established by the memorandum of understanding signed, in late 2014, by Eni, Versalis, and the Italian Ministry of Economic Development.

Corporate restructuring

In order to optimize the corporate structure in Asia, in September 2015, Versalis SpA acquired 100% of Versalis Pacific Trading from Eni Chemicals Trading Shanghai (wholly owned by Versalis SpA). The liquidation, currently underway, of Eni Chemicals Trading Shanghai, will be finalized in 2016.

With the aim of gaining new business opportunities, Versalis International opened a branch in 2015 in the United States of America.

Extraordinary operations

On July 30, 2015 Versalis finalized an agreement with the "Ravenna Servizi Industriali ScpA", for the sale of the business unit "treatment plant for incoming water" (TAC). The agreement provides for the acquisition by "Ravenna Servizi Industriali" of the "business complex of the water production" which includes assets, personnel, sampling licenses and leasehold property of the plants, electrical substations, the dewatering station and all the buildings included in the water production plant complex.

Technological innovation

During 2015, research and technology activities contributed to the strengthening and renewal of the proprietary businesses, constantly improving processes and products. The research and development in the field of green chemistry were consolidated, with ever-growing commitment, in synergy with the existing businesses. In particular, among the results achieved during the year, it should be noted that the development of new Matrilox crop products was launched; new catalyst systems for the production of EPDM rubbers and new expandable polystyrene formulations were developed. The exploitation of research activities continued through the sale of technologies to third parties. The total expenditure for research and development activities amounts to 36 million euro. Fourteen patent applications were filed, one of which in co-ownership with Eni.

Production

Production amounted to 5,700 thousand tonnes, up by 7.9% with respect to 2014. The largest increases relate to styrenes and olefins, due to the restarting of the Porto Marghera cracker facility. The production of elastomers and polyethylene, however, is slightly down, due to reduced market demand. It should also be noted that production of the Mantua plant increased, due to the lack of shutdowns regarding the monomer production facilities, as well as that of the Ravenna plant, due to the startup of Butene 1 production, whilst the main production decreases involved the Brindisi and Dunkerque sites.

Results

In a context of continuing economic crisis, the Versalis Group in 2015 shows an improvement of 640 million euro in the adjusted operating income with respect to the previous year. The financial year ended with a net loss of €1,289 million (with a €344 million profit adjusted net of *special items*), a shareholders' equity of €272 million, net capital employed of €1,724 million, net borrowings of €1,452 million and negative net cash flow from operating activities of €218 million.

The parent company Versalis SpA recorded a net loss of €1,229 million that, with a fully paid-up capital of €1,553 million and negative reserves of €6 million, is in accordance with the limits stipulated in Article 2446 of the Italian Civil Code.

Financial highlights

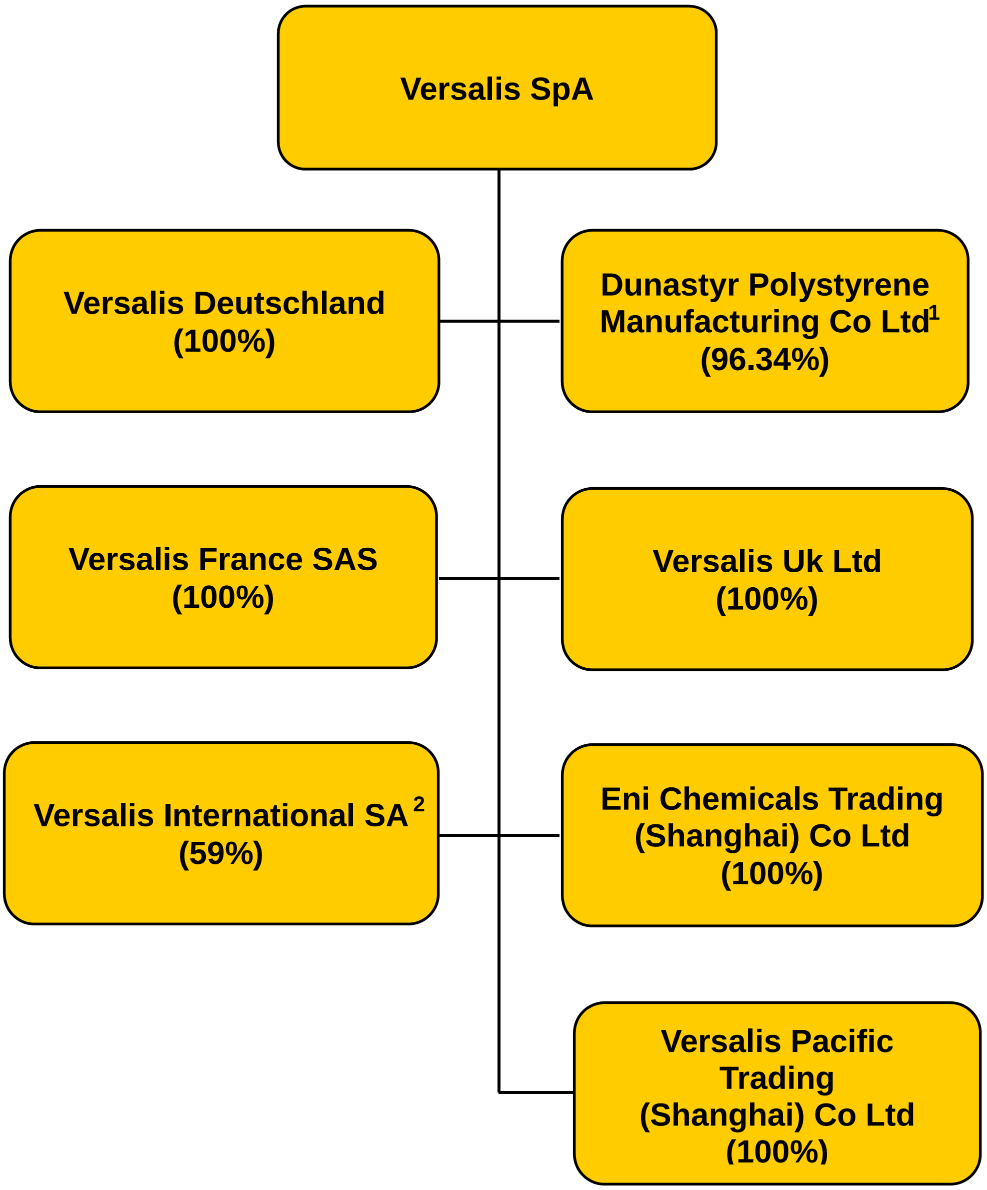
2013	amounts in millions of euros	2014	2015
5,859	Net sales from operations	5,284	4,716
(738)	Operating loss	(702)	(744)
(401)	Adjusted operating loss	(327)	313
(625)	Net loss	(545)	(1,289)
(380)	Adjusted net loss	(286)	344
(271)	Net cash flow provided by operating activities	(483)	218
291	Capital expenditures	274	218
4,089	Total assets	4,254	2,835
952	Shareholders' equity	407	272
1,664	Net borrowings	2,534	1,452
2,616	Net capital employed	2,941	1,724
1.75	Leverage	6.23	5.34

Key operating and sustainability data

2013			2014	2015
5,745	Employees	(number)	5,258	5,205
0.57	Accident frequency rate	(accidents/hours worked x 1,000,000)	0.28	0.28
3.66	Direct emission of greenhouse gases	(mm tonnes CO_2 eq)	3.09	2.98
39	Cost of research and development	(amount in millions of euros)	40	36
5,817	Production	(ktonnes)	5,283	5,700
64.6	Plant utilization rate	(%)	71.3	72.7
108.60	Average price of Brent Dated FOB	(dollars/barrel)	98.99	52.46
874	Average price of Virgin Naphtha FOB Med	(dollars/tonne)	805	433
1.328	Average EUR/USD exchange rate		1.33	1.11

Versalis Group Structure

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



(1) The remaining shareholders are Versalis International SA (1.83%) and Versalis Deutschland (1.83%)
(2) The remaining shareholders are Versalis Deutschland (23.71%), Dunastyr Polystyrene Manufacturing Co Ltd (14.43%) and Versalis France SA (2.86%).

Operating Review

In 2015 the global economic growth rates did not differ much from those recorded in 2014, with a strong differentiation, however, in terms of contribution to growth from the various geographical areas. On the one hand, it confirms the good health of U.S.A.'s economy, on the other hand, there are problems in some of the emerging economies (particularly Latin America), accompanied by imbalances and speculative bubbles in internal markets (China) or activity levels affected by international sanctions (Russia), coupled with the drop in crude oil price (Gulf countries).

The European economy is still picking up (from +0.8% to +1.5% in 2015), aided by a series of favorable factors including: the low price of crude oil, interest rates at historic lows and the depreciation of the euro, which improve the competitiveness of European companies in global markets. All this stimulates economic activity, thereby creating a virtuous circle with the improvement of the levels of confidence of businesses and consumers that lead, in turn, to the growth in investments and domestic demand.

Inflation remained close to zero in the last months of 2015, averaging 0.1% per annum. The low overall level of inflation reflects the intensification of downward pressure exerted by the energy prices following the last fall in crude oil prices.

In relation to the European context, the decline in petrochemical prices has come true only in recent months, in relation to factors intended to fall only in part in the future, such as shutdowns and permanent closures of facilities.

In 2015, chemical production in Italy recorded a recovery - still very gradual – that for the first time showed signs of revival in domestic demand. The start of the recovery appears to be established, especially in some sectors (cars, plastics and cosmetics).

Despite the general weakness in global trade, the Italian chemical exports showed a marked increase (+3.9% in value despite slightly falling prices).

Chemical production in Italy ended 2015 with a 0.8% growth thanks to booming exports (+4.5% in volume) and the first rise in domestic demand (+1.2%), accompanied by a substantial increase in imports (+4.3%).

On the price side, the profit margins are expected to be maintained at satisfactory levels, albeit declining, in many sectors of the chemical industry. A further improvement in demand and a decline in overcapacity should allow pricing power and encourage the continuation of the recent recovery in profit margins. The latter trends have contributed to the favorable effects of strong declines in crude oil and raw materials prices, as well as the weakening of the euro as a result of "pricing to market (PTM)" strategies by exporters.

In 2016, the global demand for chemicals will maintain a fairly stable rate of growth, estimated at 2.5%. In 2015, European chemicals are expected to improve only gradually (between 1.0 and 1.5%) after a modest growth (+0.5%). The manufacturing industry recovery will continue to be influenced by uncertainty, the euro/dollar exchange rate will support exports, and will mitigate the pressure of imports, along with low crude oil prices, that reduce the cost advantage of the gas powered North American and Middle East productions.

In this context, the Versalis Group recorded, in 2015, an adjusted operating profit of €313 million (adjusted operating loss of €328 million in 2014), due to improved margins on olefins, styrenes and polyethylenes. The adjusted operating results of 2015 are a clear improvement compared to 2014, mainly due to the efficiency measures implemented in previous years and the increase in margins of the ethylene, polyethylene and styrene sectors, favored by the temporary shortage of supply, unplanned shutdowns of competitors' plants and declining competitiveness of imports due to the devaluation of the euro. Continued efficiency gains and optimization of the industrial assets and a positive contribution to the improved result was provided by the restart of production at the Porto Marghera site, because of trade agreements made with Shell.

Revenues and production

The Versalis Group manufactures and sells petrochemical products (intermediates, polyethylene, styrenes and elastomers). In the Intermediates Business Unit, the main objective is to ensure adequate availability of monomers to cover the needs of the downstream businesses. In particular, olefins (ethylene and butadiene) are integrated with the elastomer and polyethylene business, and aromatics are integrated with the phenol/hydrogenated derivatives and styrenes business.

The Versalis Group is among the leading European manufacturers of polystyrene and polyethylene, used mainly for flexible packaging, and is one of the world leaders in elastomers, covering almost all the major sectors (especially the automotive industry).

The **net sales** from operations of the Versalis Group for the year ended on December 31, 2015 amounted to €4,716 million compared with €5,284 in 2014 (-10.7%). This decrease depends on the 14.4% reduction in average unit sales prices in the wake of the decline in oil-based raw materials prices (virgin naphtha at $433 per tonne in 2015, down sharply compared with $805 per tonne in 2014), and the decrease in average polymer prices (-11.6% for elastomers and -12.7% for styrenics).

Sales increased by 9.8%. In particular, there were higher sales of olefins (+44.8%), mainly due to higher spot sales of ethylene to third parties (supply weakness), taking advantage of the restart of the cracking plants in Porto Marghera, which more than offset the lower sales of aromatics (-34.8%). They are in recovery, including polymers (+0.8%), sales of styrenics (+15.4%), thanks to higher spot sales to third parties of styrene (+30.9%). These effects were partially offset by lower sales of Isomers following the sale, at the end of 2014, of the Sarroch Aromatics business to Sarlux.

The fall in euro crude oil prices in 2015 has affected the prices of monomers, particularly of Butadiene (-30.5%) and Benzene (-36.7%), in the light also of market weakness and overcapacity. In the Polymers business, both styrene (-12.7%), which does not benefit from falling raw material, and elastomers (-11.6%), facing price competition from Asian imports products, are both suffering. Polyethylene prices, however, are increasing (+2.6%), having benefited from the lack of products in Europe and the favorable exchange rate.

Production amounted to 5,700 thousand tonnes, 417 thousand tonnes more than in 2014 (+7.9%), due mainly to increased production by the Intermediates Business Unit (+12.2%) following the retstart of the Porto Marghera cracker plant. Slight declines in the production of elastomers (-1.0%) and polyethylenes (-5.6%) due to a reduction in market demand. The production of styrenes increased (+12.6%).

The main production drops occured at the Brindisi site (-12.1%) due to the planned shutdown in the second quarter and at the Dunkerque site (-9.1%) caused by a blackout of the power grid.

The main production improvements involved the Mantua site (+11.8%) due to the absence of monomer production plant shutdowns (the styrene monomer plant had a shut down in 2014) and the Ravenna site (+23.4%), with the Butene1 plant becoming fully operational.

The **nominal production capacity** increased due to the restart of cracking production in the Porto Marghera plant. The **average rate of plant capacity utilization**, calculated on nominal capacity, is thus equal to 72.7%, showing a significant increase when compared to 2014 (71.3%).

Revenues				
(amount in millions of euros)	**2013**	**2014**	**2015**	***Var. %***
Intermediates	2,709	2,310	**1,899**	(17.8)
Polymers [(a)]	2,933	2,800	**2,690**	(3.9)
Other income [(b)]	217	174	**127**	(27.0)
	5,859	**5,284**	**4,716**	**(10.7)**

Production				
(ktonnes)	**2013**	**2014**	**2015**	***Var. %***
Intermediates	3,462	2,972	**3,334**	12.2
Polymers	2,355	2,311	**2,366**	2.4
	5,817	**5,283**	**5,700**	**7.9**

[(a)] From 2013 styrene monomer has been aggregated in the Polymers Business Unit. The related data from the Intermediates Business Unit for the periods under comparison have been reclassified accordingly.
[(b)] Third party products sold under agency agreements via foreign trading companies and other income for services.

Business review

Intermediates Business Unit

In 2015 **revenues** from **Intermediates** (€1,899 million) decreased by €411 million compared with the previous year (-17.8%).

The reduction is due to lower revenues in aromatics, following the sale of the Isomers business to Sarlux, and due to the fall in the prices of petroleum products that affect the average unit prices of the main products of the business unit. In addition, as a result of a supply agreement signed with Shell, the Porto Marghera crackers (stopped for most of 2014) restarted in February 2015, resulting in an increase in spot sales to third parties of olefins (ethylene volumes increased by +161%).The volumes of derivatives traded increased by 3.6% (in particular phenol +21.1%).

Sales increased by 20.6%, in particular Butadiene (+29.4%).

The average unit sales prices declined by 25%, with a price decreases of 35.6% for aromatics (benzene), 28.6% for derivatives, and 22.9% for olefins.

The production of Intermediates (3,334 thousand tons) increased by 12.2% compared to 2014: olefins increased (+19.2%), due to the restart of the Porto Marghera cracker production, derivatives increased (+6%) and aromatics decreased (-13.9%).

Polymers Business Unit

In 2015, **revenues** from **Polymers** (€2,690 million) decreased by €110 million compared to 2014 (-3.9%). The reduction in sales volumes (-2.4%) and in the average unit prices (-11.6%) for the **elastomers** business was influenced by the low prices of products from the Asian market. The **styrenes** business contracted too, due to the fall in prices of raw materials that resulted in a decrease in average prices of 12.7%, partially compensated by an increase in sales volume of 15.4%. The sales volume of **polyethylene** decreased (-4.7%), while average prices imcreased by 2.6%.

As regards the sales volumes of **elastomers**, in 2015 there was a partial recovery in sales of thermoplastic rubber (+5.3%), rubber commodities (BR +5.5%) and special EPDM rubber (+0.5%), nitrile (+5.1%) which partially offset the lower sales of rubber commodities (SBR -15.8%) and latex (-1.3%). The increase in sales volumes of **styrene** (15.4%) is attributable in particular to higher sales of compact polystyrene (+16.7%), and styrene monomer (58.5%). Overall, the sales volumes for the **polyethylene** business declined (-4.7%), lower sales were recorded for HDPE (-12.6%), EVA (-1.5%) and LLDPE (-7.5), as a result of the lack of product on the European market, with price levels relatively sustained. LDPE volumes instead increased (+1.7%).

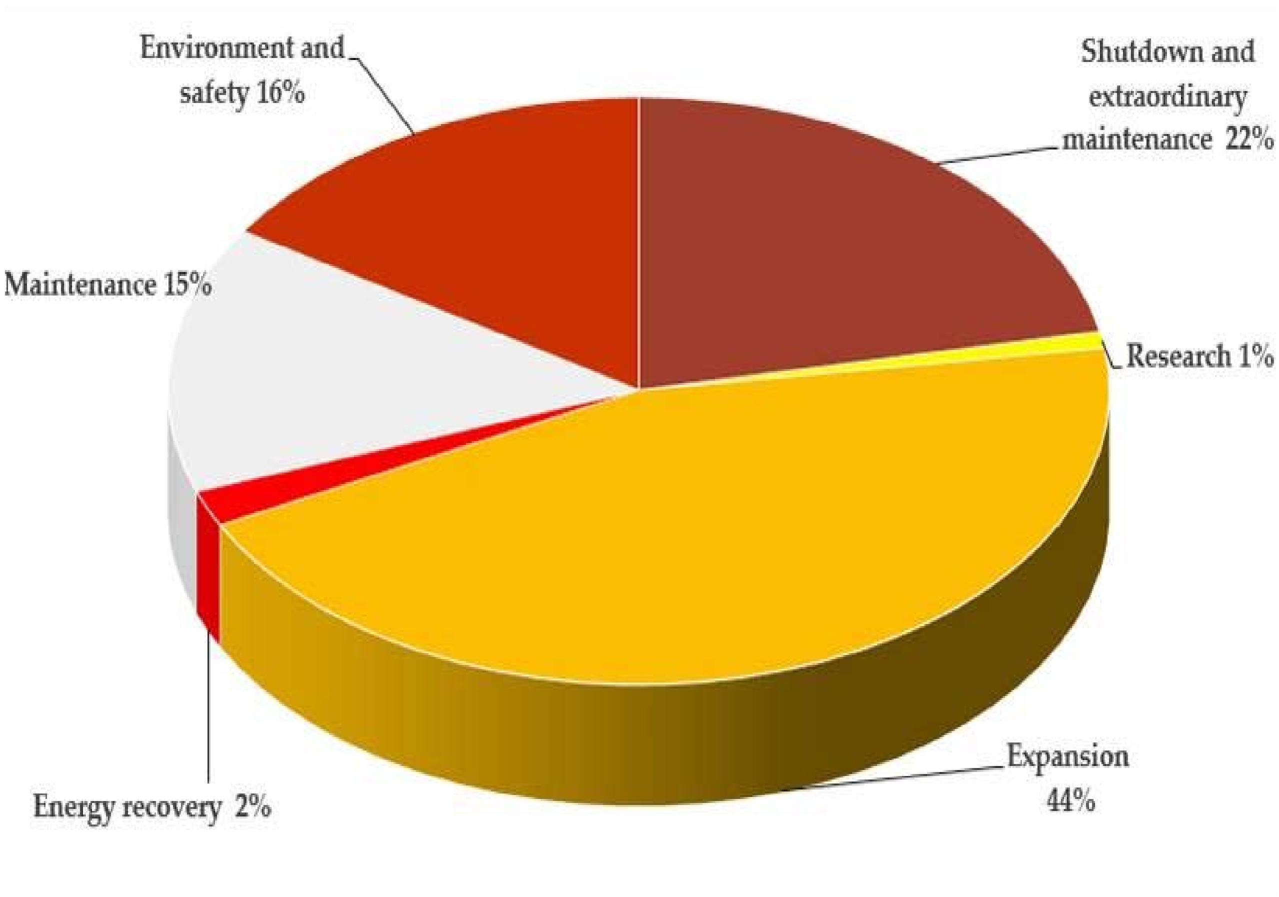
Production of **Polymers** (2,366 ktonnes) increased by 2.4% compared to 2014. In particular, with regard to **elastomers** the BR rubbers (+4.0%) reflected a recovery linked to the performance of the markets although the overall production was slightly down (-1%). **Styrene** production increased (+12.6%), due to higher productions of styrene (+16.6%) and compact polystyrene (+14%), while the ABS/SAN productions (-3.4%) remain weak. The **polyethylene** production is decreasing (-5.6%), in particular due to smaller productions of HDPE (-13.8%) and EVA (-11.2%).

Investments

Net investment in tangible and intangible assets for the year amounted to €218 million; this is analysed by business unit in the table, and by type of expenditure in the graph, here below.

Investments				
(amounts in millions of euros)	**2013**	**2014**	**2015**	*Var. %*
Olefins	133	69	39	(44.2)
Aromatics	7	7	18	n.s
Derivatives	4	8	2	(75.0)
Styrenes	9	12	10	(16.7)
Elastomers	47	117	83	(29.1)
Polyethylene	18	7	17	n.s
Green Chemistry	9	3		(100.0)
Industrial Services	80	52	37	(28.8)
Staff and financial expenses	5	8	8	
Gross Investments in property, plant and equipment	**312**	**283**	**214**	**(24.6)**
Syndial Grants	(24)	(7)		(100.0)
Grants, refunds from third parties and change in advances		(6)	(3)	(50.0)
Investments in property, plant and equipment	**288**	**270**	**211**	**(22.0)**
Investments in intangible assets	**3**	**4**	**7**	**75.0**
Total	**291**	**274**	**218**	**(20.6)**

Net investment by type



The main investments for the year were the following:

- work on strategic projects mainly for the development of the elastomer business in Ferrara, Ravenna and Grangemouth (totalling €75 million);
- scheduled maintenance on the ethylene and polyethylene plants in Brindisi, polyethylene Ferrara and Priolo aromatics for a total of €39.9 million;
- work to ensure plant compliance with safety and environmental regulations (€35.8 million);
- minor maintenance work and improvements in the reliability of the plants at various facilities (€32.1 million);
- recoiling work on the furnaces at the Brindisi, Dunkirk and Priolo ethylene plants and periodic maintenance work at the Mantua site (€6.1 million);
- work on the buildings and utility networks at the Porto Torres site in preparation for the Green Chemistry project (€5.6 million);
- intercompany project with EcoFuel SpA, at the Ravenna plant, for "Butene1 extraction, selective hydrogenation of Raffinato2 and buried tanks" (€1 million);
- research activities (€0.9 million).

Financial review Versalis Group

Profit and Loss Account

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
5,859	Net sales from operations	5,284	4,716	(568)	(10.7)
149	Other income and revenues	122	115	(7)	(5.7)
(6,620)	Operating expenses	(5,896)	(4,735)	1,161	(19.7)
(1)	Other operating (expense) income	(27)	(7)	20	(74.1)
(125)	Depreciation, depletion, amortization and impairments	(185)	(833)	(648)	n.s.
(738)	**Operating loss**	**(702)**	**(744)**	**(42)**	**6.0**
(53)	Net financial income (expense)	(30)	(16)	14	(46.7)
	Net income (expense) from investments	(3)	(30)	(27)	n.s.
(791)	**Loss before income taxes**	**(735)**	**(790)**	**(55)**	**7.5**
166	Income taxes	190	(499)	(689)	n.s.
21.0	*Tax Rate (%)*	*25.9*	*n.s*	*n.s.*	*n.s.*
(625)	**Net loss**	**(545)**	**(1,289)**	**(744)**	**n.s.**

Net loss

In 2015, the Versalis Group recorded a **net loss** of €1,289 million, €744 million more than in 2014.

The operating results decreased by €42 million, mainly as a consequence of the following factors:

- €648 million increase in property, equipment and intangible assets write-downs, following the impairment test results based on a "stand-alone" scenario of the 2016-2021 plan;
- 10.7% decline in sales revenues, due to the decrease in market prices.

The effects of the above situation were attenuated by the following factors:

- the decrease, with respect to 2014, in the euro prices of oil cargoes, partially offset by an increase in quantities purchased;
- the decreased consumption of electricity and gas and the overall drop in utilities prices compared to 2014;
- the reduction of other operating services, engineering costs, construction supervision and other operating expenses by virtue of a strict cost containment policy;
- the reduction in operating costs related to derivatives utilized to hedge the price risk of the virgin naphtha;
- a general reduction in fixed costs, as a result of savings and rationalisations.

Adjusted net loss

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
(625)	**Net loss**	**(545)**	**(1,289)**	**(744)**	**n.s.**
213	Exclusion of inventory holding (gains) losses	170	322	152	89.4
32	Exclusion of *special items*	89	1,311	1,222	n.s.
(380)	**Adjusted net profit/(loss)** [a]	**(286)**	**344**	**630**	**n.s.**

[a] For a definition and reconciliation of the adjusted net loss, which excludes inventory (gains) losses and special items, see the section "NON-GAAP Measures".

The **adjusted net profit** for the year 2015 amounted to €344 million, increased by 630 million euro compared to the previous year (loss of €286 million in 2014), as described fully in the section "Non-GAAP measures".

Analysis of profit and loss account items

Net sales from operations

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
1,487	Olefins	1,305	1,275	(30)	(2.3)
791	Aromatics	610	327	(283)	(46.4)
431	Derivatives (*)	394	297	(97)	(24.6)
716	Elastomers	628	543	(85)	(13.5)
800	Styrenes (*)	745	764	19	2.6
1,418	Polyethylene	1,428	1,383	(45)	(3.2)
216	Corporate and services	174	127	(47)	(27.0)
5,859		**5,284**	**4,716**	**(568)**	**(10.7)**

[*] From 2013 styrene monomer has been aggregated in the Styrenes Business Unit. The related data from the Derivatives Business for the periods under comparison have been reclassified accordingly.

Net sales from operations decreased by €568 million due to the reduction in average unit selling prices partially offset by an increase in quantities sold.

Other income and revenues

Other income and revenues decreased by €7 million compared to 2014, mainly due to lower revenues from the sale of Energy Efficiency Certificates (€15 million) and lower cost recovery of the Syndial guarantee fund (€12 million). These factors were partially offset by the positive economic effects deriving from the price adjustment recorded on the divestiture of the Sarroch Aromatics business (€12 million) and a higher recovery of costs and expenses (€5 million).

Operating expenses

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
4,629	Production costs – raw, ancillary and consumable materials and goods	4,074	3,150	(924)	(22.7)
1,463	Service costs	1,263	1,154	(109)	(8.6)
25	Operating leases and other	26	21	(5)	(19.2)
64	Net provisions for contingencies	28	10	(18)	(64.3)
66	Other expenses	148	59	(89)	(60.1)
373	Payroll and related costs	357	341	(16)	(4.5)
6,620		**5,896**	**4,735**	**(1,161)**	**(19.7)**

Purchases, services and other operating costs decreased by €1,161 million (19.7%), as shown in the table above.

The decrease of 22.7% in the **cost of raw, ancillary materials, consumables, goods and inventory variations** was primarily due to the decrease in the average unit price in euro of virgin naphtha compared to 2014, partly compensated by an increase in the quantity purchased.

Service costs decreased by 8.6% mainly due to the reduction in the utility prices (methane, electricity and steam), reduction in the costs related to engineering and works supervision, ecological treatment, insurance, construction and storage. The decreases were only partially offset by lower capitalized costs for services, and by the increase in logistics and maintenance costs.

The reduction of €18 million in **net provisions for contingencies** was mainly due to the increased utilization of the environmental risks and charges provision for €22 million, (related to the closure of the decommissioned Hythe site), and of the litigations provision for €13 million (see the "Litigation" section for further details), offset by an increase in provisions of €16 million.

Other expenses decreased by €89 million, mainly because, in 2014, losses amounting to €45 million were incurred on the divestiture of the Sarroch Aromatics business and other operating costs of €28 million were incurred with regard to the divestiture of the business units of Gela Polyethylene and Aromatics Sarroch.

Payroll and related costs decreased by €16 million (4.5%) mainly due to a decrease in the number of employees following the divestiture of the Sarroch Aromatics business, effective from 31 December 2014.

Other operating (expense) income

Other operating expenses of €7 million (€27 million in 2014) are related to derivatives used to hedge the price risk of virgin naphtha that, although not held for speculative purposes, cannot be classified as a "hedge" under IFRS standards.

Depreciation, amortization and impairment

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
80	Tangible assets	85	96	11	12.9
4	Intangible assets	4	5	1	25.0
84	**Depreciation and amortization**	**89**	**101**	**12**	**13.5**
41	**Impairments**	**96**	**732**	**636**	**n.s.**
125		**185**	**833**	**648**	**n.s.**

Depreciation and amortization increased by €12 million compared with 2014, owing to new tangible assets investments, which entered into service during the year.

The impairment of €732 million refers to tangible assets for €719 million and to intangible assets for €13 million. The impairment test has been carried out based on the 2016-2021 plan in a "stand-alone" scenario.

The **impairment** of €719 million stems from the results of impairment tests and refers mainly to the following Cash Generating Units (CGUs): Priolo plants (€191 million), Elastomers in Ferrara (€111 million), Styrenes in Mantua (€126 million), Elastomers in Grangemouth (€71 million) and Ravenna (€36 million); Olefines and polyethylenes in Dunkirk (€43 million); Services in Porto Torres (€38 million); E-SBR and latex plants at the Ravenna site (€27 million); Ethylenes and Polyethylenes in Brindisi (€17 million); Intermediates in Mantua (€21 million) and Styrenes in Dunastyr (€11 million); Polyethylenes in Ferrara (€7 million); and Porto Marghera (€6 million), and the sites in Ragusa (€1 million) and Oberhausen plant (€1 million).

Furthermore, the assets relating to the s-SBR line of Ravenna have been fully written off, as a result of the cancellation of the development project (€12 million euro).

Versalis Group's non-financial fixed assets have been grouped into Cash Generating Units (CGUs) and the impairment loss was determined by comparing the book value of each CGU with its value in use, (determined by discounting to present value the expected cash flows deriving from the use of the assets over a period coinciding with the remaining average useful life of the CGU itself and considering the 2016-2021 plan in a "stand-alone" scenario). For further details, see Note 7) "Property, plant and equipment", of the Notes to the Consolidated Financial Statements.

The **impairment of intangible assets** amounting to €13 million relates mainly to the butadiene project studies of Versalis France (7 million euro) and the proprietary rights regarding the license agreement with Union Carbide, under the CGU corresponding to the Brindisi production site of Versalis SpA (€5 million), deemed irrecoverable based on the results of the impairment test.

Net financial expenses

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
(48)	Finance income (expense) related to net borrowings	(39)	(35)	4	10.3
	Income (expense) on loans & securities related to operations		11	11	n.s.
(9)	Finance Income (expense) on derivative contracts	11	8	(3)	27.3
4	Exchange differences	(8)	(3)	5	62.5
(4)	Other finance income (expense)		(4)	(4)	n.s.
4	Capitalized finance expense	6	7	1	(16.7)
(53)		**(30)**	**(16)**	**14**	**46.7**

Net financial expenses decreased by €14 million, due essentially to: (i) higher financial income from receivables related to operations of 11 million; (ii) lower expenses for negative exchange rate differences of 5 million; (iii) the decrease of €4 million in the interest charges related to financial debt, offset by an increase of the same amount in other financial expenses and the decrease of €3 million from the valuation at fair value charges on non-hedge derivatives exchange rate risks.

These derivative instruments do not meet the conditions specified by IAS 39 in order to be classified as "hedges" and, therefore, the related charges in fair value are recorded in the income statement.

Net income (expense) from investments

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
	Share of profit (loss) of equity-method investments	(5)	(30)	(25)	n.s.
	Dividends	2		(2)	n.s.
		(3)	**(30)**	**(27)**	**n.s.**

The **net expense from investments** of €30 million concerns the equity-method evaluation of Matrica (€27 million), Newco Tech SpA (€5 million) and Polimeri Europa Elastomeres France (€1 million), partially offset by the positive effects arising from the equity-method evaluation of Lotte Versalis Elastomeres (€3 million).

Income taxes

2013	(amount in millions of euros)	2014	2015	Variance
	Profit before income taxes			
(606)	Italy	(626)	(717)	(91)
(185)	Abroad	(109)	(73)	36
(791)		**(735)**	**(790)**	**(55)**
	Income taxes			
(151)	Italy	(174)	459	633
(15)	Abroad	(16)	40	56
(166)		**(190)**	**499**	**689**
	Tax rate (%)			
24.9	Italy	27.8	(64.0)	n.s.
8.1	Abroad	14.7	(54.8)	n.s.
21.0		**25.9**	**(63.0)**	**n.s.**

For a description of the principal changes in the *reported* tax rate, see the paragraph "Income Taxes" of the notes to consolidated financial statements.

Non-GAAP measures

Reconciliation of reported operating profit and reported net profit to adjusted results

The Versalis management assesses the company's performance on the basis of adjusted operating profit and adjusted net profit, which are arrived at by excluding special items and inventory gains (losses) from operating profit and from reported net profit. The tax effect of items excluded from adjusted net profit is determined on the basis of the nature of each excluded item, with the exception of financial income/financial expenses to which the Italian statutory tax rate of 27.5% is conventionally applied. Adjusted operating profit and adjusted net profit are not envisaged by the IFRS. Management believes that these performance measures facilitate the comparison of the performance of the businesses across periods and allows the financial analysts to evaluate the company's performance on the basis of their forecasting models. The management uses the Group's adjusted net profit when calculating the Group's return on average capital employed (Group ROACE).

The following is a description of some of the items that are excluded from calculation of adjusted results.

The inventory gains (losses) are given by the difference between the realizable value based on the prices of products sold and that resulting from the weighted average cost.

Income or charges are classified as **special items,** if significant, when: (i) they derive from infrequent or unusual events and transactions, being identified as non-recurring events; (ii) they derive from events or transactions which are not considered to be representative of the normal course of business, such as environmental provisions, restructuring charges, write-downs or write-ups in the value of assets and gains or losses on disposals even if similar events occurred in the past or are likely to occur in the future, or (iii) exchange rate differences and derivatives related to commercial and not financial operations, as is the case in particular for derivatives set up to manage the exchange risk implicit in commodity pricing formulas. In this case, even if managed jointly on the market, these are reclassified in the adjusted operating result by correspondingly varying the financial expense/income.

In compliance with Consob Resolution No. 15519 dated July 27, 2006, components of income deriving from non-recurring events or operations are to be reported separately, where significant, in the directors' report and in the financial statements. The valuation component of derivative instruments on commodities, which lack the formal requisites to be classified as hedging, is also classified among special items (including the ineffective portion of the hedge derivatives).

2013	(amounts in millions of euros)	**2014**	**2015**	**Variance**
(738)	**Operating loss**	**(702)**	**(744)**	**(42)**
213	**Exclusion of inventory holding (gains) losses**	**170**	**322**	**152**
124	**Exclusion of special items**	**205**	**735**	**530**
(401)	**Adjusted operating loss**	**(327)**	**313**	**640**
(45)	Net finance income (expense) (*)	(34)	(21)	13
	Net income (expense) from investments (*)	(3)	4	7
66	Income taxes (*)	78	48	(30)
(14.8)	*Tax rate (%)*	*(21.4)*	*16.2*	*38.0*
(380)	**Adjusted net loss**	**(286)**	**344**	**630**

(*) Excluding special items

Details of special items:

2013	(amounts in millions of euros)	2014	2015
	Other special items		
41	- impairment of tangible assets	**96**	**719**
	- impairment of intangible assets		**13**
	- adjustment for the sale of the Sarroch aromatics business		**(12)**
61	- provision for environmental and restructuring risks	**58**	**21**
	- losses on divestment of business unit	**45**	
	- valuation provisions for operating charges on derivatives	**3**	**(4)**
	- gains	**(1)**	**(3)**
23	- provision for redundancy incentives		**3**
(5)	- exchange rate differences and derivatives	**4**	**5**
	- provision for revocation expenses		
4	- provision for Antitrust fines		**(7)**
124	**Special items of operating loss**	**205**	**735**
8	**Finance (income) expense**	**(4)**	**(5)**
	of which:		
5	- reclassification of exchange rate differences and derivatives in operating loss	(4)	**(5)**
3	- financial expenses on Antitrust sanctions		
	Expense (income) from investments		**33**
	of which:		
	- impairment of investments		**33**
(100)	**Income taxes**	**(112)**	**548**
	of which:		
	- Impairment deferred tax assets		**473**
(34)	- taxes on special items of operating loss	(60)	**104**
(66)	- taxes on exclusion of inventory losses	(52)	**(101)**
	- tax rate adjustment		**72**
32	**Total special items of net loss**	**89**	**1,311**

Reclassified Balance Sheet

The reclassified balance sheet aggregates the asset and liability amounts derived from the statutory balance sheet according to function, under three basic areas: operating, investing and financing. Management believes that the reclassified balance sheet provides useful information in assisting investors to assess the Company's capital structure and to analyse its sources of funds (internal and third party) and investments in fixed assets and working capital. Management uses the reclassified balance sheet to calculate key ratios such as return on capital employed (ROACE) and the proportion of net borrowings to shareholders' equity (leverage).

Reclassified Balance Sheet (*)

(amounts in millions of euros)	31.12.2014	31.12.2015	Variance
Fixed assets			
Property, plant and equipment	1,150	549	(601)
Intangible assets	67	56	(11)
Investments	170	187	17
Receivables and securities held for operating activities	201	211	10
Net payables related to capital expenditure	(34)	(28)	6
	1,554	**975**	**(579)**
Net working capital			
Inventories	1,077	670	(407)
Trade receivables	664	636	(28)
Trade payables	(853)	(624)	229
Tax receivables (payables) and provisions for net deferred tax liabilities	645	124	(521)
Provisions for risks and charges	(147)	(128)	19
Other assets (liabilities)	77	138	61
	1,463	**816**	**(647)**
Provisions for employee benefits	**(76)**	**(67)**	**9**
NET CAPITAL EMPLOYED	**2,941**	**1,724**	**(1,217)**
Shareholders' equity	**407**	**272**	**(135)**
Net borrowings	**2,534**	**1,452**	**(1,082)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,941**	**1,724**	**(1,217)**

(*) See "Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory scheme".

Fixed assets

Property, plant and equipment, amounted to €549 million, showing a decrease of €601 million due essentially to the impairment test results (€719 million, having as basis the 2016-2021 plan prepared in the "stand-alone" scenario) and amortization for the year (€96 million euro), partially offset by increased capital expenditures for the year (€211 million).

Intangible assets, amounted to €56 million, with a decrease of €11 million due mainly to write-downs, amounting to €13 million.

Investments amounted to €187 million, increased by €17 million mainly due to the subscriptions to the share capital of the joint ventures Lotte Versalis Elastomers Co. Ltd (€29 million) and Newco Tech SpA (€5 million), the payment towards the future capital increases in favor of Matrica (€10 million) and for the purposes of the equity method evaluation of Lotte Versalis Elastomeres (€3 million). These increases are partly offset by the write-down of equity investments in Newco Tech SpA (€5 million) and Matrica (€27 million).

Financial receivables and securities held for operating activities of €211 million refer mainly to the loan granted to Matrìca SpA, joint venture with Novamont SpA, to meet the financial requirements of the "Green Hub" project in Porto Torres.

Net working capital

The decrease of €407 million in **inventories** is attributable: (i) to the decrease of €257 million in inventories of finished products resulting from the reduction of stock and the reduction in value based on the market prices; (ii) the reduction of €149 million euro in inventories of raw materials, ancillary materials and consumables. These amounts include net allowances for impairment losses for the period of €37 million for the adjustment to market value of the remaining stock.

The decrease of €28 million in **trade receivables** results mainly from lower sales and, at the same time from monitoring and awareness campaigns addressing customers, which enabled a significant restriction of the level of overdue and the number and amount of credits passed on to litigation, compared to 2014.

The decrease of €229 million in **trade payables** is primarily due to a reduction in the quantities purchased of petroleum feedstock (virgin naphtha) in the last quarter of 2015 compared with the same period in the previous year.

The decrease in **tax assets and net provisions for taxes** of €521 million is mainly due to the write-downs of deferred tax assets, following the assessment of their recoverability in accordance to the 2016 – 2021 plan, "stand-alone" scenario, and to the IRES tax rate reduction starting from January 1, 2017.

The decrease of €19 million in **provisions for risks and charges** was due primarily to the utilization of €29 million of the risks and charges provision for disputes and litigations (settlement of the "Antitrust" and "Vinyls" disputes) and the use of 26 million euro of the disposals and restructuring provision for the closure of the Hythe (UK) site. These provision utilizations were partially offset by a 16 million allocation to the disposals and restructuring provision, related to the xylenes systems, polyethylene and phenols of Versalis SpA, an allocation of €13 million to the provision for environmental liabilities and an allocation of €7 million to the provison for social and mobility allowance charges.

The increase of €61 million in **other current net assets** is mainly due to the following: €30 million increase in receivables from the Eni group, €22 million increase in advances to suppliers, €8 million increase in receivables from affiliated companies and the €18 million reduction of payables to employees. The above increases were partially offset by a reduction of €8 million in receivables for license sales and a €3 million increase of deferred income.

Statement of Comprehensive Loss

(amounts in millions of euros)	2014	2015
LOSS FOR THE PERIOD	**(545)**	**(1,289)**
Other items of comprehensive loss:		
Valuations of defined-benefit plans for employees	(5)	5
Foreign currency translation differences	4	4
Tax effect relative to the other components of the comprehensive loss that cannot be reclassified to the profit and loss account	1	(1)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(545)**	**(1,281)**

Shareholders' equity

(amounts in millions of euros)	
Shareholders' equity at December 31, 2014	**407**
Total comprehensive loss for the year	**(1,289)**
Payment by shareholder	**1,146**
Reserve relating to employee benefits	**4**
Exchange differences and other changes	**4**
Shareholders' equity at December 31, 2015	**272**

Shareholders' equity amounted to €272 million and decreased by €135 million compared to 2014, as a result of a loss for the year of €1,289 million, partially offset by a recapitalization of € 1,146 million by Eni during the year.

Leverage and net borrowings

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

(amounts in millions of euros)	31.12.2014	31.12.2015	Variance
Short-term debt	1,788	919	(869)
Medium/long-term debt	825	682	(143)
Cash and cash equivalents	(79)	(149)	(70)
Net borrowings	**2,534**	**1,452**	**(1,082)**
Shareholders' equity	**407**	**272**	**(135)**
Leverage	**6.23**	**5.34**	**(0.89)**

The decrease in **net borrowings** of €1,082 million was primarily the result of the increase in capital flows following the recapitalization by Eni (€1,146 million), the improvement in the net cash flow from operating activities (€218 million), partially offset by a negative net cash flow from investing activities (€276 million). For further information, see the section Reclassified Cash Flow Statement.

Leverage, the ratio of net borrowings to shareholders' equity, increased from 6.23 in 2014 to 5.34 in 2015.

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

	Profit for the year		Shareholders' equity	
(amounts in millions of euros)	2014	2015	31.12.2014	31.12.2015
As recorded in annual Financial Statements of Versalis SpA	**(594)**	**(1,229)**	**398**	**319**
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	**71**	**(5)**	11	**8**
Consolidation adjustments:				
- elimination of tax adjustments and compliance with accounting policies	**(43)**	**(24)**	(12)	**(33)**
- deferred taxation	**21**	**(32)**	10	**(22)**
As recorded in Consolidated Financial Statements	**(545)**	**(1,290)**	**407**	**272**

Reclassified Cash Flow Statement

The Reclassified Cash Flow Statement derives from the statutory statement of cash flows. It enables investors to understand the link existing between changes in cash and cash equivalents (deriving from the statutory cash flow statement) and in net borrowings (deriving from the reclassified cash flow statement) occurring between the beginning and the end of the period. The measure enabling such a link is represented by the "free cash flow", which is the excess or deficit of cash remaining after capital expenditure requirements. The free cash flow, which is a non-GAAP performance measure, ends alternatively with: (i) changes in cash and cash equivalents for the period after adding/deducting cash flows relative to finance debts/receivables (issuance/repayment of debts and receivables related to financing activities), shareholders' equity (dividends paid, purchase of own shares, capital issuance) and the effect on cash and cash equivalent of changes in the consolidation area and of exchange rate differences; (ii) change in net borrowings for the period by adding/deducting cash flows relating to shareholders', as well as equity and the effect on net borrowings of changes in the consolidation area and of exchange rate differences.

Reclassified Cash Flow Statement (*)

2013	(amounts in millions of euros)	2014	2015
(625)	**Net loss for the period**	**(545)**	**(1,289)**
	Adjustments to reconcile net loss to net cash provided by operating activities:		
120	- depreciation and amortization and other non monetary items	191	861
	- net gains on disposal of assets	5	(3)
(125)	- dividends, interest, taxes and other charges	(153)	517
399	Changes in working capital	51	153
(40)	Dividends received, taxes (paid) received, interest (paid) received	(32)	(21)
(271)	**Net cash flow provided by operating activities**	**(483)**	**218**
(291)	Investments in fixed assets	(274)	(218)
(74)	Investments and purchase of consolidated subsidiaries and businesses	(13)	(33)
1	Disposals	2	1
(100)	Financial investments	(101)	(19)
17	Other cash flow related to investing activities	2	(7)
(718)	**Free cash flow**	**(867)**	**(58)**
(262)	Change in short-term and long-term debt	866	(1,018)
1,000	Cash flow from capital and reserves		1,146
20	**NET CASH FLOW FOR THE PERIOD**	**(1)**	**70**

Change in Net Borrowings

2013	(amounts in millions of euros)	2014	2015
(718)	**Free cash flow**	**(867)**	**(58)**
2	Exchange differences on net borrowings and other changes	(3)	(6)
1,000	Cash flow from capital and reserves		**1,146**
284	**CHANGE IN NET BORROWINGS**	**(870)**	**1,082**

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

In 2015, the net cash flow from operating activities was a positive €218 million, was eroded mainly by outlays for capital expenditure (€218 million), for investment in equity investments (€33 million) and for the financial receivables from Matrica SpA (€19 million), generating a financial need for €58 million, an improvement compared to 2014 (€867 million). The debt reduction was possible as a result of the increase in cash flow from equity capital of €1,146 million, which led to a reduction in net debt of €1,082 million.

Reconciliation of reclassified consolidated balance sheet, income statement and cash flow statement to statutory schemes

Reclassified Consolidated Balance Sheet

Items of the Reclassified Consolidated Balance Sheet (where not expressly indicated, the item derives directly from the statutory financial statements) (amounts in millions of euros)	Reference to notes to the statutory financial statements	31.12.2014 Partial amounts from the statutory financial statements	31.12.2014 Amounts from reclassified financial statements	**31.12.2015** Partial amounts from the statutory financial statements	**31.12.2015** Amounts from reclassified financial statements
Fixed assets					
Property, plant and equipment			1,150		549
Intangible assets			67		56
Equity accounted investments			155		171
Other investments			15		16
Receivables and securities held for operating activities, made up of:			201		211
- other receivables		131		9	
- other non-current financial assets		70		202	
Net payables related to capital expenditures, made up of:			(34)		(28)
- payables related to capital expenditures	(see note 16)	(34)		(28)	
Total fixed assets			**1,554**		**975**
Net working capital					
Inventories			1,077		670
Trade receivables			664		636
Trade payables			(853)		(624)
of:			645		124
- income tax payables	(see note 17)	(1)		(9)	
- other tax payables	(see note 18)	(11)		(12)	
- deferred tax liabilities	(see note 23)	(111)		(16)	
- payables for tax consolidation	(see note 16)	(1)		(6)	
- current tax assets	(see note 4)	14		10	
- other current tax assets	(see note 5)	13		8	
- deferred tax assets	(see note 12)	714		124	
- receivables for Group VAT	(see note 2)	28		25	
Provisions for risks and charges			(147)		(128)
Other current assets and liabilities, made up of:			77		138
- other receivables	(see note 2)	163		203	
- other (current) assets	(see note 6)	6		5	
- other receivables and other assets	(see note 13)	4		1	
- advances, other payables	(see note 16)	(80)		(60)	
- other (current) liabilities	(see note 19)	(7)		(11)	
- other payables and other liabilities	(see note 24)	(9)		0	
Total net working capital			**1,463**		**816**
Provisions for employee benefits			**(76)**		**(67)**
NET CAPITAL EMPLOYED			**2,941**		**1,724**
Shareholders' equity			**407**		**272**
Net borrowings					
Total debt, made up of:					
- long-term debt	(see note 20)	822		374	
- current portion of long-term debt	(see note 20)	3		308	
- short-term debt	(see note 14)	1,788		919	
less:					
Cash and cash equivalents	(see note 1)	(79)		(149)	
Total net borrowings			**2,534**		**1,452**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**2,941**		**1,724**

Items of the Reclassified Cash Flow Statement and confluence/reclassification of items in the statutory format (amounts in millions of euros)	2014		**2015**	
	Partial amounts from statutory format	Amounts from reclassified format	Partial amounts from statutory format	Amounts from reclassified format
Net loss		**(545)**		**(1,289)**
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization and other non-monetary items		191		861
- depreciation and amortization	89		101	
- net impairment of tangible and intangible assets	96		732	
- share of profit (loss) of equity-accounted investments	5		30	
- currency translation differences from alignment	1		2	
- net change in provision for employee benefits			(4)	
Net gains on disposal of assets		5		(3)
Dividends, interest, income taxes and other charges		(153)		517
- dividends	(1)			
- interest income			(11)	
- interest expense	38		29	
- income taxes	(190)		499	
Changes in working capital		51		153
- inventories	63		410	
- trade receivables	89		27	
- trade payables	(156)		(230)	
- provisions for risks and charges	(16)		(27)	
- other assets and liabilities	71		(27)	
Dividends received, taxes paid, interest (paid) received during the period		(32)		(21)
- dividends received	1		1	
- interest received			2	
- interest paid	(33)		(41)	
- Income taxes received (paid) including tax credits rebated			17	
Net cash flow provided by operating activities		**(483)**		**218**
Capital expenditures		(274)		(218)
- tangible assets	(270)		(211)	
- intangible assets	(4)		(7)	
Investments and purchase of consolidated subsidiaries and businesses		(13)		(33)
- non consolidated investments	(13)		(37)	
- investments and purchase of consolidated subsidiaries and businesses			4	
Disposals		2		1
- tangible assets			1	
- investments	2			
Other cash flow related to capital expenditures, investments and disposals				(26)
- financial investments: financial receivables		(101)	(19)	
- change in payables and receivables relating to investments		2	(7)	
Free cash flow		**(867)**		**(58)**
Change in short-term and long-term debt		866		(1,018)
- proceeds from long-term finance debt	121		8	
- payments from long-term finance debt	(3)		(154)	
- change in short-term finance debt	746		(873)	
- foreign currency exchange differences	2		1	
Dividends paid and changes in non-controlling interests and reserves:				**1,146**
- net contributions (refunds) of own capital from/to third parties			**1,146**	
Net cash flow for the period		**(1)**		**70**

Financial review – Versalis SpA

Profit and Loss Account

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
4,766	Net sales from operations	4,186	4,003	(183)	(4.4)
155	Other income and revenues	115	119	4	3.5
(5,383)	Operating expenses	(4,771)	(4,107)	664	(13.9)
(1)	Other operating (expense) income	(27)	(7)	20	(74.1)
(88)	Depreciation, amortization and impairment	(91)	(665)	(574)	n.s.
(551)	**Operating loss**	**(588)**	**(657)**	**(69)**	**11.7**
(46)	Net finance income (expense)	(31)	(18)	13	(41.9)
(103)	Net income (expense) from investments	(148)	(97)	51	(34.5)
(700)	**Loss before income taxes**	**(767)**	**(772)**	**(5)**	**0.7**
149	Income taxes	173	(457)	(630)	n.s.
(551)	**Net loss**	**(594)**	**(1,229)**	**(635)**	**n.s.**

Net loss

The financial statements of Versalis SpA show a net loss for the period of €1,229 million (€594 million in 2014), determined by the operating loss of €657 million, net finance expenses of €18 million and net investment expenses of €97 million, partially offset by income from income taxes of €457 million.

The operating result worsened by €69 million, mainly as a consequence of the following factors:

- increase in the write-downs of tangible and intangible assets, following the outcome of the impairment test conducted on the basis of the 2016 - 2021 plan "stand-alone" scenario, for more details see Note 7 "Property, Plant and Equipment" and Note 8 "intangible assets" of the Versalis SpA's statutory financial statements;
- operating revenues decrease of 4.4%, due to the reduction in prices, despite an increase in quantities sold.

The effects of the above negative factors were partly offset by the following factors:

- operating costs decrease of 13.9%, mainly due to the reduction of prices in euro of oil charges and utilities;
- decrease of operating costs regarding derivatives utilized for hedging against the virgin naphtha price risk.

Analysis of the profit and loss account items

The reasons for the most significant variations in Versalis SpA's income statement items are commented upon in the Notes to the statutory financial statements of Versalis SpA, unless expressly indicated below.

Net sales from operations

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
1,127	Olefins	903	1,243	340	37.7
791	Aromatics	610	327	(283)	(46.4)
431	Derivatives	394	297	(97)	(24.6)
523	Elastomers	507	469	(38)	(7.5)
755	Styrenes	693	696	3	0.4
963	Polyethylene	923	857	(66)	(7.2)
176	Corporate and services	156	114	(42)	(26.9)
4,766		**4,186**	**4,003**	**(183)**	**(4.4)**

Net sales from operations decreased by €183 million following the fall in unit sales prices, partly offset by the increase in volumes sold.

Other income and revenues

Other income and revenues increased by €4 million compared with 2014 due mainly to the following: increase of €14 million in Other Income (of which €12 million from the sale of the Sarroch and Sarlux businesses), increase of €6 million from the sale of licenses, €2 million gain deriving from the sale of the TAC branch to Ravenna Servizi Industriali. The above increases were partially offset by the €15 million proceeds decrease due to the sale of the Energy Efficiency Certificates and the €3 million decrease in income from real estate investments.

Operating expenses

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
3,685	Production costs – raw, ancillary and consumable materials and goods and inventory changes	3,184	2,699	(485)	(15.2)
1,326	Service costs	1,163	1,056	(107)	(9.2)
18	Operating leases and other	19	16	(3)	(15.8)
7	Net provisions for contingencies	20	27	7	35.0
49	Other expenses	107	41	(66)	(61.7)
298	Payroll and related costs	278	268	(10)	(3.6)
5,383		**4,771**	**4,107**	**(664)**	**(13.9)**

Operating expenses decreased by €664 million, equal to 13.9%, as shown in the table above.

The decrease of 15.2% in the **cost of raw, ancillary and consumable materials and goods and inventory changes** was primarily due to a decrease in the average unit price in euros of virgin naphtha compared to 2014, partially compensated by increases in the quantities purchased and in the inventories of raw materials and finished products.

Service costs decreased by 9.2%, mainly due to the drop in utilities prices (electricity, methane, steam), including a reduction of engineering and works management costs, waste treatment costs and insurances, only partially offset by increases in internal works, and maintenance and logistics costs.

The increase of €7 million in **provisions for contingencies** was determined primarily by: (i) increased accruals of €17 million to the provisions for risks and environmental liabilities, ii) by increased accruals of €4 million to the provision for restructuring and divestitures, partially offset by the utilization of €14 million of the provision for litigation ("Vinyls" dispute).

Other expenses decreased by €66 million mainly because, a capital loss of €45 million (due to the divestment of the Sarroch Aromatics business) and other operating costs of €28 million euro (related to the divestiture of the Gela Polyethylene and Sarroch Aromatics businesses) had been incurred in 2014. The above decrease was partially offset by an increase in expenses for contractual penalties (€5 million) and other charges for €2 million.

Payroll and related costs decreased by €10 million (3.6%) mainly as a result of a reduction in the number of employees, due to the divestiture of the Sarroch Aromatics business.

Other operating (expense) income

Other operating expenses of €7 million (€27 million in 2014) are related to derivatives used to cover the virgin naphtha price risk which, although not held for speculative purposes, are not classifiable as "hedges" under the IFRS standards.

Depreciation, amortization and impairment

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
50	Tangible assets	53	62	9	17.0
4	Intangible assets	4	4		
54	**Depreciation and amortization**	**57**	**66**	**9**	**15.8**
34	**Impairments**	**34**	**599**	**565**	**n.s**
88		**91**	**665**	**574**	**n.s**

Depreciation and amortization increased by €9 million compared with 2014, owing to newly commissioned investments in tangible assets, which entered into service during the year.

The **impairment** of €599 million refers mainly to a €593 million write-down of tangible assets and a € 6 million write-down of intangible assets.

The €593 million **impairment of tangible assets** stems from the results of the impairment tests and refers mainly to the following CGUs: Priolo plant (€191 million), Elastomers in Ferrara (€111 million), Styrenics in Mantova (€126 million), Other Elastomers in Ravenna (€36 million), Other Services in Porto Torres (€38 million), E-SBR and Latex in Ravenna (€27 million), Ethylene-Polyethylene in Brindisi (€17 million), Intermediates in Mantua (€21 million), Polyethylene in Ferrara (€7 million), Utilities Services in Porto Marghera (€6 million) and the Ragusa plant (€1 million).
Furthemore the assets related to the s-SBR line in Ravenna were written off as a result of the cancellation of the development project (€12 million).

The Versalis Group's non-financial fixed assets have been grouped into Cash Generating Units (CGUs) and the impairment loss was determined by comparing the book value of each CGU with its value in use (determined by discounting to present value the expected cash flows deriving from use of the assets over a period coinciding with the remaining average useful life of the CGU itsef and considering the 2016-2021 plan in a "stand-alone" scenario). For further details, see Note 7 "Property, plant and equipment" of the Notes to the financial statements.

The write-downs of intangible assets of €6 million refer mainly to property rights relating to the license agreement with Union Carbide in the Brindisi production site Cash Generating Unit.

Net financial expenses

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
(41)	Financial income (expense) related to net borrowings	(43)	(34)	9	(20.93)
	Income (expense) on loans and securities related to operations		11	11	n.s.
(9)	Income (expense) on derivative contracts	10	8	(2)	(20.00)
4	Exchange differences	(4)	(6)	(2)	50.00
(4)	Other financial income (expense)		(4)	(4)	n.s.
4	Financial expenses capitalized	6	7	1	16.67
(46)		**(31)**	**(18)**	**13**	**(41.9)**

N**et financial expenses** decreased by €13 million essentially owing to: (i) higher financial income from receivables related to operations of €11 million; (ii) the €9 million interest expense decrease related to the financial debt. The above factors are only partially offset by: (i) an increase of €4 million in other financial expenses, (ii) decrease of €2 million in net exchange rate differences on commercial transactions, (iii) the €2 million reduction of proceeds following the fair value valuation of non-hedge derivative contracts on exchange risks.

The derivative instruments do not possess the formal requisites to be classified as "hedges" in accordance with IAS 39 and, therefore, the related fair value changes are recorded in the income statement.

Net income (expense) from investments

2013	(amounts in millions of euros)	2014	2015	Variance	Var. %
9	Dividends	1	11	10	n.s.
(114)	(Allocations to) Utilization of provisions for impairment of investmer	(78)	(108)	(30)	38.5
2	(Allocations to) Utilization of provisions to cover losses	(71)		71	n.s.
(103)		**(148)**	**(97)**	**51**	**(34.5)**

The **net expense from investments** decreased by €51 million mainly because of an allocation of €71 million previously made, in 2014, to the provision for losses on equity investments. In addition, there is an increase of €10 million in dividends received (€5 million of dividends distributed by Dunastyr and €6 million by Versalis International) and a €30 million increase of provisions for the impairment of investments.

The net provisions for equity impairments of €108 million refer mainly to the provisions related to investments in Versalis UK Ltd (€58 million), Matrica (€28 million), Dunastyr (€15 million), Newco Tech SpA (€5 million) and Polimeri Europa Elastomeres France (€1 million).

Income taxes

2013	(amounts in millions of euros)	2014	2015	Variance
	Current tax assets			
(28)	IRES	(8)	(5)	3
	IRAP			
(28)		**(8)**	**(5)**	**3**
(5)	Deferred taxes	(3)	(7)	(4)
(116)	Prepaid taxes	(162)	469	631
(121)		**(165)**	**462**	**627**
(149)		**(173)**	**457**	**630**

The increase in income from income taxes of €630 million compared with 2014 was due primarily to the write-down of net deferred tax assets, following the assessment of their recoverability based on the 2016 - 2021 plan "stand-alone" scenario; and from the adjustment of the IRES tax rate (from 27.5% to 24%) starting January 1, 2017.

Reclassified Balance Sheet [1]

Reclassified Balance Sheet (*)

(amounts in millions of euros)	31.12.2014	31.12.2015	Variance
Fixed assets			
Property, plant and equipment	905	418	(487)
Intangible assets	57	53	(4)
Investments	310	248	(62)
Receivables and securities held for operating activities	201	212	11
Net payables related to capital expenditure	(22)	(24)	(2)
	1,451	**907**	**(544)**
Net working capital			
Inventories	832	527	(305)
Trade receivables	562	562	
Trade payables	(756)	(568)	188
Tax receivables (payables) and provisions for deferred tax	614	133	(481)
Provisions for risks and charges	(161)	(166)	(5)
Other current assets (liabilities)	106	172	66
	1,197	**660**	**(537)**
Provisions for employee benefits	**(73)**	**(65)**	**8**
NET CAPITAL EMPLOYED	**2,575**	**1,502**	**(1,073)**
Shareholders' equity	**398**	**319**	**(79)**
Net borrowings	**2,177**	**1,183**	**(994)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,575**	**1,502**	**(1,073)**

(*) See "Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes."

The reasons for the most significant variations in Versalis SpA's balance sheet items are commented upon in the Notes to the separate statutory financial statements of Versalis SpA, unless expressly indicated below.

Fixed assets

Property, plant and equipment amounted to €418 million, decreased by €487 million due essentially to the effect of the impairment test results (€593 million), based on the 2016-2021 plan in a "stand-alone" scenario;

[1] See the comments on the consolidated economic and financial results for a methodological illustration of the reclassified statements.

and depreciation and amortization for the year (€62 million) partially offset by capital expenditures (€170 million).

Intangible assets amounted to €53 million, decreased by €4 million mainly due to the write-downs.

Investments amounted to €248 million, representing a decrease of €62 million due to the accrual to the provision for the impairment of investments related to Versalis UK Ltd (€58 million), Matrica (€28 million), Dunastyr (€15 million) and Newco Tech SpA (€5 million). The above decreases were offset by the underwriting of the share capital of the joint ventures Lotte Versalis Elastomers Co. Ltd (€29 million) and Newco Tech SpA (€5 million) and the payment on account for future capital increases in favor of Matrica (€10 million).

Financial receivables and securities held for operating activities of €212 million refer mainly to the loan granted to Matrìca SpA, joint venture with Novamont SpA, in order to meet the financial requirements of the "Green Hub" project in Porto Torres.

Net working capital

The decrease of €305 million in **inventories** is attributable to: (i) the decrease of €200 million in inventories of finished products due both to the reduction of stock levels and the reduction in the estimable value on the basis of market prices; (ii) a decrease of €105 million in inventories raw materials, supplies and consumables. The inventories of work in progress and semi-finished products were substantially unchanged compared to 2014.These amounts include the utilization of the provision for 34 million euro, (net provisions of 16 million euro fund in 2014), for the adjustment to market value of inventories in stock.

The decrease of €188 million in **trade receivables** is mainly due to the reduction in the purchases of oil (virgin naphtha) in the last quarter of 2015 compared to the last quarter of the previous year.

The decrease in **tax assets and net provisions for taxes** of €481 million is mainly due to the impairment of the net deferred tax assets of 463 million euro, as described above.

The increase of €5 million in **provisions for risks and charges** was due primarily to a €15 million accrual to the provision for environmental liabilities, a €14 million allocation to the provision for divestments and restructuring (related to the xylenes, polyethylene and phenol plants) and the allocation of € 5 million to the provision for social and mobility allowance charges. The above increases were partially offset by the utilization of €28 million of the provision for risks and litigation charges (definition of the Antitrust and Vinyls litigations) and the use of 1 million euro of the provision for termination benefits.

The increase of €66 million in **other current net assets** is mainly due to the increase of €33 million in receivables from the Eni group, the €15 million increase of advances to suppliers, the €8 million increase in receivables from affiliated companies and the €18 million decrease in payables to employees; partially offset by a €8 million decrease in receivables for the sale of licenses.

Shareholders' equity

(amounts in millions of euros)

Shareholders' equity as at December 31, 2014	**398**
Total comprehensive loss for the year	**(1,228)**
Payment by shareholder	**1,146**
Reserves relating to employee benefits	**3**
Shareholders' equity as at December 31, 2015	**319**

Shareholders' equity amounted to €319 million representing a decrease of €79 million. This decrease was due essentially to the comprehensive loss for the year of €1,228 million offset by a recapitalization of € 1,146 million by Eni. Other variations of €3 million concerned the effects on the reserve relating to employee benefits in compliance with IAS 19.

Net borrowings

(amounts in millions of euros)	31.12.2014	31.12.2015	Variance
Short-term debt	1,529	916	(613)
Medium/long-term debt	671	374	(297)
Cash and cash equivalents	(23)	(107)	(84)
Net borrowings	**2,177**	**1,183**	**(994)**
Shareholders' equity	**398**	**319**	**(79)**
Leverage	**5.47**	**3.71**	**(1.76)**

The decrease of €994 million in **net borrowings** was primarily the result of the increase in equity capital flow following the recapitalization by Eni (1,146 million euro), the improvement in the net cash flow from operating activities (a €78 million increase), partially offset by net cash flow from operations investment (228 million reduction). For further information, see the comment on the Reclassified Cash Flow Statement.

Reclassified Cash Flow Statement

Reclassified Cash Flow Statement (*)

2013	(amounts in millions of euros)	2014	2015	Variance
(551)	**Net loss for the period**	**(594)**	**(1,229)**	**(635)**
	Adjustments to reconcile net loss to net cash provided by operating activities:			
196	- depreciation, depletion, and amortization and other non monetary items	240	771	531
	- net gains on disposal of assets	4	(3)	(7)
(122)	- dividends, interest, taxes and other charges	(138)	462	600
233	Changes in w orking capital	77	83	6
(27)	Dividends received, taxes (paid) received, interest (paid) received	(33)	(6)	27
(271)	**Net cash flow provided by operating activities**	**(444)**	**78**	**522**
(236)	Capital expenditures	(207)	(177)	30
(399)	Investments and purchase of consolidated subsidiaries and businesses	(13)	(35)	(22)
4	Disposals	2	1	(1)
(100)	Financial investments: financial receivables	(101)	(19)	82
11	Cash flow related to capital expenditures, investments and disposals	(3)	2	5
(991)	**Free cash flow**	**(766)**	**(150)**	**616**
(16)	Change in short-term and long-term debt	761	(913)	(1,674)
1,000	Dividends paid and changes in non-controlling interest and reserves		1,146	1,146
(7)	**NET CASH FLOW FOR THE PERIOD**	**(5)**	**83**	**88**

Change in net borrowings

2013	(amount in millions of euros)	2014	2015	Variance
(991)	**Free cash flow**	**(766)**	**(150)**	**616**
	Exchange differences on net borrow ings and other changes	(3)	(2)	1
1,000	Dividends paid and changes in non-controlling interest and reserves		1,146	1,146
9	**CHANGE IN NET BORROWINGS**	**(769)**	**994**	**1,763**

(*) See "Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes".

In 2015, the **net cash** utilized by **operating activities** of €78 million, was reduced mainly by outlays for capital expenditures (€177 million), for equity investments (€35 million) and by the provision of financial receivables from Matrica SpA (€19 million), generating a €150 million financial requirement, an improvement compared to 2014 (€766 million). The debtreduction was possible as a result of the €1,146 million equity capital flow, which generated a positive net cash flow for the year of €83 million.

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

Reclassified Balance Sheet

Items of the Reclassified Balance Sheet (where not expressly indicated, the item derives directly from the statutory statement) (amounts in millions of euros)	Reference to notes on the financial statements	31.12.2014 Partial amounts from Statutory format	31.12.2014 Amounts from reclassified format	**31.12.2015** Partial amounts from Statutory format	**31.12.2015** Amounts from reclassified format
Fixed assets					
Property, plant and equipment			905		418
Intangible assets			57		53
Investments in subsidiaries, partnerships and joint ventures and other investments			310		248
Receivables and securities held for operating activities, made up of:			201		212
- other receivables		131		10	
- other non-current financial assets		70		202	
Net payables related to capital expenditures, made up of:			(22)		(24)
- payables related to capital expenditures	(see note 16)	(22)		(24)	
Total fixed assets			**1,451**		**907**
Net working capital					
Inventories			832		527
Trade receivables			562		562
Trade payables			(756)		(568)
Tax, made up of:			614		133
- other payables to joint ventures for fiscal transparency				(2)	
- other tax payables	(see note 17)	(8)		(8)	
- payables for tax consolidation	(see note 16)	(1)		(6)	
- current tax assets	(see note 4)	13		9	
- other current tax assets	(see note 5)	1		0	
- deferred tax assets	(see note 12)	578		115	
- receivables for Group VAT	(see note 2)	28		25	
- receivables for IRES refund applications	(see note 13)	3		0	
Provisions for risks and charges			(161)		(166)
Other current assets and liabilities, made up of:			106		172
- other receivables	(see note 2)	178		224	
- other (current) assets	(see note 6)	3		1	
- other receivables and other assets	(see note 13)	1		1	
- advances, other payables	(see note 16)	(62)		(45)	
- other (current) liabilities	(see note 18)	(5)		(9)	
- other payables and other liabilities	(see note 22)	(9)		0	
Total net working capital			**1,197**		**660**
Provisions for employee benefits			**(73)**		**(65)**
NET CAPITAL EMPLOYED			**2,575**		**1,502**
Shareholders' equity			**398**		**319**
Net borrowings					
Total debt, made up of:					
- long-term debt	(see note 19)	671		373	
- current portion of long-term debt	(see note 19)	3		308	
- short-term debt	(see note 14)	1,526		609	
less:					
Cash and cash equivalents	(see note 1)	(23)		(107)	
Total net borrowings			**2,177**		**1,183**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**2,575**		**1,502**

Reclassified Cash Flow Statement

Items of the Reclassified Cash Flow Statement and confluence/reclassification of items in the statutory format (amounts in millions of euros)	2014 Partial amounts from statutory format	2014 Amounts from reclassified format	**2015** Partial amounts from statutory format	**2015** Amounts from reclassified format
Net loss		**(594)**		**(1,229)**
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization and other non-monetary items		240		771
- depreciation and amortization	57		66	
- net impairment of tangible and intangible assets	34		599	
- impairments (writebacks) of investments	149		108	
- currency translation differences from alignment	1		1	
- net change in provision for employee benefits	(1)		(3)	
Net gains on disposal of assets		4		(3)
Dividends, interest, income taxes and other charges		(138)		462
- dividend income	(1)		(11)	
- interest income			(11)	
- interest expense	36		27	
- income taxes	(173)		457	
Changes in working capital		77		83
- inventories	64		305	
- trade receivables	83		(1)	
- trade payables	(131)		(189)	
- change in provisions for contingencies	(3)			
- other assets and liabilities	64		(32)	
Dividends received, taxes paid, interest (paid) received during the period		(33)		(6)
- dividends received	1		11	
- interest received			1	
- interest paid	(32)		(38)	
- income taxes received including tax credits rebated	(2)		20	
Net cash flow provided by operating activities		**(444)**		**78**
Capital expenditures		(207)		(177)
- tangible assets	(203)		(170)	
- intangible assets	(4)		(7)	
Investments and purchase of consolidated subsidiaries and businesses		(13)		(35)
- investments	(13)		(37)	
- businesses			2	
Disposals and partial sales of investments		2		1
- investments	2		1	
Other cash flow related to capital expenditures, investments and disposal		(104)		(17)
- financial investments: financial receivables	(101)		(19)	
- change in payables and receivables relating to investments	(3)		2	
Free cash flow		**(766)**		**(150)**
Change in short-term and long-term debt		761		(913)
- proceeds from long-term finance debt	70		8	
- payments of non-current finance debt	(3)		(3)	
- change in finance debt	694		(918)	
Dividends paid and changes in non-controlling interests and reserves:				1,146
- net contributions (refunds) of own capital			1,146	
Net cash flow for the period		**(5)**		**83**

Risk factors and uncertainties

Introduction

The main business risks, identified and actively managed by the Versalis Group, are country risk and operational risk. These risks, and the methods of managing them, are described below. For a description of financial risks see the specific section of the notes to the consolidated financial statements.

Country risk

All of the Versalis Group's production plants are located within European Union countries. Purchases and sales are made mainly in Italy and in Europe. The Group, therefore, has no significant interests in countries which are politically or economically unstable.

In any case, the Versalis Group periodically monitors the political, social and economic risks of the countries in which it operates, paying attention also to any penalizing changes in the legislative framework, in particular those of a fiscal nature, in order to minimize the impact on the Group.

Operational risk

The Versalis Group's business, by nature, involves industrial and environmental risks and is subject, in most countries where the Versalis Group operates, to laws and regulations regarding environmental protection and industrial safety. For example, in Europe, the Versalis Group owns and operates industrial facilities that are subject to a high risk of accidents and for which the Versalis Group has adopted standards and procedures that meet the criteria of the European Union's "Seveso II" Directive.

The wide spectrum of the Group's activities involves a vast range of operational risks such as explosions, fires, harmful gas emissions, toxic product leakage and the creation of non-biodegradable waste.

These events could damage or destroy the plants, and cause harm to persons or damage to the surrounding environment. Moreover, as industrial operations may be carried out in ecologically sensitive areas, each site requires a specific approach to minimize the impact on the ecosystem involved, on biodiversity and on the health of the local population.

The Versalis Group has adopted the highest standards for assessing and managing industrial and environmental risks, bringing its conduct into line with industry best practices. The Versalis Group has, over time, obtained the ISO14001 and OHSAS18001 System Certifications (see the paragraph "Environmental Responsibility"). In developing and managing operations, the business units apply the laws and regulations of the countries in which they operate and they assess the industrial and environmental risks using specific procedures.

Any environmental emergency is managed by the business units at site level, with an emergency response plan for each possible scenario, detailing the actions to be taken to limit the damage, as well as identifying the persons responsible for ensuring that these actions are taken.

As illustrated in the "Environmental responsibility" section of the Directors' Report on Operations, most of the Versalis Group's products are subject to the REACH legislation which regulates the obligations of registration and authorization of the products themselves, not only by the company, but also by its suppliers, as a condition necessary for their manufacture and commercialisation on the market.

The Versalis Group complies with this legislation and requires the same to its suppliers during the pre-qualification stage for awarding contracts

The integrated approach to health, safety and environmental issues is fostered by the application of an HSE Management System at all levels of the Eni Business Units and companies, which bases its methodological approach on the Eni HSE Management System model. This system is based on an annual cycle of planning, implementation, control, review of results and definition of new objectives. It is aimed at the prevention of risks, systematic monitoring, and control of HSE performance within a continuous improvement cycle, which also envisages that these processes be audited by internal and external personnel.

Capital management

The Versalis management uses leverage 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. The Management's aim in the medium term is to maintain a solid financial structure epitomized by a leverage ratio of not more than 1.

Fair value of financial instruments

The classification of financial assets and liabilities is indicated below; these are measured at fair value in the Balance Sheet according to the fair value hierarchy defined on the basis of the significance of the inputs used in the measurement process. In particular, on the basis of the features of the inputs used in making the measurements, the fair value hierarchy has the following levels:

- Level 1: prices quoted (and unadjusted) in active markets for identical financial assets or liabilities;
- Level 2: measurements carried out on the basis of inputs, other than the quoted prices as above, which, for the assets and liabilities to be measured, can be observed directly (e.g. prices) or indirectly (e.g. deriving from prices);
- Level 3: inputs not based on observable market data.

In relation to the above, the Versalis Group's financial instruments carried at fair value at December 31, 2015 regard "level 2" derivative contracts.

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

- receivables included in current assets: the market value of trade, financial and other receivables falling due within one year is estimated to be practically equivalent to the respective book value 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 an immaterial amount.

Environmental regulations

As regards environmental risk, given the steps already taken, the insurance policies signed and the provisions for risk already accrued, Versalis does not expect to incur any particularly significant negative effects on the financial statements as a result of compliance with environmental legislation. However, we cannot rule out with certainty the risk that Versalis may have to bear further costs or liabilities, even of significant proportions, as it is impossible, on the basis of current knowledge, to predict the effects of future developments, taking into account the following aspects, among others: (i) the possibility of as yet unknown contamination; (ii) the results of the ongoing surveys and the other possible effects of statements required by Decree no. 152/2006 of the Ministry of Environment; (iii) new developments in environmental regulation; (iv) the effect of possible technological changes relating to future remediation; (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 notes to the financial statements (section "Accounting policies – Grants"), the environmental costs of action to be taken at the manufacturing facilities acquired by the Versalis Group through the business contribution by Syndial SpA are covered by a specific warranty issued by the conferrer.

Emissions trading

Italian Legislative Decree No. 216 of April 4, 2006 implemented the Emission Trading Directive 2003/87/EC concerning greenhouse gas emissions and Directive 2004/101/EC concerning the use of carbon credits deriving from projects for the reduction of emissions based on the flexible mechanisms devised by the Kyoto Protocol.

In relation to the European Emissions Trading Scheme (ETS), which has been operational since January 1, 2005, on November 27, 2008, the National Committee for Management and Implementation of Directive 2003/87/EC published Resolution 20/2008 assigning the emissions allowances for the 2008-2012 period to the existing plants. It should be noted that, at the request of the European Commission, changes were made by the National Committee for Management and Implementation of Directive 2003/87/EC, which expanded the scope of application of the Directive with respect to the provisions in force for the period 2005-2007, extending it to certain types of combustion plants, including those present in the steam cracking plants (see also the paragraph "Commitments for sustainable development" in the Directors' Report attached to the consolidated financial statements).

On the basis of the estimates of the emissions made, at December 31, 2015, the Versalis Group presents an overall surplus emissions rights position (a so-called "long position")[2]; therefore, in accordance with the accounting criteria adopted, management shall recognize the income from the surplus rights at the moment of sale thereof.

[2] Provisional data: the definitive data will be available only after the final results have been certified by the Accredited Auditor. This will not, however, affect the company's position, which will certainly remain long.

Business outlook

The data of recent months confirms the prevalence of expansive impulses that have been further strengthened through a further decline in crude oil prices. The US is experiencing a robust recovery, while the Eurozone continues to advance at a moderate pace. China slows down, as expected, it remains difficult in some emerging countries (Brazil and Russia in particular).

The year 2016 has started under turmoil for the global economy, with the collapse of both the stock markets and raw material prices and the appreciation of the effective euro exchange rate. The continued sharp fall in crude oil prices boosts the disposable income in consumer countries (for Italy it is worth an additional 0.2% of GDP this year), but at present, it is both a mirror and a source of international instability. All these facts indicate that the scenario has become more challenging, with increased downside risks. However, the picture remains favorable.

In relation to the global macroeconomic scenario, the prospects are improving in the developed countries, but the weakness of the emerging economies is hindering the development of global trade, (which continues to disappoint expectations), and contributes to the reduction of raw materials prices. Oil prices have fallen below the minimum levels attained at the height of the 2008-09 crisis. Projections of global activity indicate, for the current year and next, a modest acceleration compared to 2015; nevertheless at the beginning of 2016 significant new tensions emerged on the financial market in China, accompanied by fears concerning the growth of the economy of the country.

In 2016, the global demand for chemicals will maintain a fairly stable growth rate of 2.5%. The slowdown in China is confirmed but, at present, it is not dramatic and the possible over-capacity situations relate only to specific sectors. In the US the production growth continues at robust rates (+3.1%), benefiting from a solid economic recovery.

The OECD has revised, significantly downward, the Eurozone growth in 2016, in addition to Italy also for Germany, where the correction was particularly significant. The growth continues, but remains fragile. The weakening of foreign demand and the fall in oil prices has contributed to the emergence of new downside risks for inflation and growth. In particular for Italy, the estimates made by the Bank of Italy predict a 1.4% growth of GDP, in the course of 2016, essentially confirming the figure in 2017 (+1.3%). The rising employment, which began in 2014, continued in 2015 (+0.8%) and will continue throughout 2016, in line with the consolidation of the economic activity. Mostly driven by household spending, the Italian domestic demand increased in late 2015 and in early 2016, (according to economic indicators). In the 4th quarter of 2015, Italian exports rose by 1.7% compared to the 3rd quarter. On average, in 2015, the growth was 3.6%. However, in January 2016, the extra-EU exports suffered a sharp setback. The weakening of Italian exports is also due to the dynamics of world trade. In addition, the pending restart of bank lending is subject to various risks related to the increased non-performing loans included in the Italian banks' financial statements and the more stringent regulatory requirements, (the ECB has asked, at the end of 2015, some banks to have a capital ratio well above the minimum Basel 3 requirements, resulting in the need to obtain further funds).

For the European chemical industry, only a gradual improvement is expected (between 1.0 and 1.5%), following modest growth (+0.5%) in 2015. The manufacturing industry recovery will remain conditioned by uncertainty; the euro/dollar exchange rate will support exports and will mitigate the pressure of imports along with low oil prices, which will reduce the cost advantages of the North American and Middle East gas powered productions.

For Versalis, the resumption of economic activity levels should bring benefits for sales volumes and the profitability of individual businesses, with positive impacts on the operating rates of plants, despite the fact that price spreads are down due to a normalization, following an exceptional 2015. In terms of profitability, in addition to the scenario improvement and an increased plant availability, the management efficiency measures and the turnaround program, which started in 2012 and continued in 2015, will continue in the coming year.

Other information

Transactions with related parties

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

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

Treasury shares and shares in parent company

In accordance with the regulations of Art. 2428, clause 3, points 3 and 4 of the Italian Civil Code, it is hereby confirmed that Versalis SpA and its subsidiaries do not own nor have they been authorized by their respective Shareholders' Meetings to purchase shares in either Versalis SpA or in Eni SpA.

Significant events after the reporting date

In order to develop the oilfield chemicals business, Versalis International opened a branch in Congo in 2016.

Commitment to sustainable development

Introduction

The main commitments undertaken by the Company in terms of sustainable development are indicated below, with particular reference to the following areas: personnel, environment, territorial relationships and local development, and technological innovation.

Personnel

The number of employees working for the Group companies at December 31, 2015 amounted to 5,205.

2013	Employees	2014	**2015**
4,665	Italy	4,306	**4,241**
1,080	Abroad	952	**964**
5,745		5,258	5,205

The reduction of 53 staff compared with December 31, 2014 was determined by the following:

- increases:

120 people were recruited, 23% of whom were graduates;

- reductions:

152 employees left the company for ordinary reasons (retirement, resignation, consensual termination, and transfer to Matrìca SpA);
3 employees left the Company under ordinary redundancy procedures, in accordance with Law No. 223/91;
18 employees, representing the net negative balance resulting from transfers within the Eni Group.

The breakdown by category is as follows:

2013	Employees	2014	**2015**
113	Managers	112	**112**
3,448	Managers/supervisors and employees	3,201	**3,196**
2,184	Workers	1,945	**1,897**
5,745		5,258	5,205

The distribution of permanent employees by age group is shown below:

Age group	Total	%
< 30	428	8.2
30-39	1,333	25.6
40-49	1,815	34.9
50-60	1,441	27.7
> 60	188	3.6
	5,205	100.0

As at December 31, 2015 the number of employees in service in the Group companies was 5,143.

Employees	2014	2015
Managers	108	107
Managers/supervisors and employees	3,169	3,165
Workers	1,943	1,871
	5,220	**5,143**

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

Employees of Versalis SpA and of its subsidiaries seconded to other companies of the Eni Group, to other entities, or on leave, numbered 97, while those seconded to Versalis SpA from other companies of the Eni Group numbered 35.

Training

The training programmes in Italy and in the foreign subsidiaries covered 150,000 man-hours in 2015. This activity was provided mostly using internal resources, but also with the support of Eni Corporate University SpA. Consolidation of the know-how of certain specialist areas was provided by qualified trainers from outside the Eni Group.

The financial resources used included €1.5 million of direct costs, €1.2 million of which towards Eni Corporate University SpA. The use of funding from inter-professional funds (Fondirigenti and Fondimpresa), enables the recovery of more than 20% of this amount.

Specific examples over the year include:

- ongoing commitment to the institutional training of new recruits, carried out in-house for those just graduated from high school, and also using the services of Eni Corporate University SpA for young graduates, using the editions in English for foreign subsidiaries;

- continuation in the targeted development of language skills, to support both managerial and operational resources in international professional situations;

- started Personal Coaching, to accompany and support managers in promoting internal resources in a path of change aimed at improving management skills;

- considerable training and information efforts on environmental, health, safety and quality issues, for a total of approximately 80,000 hours, made both in the classroom and in "training on the job", with particular reference to compulsory HSE training;

- training initiatives to provide staff, in Italy and abroad, with all the knowledge in the field of compliance, with the goal of getting to know and implement operational guidelines, regulations and internal procedures that aim to respect the laws in the management of the Versalis and Eni SpA businesses (in particular, there was the start in 2015 of the two-year program to upgrade the Model 231 and the on-line courses: Responsible Leadership, Non-Discrimination and Safe onLine);

- participations in refresher seminars at the Eni Corporate University SpA and/or other qualified entities, for the development and consolidation of transversal skills and specialist know-how of the employees working in the various business areas.

Incentive and remuneration systems

In keeping with the merit-based policy linked to roles and responsibilities, Versalis SpA strengthened its variable performance-based incentive system for senior managers and managers, setting individual targets in line with the company's general objectives. In 2015, performance assessment involved almost all senior managers and managers, identified on the basis of their assigned operating and management responsibilities. The incentive policy is linked to the achievement of results and the level of contribution provided. Furthermore, in 2015 the incentive system was confirmed for the sales force operating within Europe. A long-term incentive system, in line with the practices and policies of the Eni Group, is in place for those executives with greater strategic responsibilities, whose actions have an impact on the results of operations.

Environmental responsibility

The final figures, which give a significant indication of the commitment of economic resources by Versalis SpA regarding the protection of the health of its workers and of the environment, as well as the implementation of preventive measures to guarantee safety in the workplace and the protection against industrial risks of local communities in which the company operates, are as follows:

- €174 million for expenses in the period (€185 million in 2014)
- €36 million for capitalized investments (€46 million in 2014).

Environmental activities amounted to €116 million (€130 million in 2014) (including polluted area and aquifer management activities), **safety** activities amounted to €65 million (€91 million in 2014), **Management and Health** activities amounted to €5 million (€9 million in 2014) and and integrated **HSE** amounting to 23 million euro (3 million euro in 2014).

With regard to the control of **greenhouse gas emissions**, another important issue for environmental protection, 2015 ended with a final balance of CO_2 emissions, which represented once again the historic low for the company (2.98 million tonnes[3] in 2015, substantially in line with 2014, against 3.57 million tonnes in 2013). As is well known, in the past few years, as a result of both the cyclical nature of trends in the chemicals market, and of the economic crisis which afflicted all markets, production volumes, and consequently the emissions related to energy production, have been steadily decreasing.

The results for 2015 can, therefore, be summarized as:

- quotas allocated in 2015: 2.51 million tonnes of CO_2;
- 2015 emissions: 2.98 million tonnes of CO_2;
- surplus: 0.47 million tonnes of CO_2;

[3] Provisional final balance pending completion of certification activities.

The events that mostly characterized 2015 from the emission point of view are: the resumption of production activities of the plants of steam cracking and aromatics of Porto Marghera, an increase of about 0.47 million tonnes of CO2 compared to 2014), the sale of production facilities in the Sarroch site to Sarlux (with a reduction of approximately 0.39 million tonnes of CO2 compared to 2014) and some unplanned downtime that affected sites in Brindisi, Priolo and Ferrara.

In 2015 the Versalis commitment, to ensure the reduction of indirect CO2 emissions, continues through the development of energy-saving projects.

The work of supporting Italian and foreign sites on all safety aspects is continuing. Moreover, visits (road shows) were organized together with Eni, at the operational sites with the aim of raising the awareness of the company and third party personnel on safety issues, the fight against corruption, supplier qualification and feedback.

In particular, with regard to accident prevention, the following results were obtained for company and contractor personnel:

Italian and abroad	2014	2015
No. of incapacitating accidents	4	4
Frequency rate	0.28	0.28
Severity index	0.017	0.002

In 2015 a total of 4 accidents were recrded, regarding third-party personnel, including 3 fatalities.

The four accidents, related to contractors working in the Italian sites, are linked to three episodes mainly due to uncoordinated activities, carelessness, lack of or incorrect use of personal protective equipment and failure to comply with the requirements provided for in the authorization documents for carrying out the work .

In 2015 two historic results were recorded:

- For the first time in the history of the chemical industry no employee was injured;
- All 18 Versalis sites achieved the safety target of "**one year without employee accidents**": Versalis International SA (third consecutive year), Green Chemistry research center in Novara (third consecutive year), Porto Marghera (third consecutive year), Grangemouth, Dunkirk (third consecutive year), Oberhausen (second consecutive year), Ravenna (second consecutive year), Sarroch (second consecutive year), Hythe (fourth consecutive year), Priolo (seventh consecutive year), Ragusa (eighth consecutive year), Brindisi (sixth consecutive year), Ferrara (second consecutive year), Porto Torres (second consecutive year), Mantua, (first year) San Donato Milanese and Trieste (eighth consecutive year), Szazhalombatta (fifth consecutive year), Eni Chemicals Trading Shanghai (third consecutive year).

In addition to safeguarding the physical integrity of employees, the company's responsibility for health protection is increasingly extending beyond a strictly business/operational dynamic to a more social perspective, with the activation of programmes aimed at promoting health.

Health protection activities are managed according to a system which is strongly focused on prevention, with integrated annual standard programmes and campaigns for environmental surveys and health checks. In particular, in view of the risks from exposure to carcinogenic chemical agents and mutagens, environmental measurements and personal exposure measurements are supplemented by biological monitoring activities aimed at assessing the dose absorbed by workers.

The 2015 **System Certification** results, regarding the company's manufacturing sites, are as follows:

- **Italian Sites:** all facilities (Priolo and Ragusa considered as a single site), including the San Donato Milanese office, are ISO 14001 and OHSAS 18001 certified. Two sites are EMAS certified (Mantua and Ferrara);
- **foreign Sites:** all sites are ISO 14001 and OHSAS 18001 certified;
- Versalis International (Brussels and branches), the Green Chemistry research centre in Novara and the Brindisi Servizi Generali consortium obtained the obtained the certification of the environmental management system according to the ISO 1400 standards; Eni Chemical Trading Shanghai and Versalis Kimya obtained the certification of health and safety management system in accordance to the OHSAS 18001 standards.

As regards the **remediation of soil and groundwater**, pumping systems have been installed as preventive measures and are active at the Brindisi, Ferrara, Mantua, Porto Marghera, Sarroch and Priolo sites. The pumping systems, evaluated at the end of 2015, pump an estimated total of 6.5 million cubic metres of water a year, in line with forecasts. The Mantua, Ravenna, Ferrara, Sarroch and Brindisi sites are being or have been monitored for soil gas, in order to directly assess the risks associated with volatilization paths.

With regard to remediation, the authorization procedure provided for by law was completed with the approval of projects at the sites in: Gela (groundwater), Porto Marghera (groundwater and soil), Priolo (groundwater and soil in the area south of Vallone della Neve), Ferrara (confined groundwater and surface aquifer and soil), Ravenna (surface aquifer and soil), Sarroch (groundwater) and Ragusa (remediation of the ex-topping area). The reclamation project of the aquifer for the Brindisi site has been deemed approvable and is waiting for a decree to initiate the work; the soil and groundwater remediation project for the Mantua site has been approved limited to the removal of the supernatant and to some specific areas. Work has begun at Mantua, Porto Marghera, Priolo, Ferrara, Sarroch and Ravenna. At the Porto Torres facility, the groundwater and soil situation is monitored and managed by Syndial, since Versalis operates under leasehold at this site.

Versalis has entrusted Syndial, centre of excellence for remediation activities in Eni, with a number of activities at the sites of Mantua, Ferrara, Brindisi, Ravenna, Sarroch, Porto Marghera and Priolo.

With regard to **Quality Control** in 2015, internal audits were carried out on the Quality Management System (ISO 9001) at all of the Italian production sites, including the headquarters, the sales office in Trieste, and also at production sites outside of Italy, Versalis International SA and the related branch offices in UK, Hungary, France and Germany. Furthermore, audits were carried out on 21 companies performing the following activities/processes on behalf of Versalis SpA: contract work, storage of Versalis products, chemical analysis, procurement, packaging, handling, storage, shipment, calibration and weighing.

During 2015, the cycle of surveillance audits was completed with the aim of maintaining certification for the Quality Management System (ISO 9001) for all Italian sites certification was extended to include the following processes/activities: "Development of special solutions and applications in the field of chemicals for Oilfield and relative production, marketing and technical assistance activities" and "Process & Basic Engineering for proprietary technologies"

Quality Management Certifications have also been retained for all the directly controlled foreign production companies: Versalis France SAS, Versalis UK Ltd, and Versalis International SA (including its subsidiaries), Dunastyr, and Versalis Deutschland GmbH.

Technological innovation

During 2015 research and technological innovation activities were directed, in continuity with previous years, at the ongoing improvement of processes and products of the existing business lines. Moreover, research and development activities in the green chemistry sector have been strengthened, in synergy with other businesses.

In particular, the most interesting results include the following:

Green chemistry

As part of the development of the technological platform for butadiene production from renewable sources (partnership with Genomatica), through significant improvements in the proprietary catalytic processes involved, it has achieved significant results in the continuous production of bio-butadiene, an important monomer for the production of elastomers.

Matrica, (a Versalis-Novamont joint venture), has initiated the development of new vegetal products, of the Matrilox family, in many application areas (construction, inks, compatibilizers, plasticizers, bitumens).

The agronomic protocol of the innovative technology platform, aimed at the full exploitation of alternative non-food biomass of Guayule, has been strengthened and, in line with expectations, has produced natural rubber made via innovative proprietary technologies.

The technology for obtaining other components of biomass, aimed at the development in specialized high added value sectors (nutraceuticals, cosmetics, bio-stimulants for the crops), has been defined.

Elastomers

New proprietary catalytic systems were developed for the manufacture of EPDM rubbers with controlled ramifications, reaching the industrial production grade level required for their application in profiles for cars, (with characteristics in line with those of the best competitors).

The eSRB grade (styrene butadiene copolymer) was produced on an industrial scale for the tyre industry, using Matrilox (Matrica) as the oil extender. These are the first products available on the market with a significant proportion of components coming from renewable sources that replace fossil components.

The first production of sSBR grade was performed, once functionalized at the industrial plant at Grangemouth in Scotland. This material is studied especially with regard to the carbon black compounds, needed for applications in the high-range tyres sector.

On a pilot scale, a sSBR grade was developed for silica compounds. The industrialization of this product will enable the whole sSBR range to be covered for the high-end tyres sector.

Polyethylene

As part of the project for expanding the portfolio of the very low-density products (VLDPE) with proprietary catalysis, the various grades produced for the wire & cable, food and industrial packaging sectors were reinforced and marketed.

The research commitment in the compounding sector was continued and expanded, targeted towards specialty products. At the industrial level, the production of high density polyethylene crosslinkable compounds (HDPE) was strengthened.

A partnership was started with the Italian Institute Technology with the aim of developing polyethylene/ graphene nanocomposites for the development of material with high mechanical strength, thermal & electrical conductivity and gas barrier properties.

Styrenes

New formulations have been developed, on a pilot scale, of expandable polystyrene (EPS) combined with elastomers or EVA copolymers, for flexible packaging with improved impact resistance.

New flame retardant formulations of the expandable polystyrene (EPS) and of the shockproof (HIPS) which have been strengthened, in the industrial production, show an adequate fire behavior without the utilization of the traditional brominated additives (banned by the EU for eco-compatibility issues).

The planning was completed and implementation started of a new pilot line, for the manufacture of the ABS resins with an innovative proprietary technology called "one-step", which will enable materials to be produced with innovative performance profiles, (which are currently not available via other existing technologies).

Basic Chemistry

At the Ravenna research center, successful start-up of the pilot dehydrogenation/isomerization of butene to butadiene plant, (key monomer for the business of elastomers), with catalysis and innovative processes.

Other compliance information

Declaration in accordance with Legislative Decree No. 196 dated June 30, 2003

Versalis SpA declares that the Data protection document required under the terms of Legislative Decree No. 196 dated June 30, 2003 has been drawn up and updated.

Secondary head offices

In accordance with the provisions of Art. 2428, clause 4, of the Italian Civil Code, it is hereby confirmed that Versalis SpA has no secondary head offices.

Administrative and Accounting separation of the electricity business

In addition to the petrochemical sector, Versalis SpA also operates in the power sector, producing energy almost exclusively for internal consumption and selling modest quantities to third parties. As of 2013, the ratio between the quantity of electric energy and thermal energy that can be produced in a cogeneration arrangement at Versalis' three thermoelectric power plants is less than 1. Furthermore, the plants do not satisfy the definition set forth in Resolution no. 42/02. This results in the exclusion of the three power plants from "Production of electric energy" and their classification in "Other activities".

It should also be noted that, as of January 1, 2014 Versalis SpA became a provider for the "sale of electricity to free market customers". For this reason, also for 2015, Versalis SpA prepares separate annual accounts in accordance with Resolution 11/2007 of the Italian Electrical Energy & Water System Authority.

For the Board of Directors

The Chief Executive Officer

Daniele Ferrari

Consolidated Financial Statements 2015

Balance Sheet

		31.12.2014		31.12.2015	
(amounts in millions of euros)	Notes	Total	*of which with related parties*	Total	*of which with related parties*
ASSETS					
Current assets					
Cash and cash equivalents	*(1)*	79	*79*	149	*149*
Trade and other receivables	*(2)*	986	*288*	874	*208*
Inventories	*(3)*	1,077		670	
Current income tax assets	*(4)*	14		10	
Other current tax assets	*(5)*	13		8	
Other assets	*(6)*	5	*3*	5	*1*
		2,174		**1,716**	
Non-current assets					
Property, plant and equipment	*(7)*	1,150		549	
Intangible assets	*(8)*	67		56	
Investments valued at net equity	*(9)*	155		171	
Other investments	*(10)*	15		16	
Other financial assets	*(11)*	72	*71*	202	*202*
Deferred tax assets	*(12)*	617		124	
Other assets	*(13)*	4	*3*	1	
		2,080		**1,119**	
TOTAL ASSETS		**4,254**		**2,835**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	*(14)*	1,788	*1,781*	919	*912*
Current portion of long-term debt	*(15)*	3	*3*	308	*303*
Trade and other payables	*(16)*	969	*520*	720	*364*
Income tax payables	*(17)*	1		8	
Other taxes payable	*(18)*	10		12	
Other liabilities	*(19)*	8	*6*	11	*7*
		2,779		**1,978**	
Non-current liabilities					
Long-term debt	*(20)*	822	*820*	374	*370*
Provisions for risks and charges	*(21)*	147		128	
Provisions for employee benefits	*(22)*	76		67	
Deferred tax liabilities	*(23)*	14		16	
Other liabilities		9			
		1,068		**585**	
TOTAL LIABILITIES		**3,847**		**2,563**	
SHAREHOLDERS' EQUITY	*(24)*				
Share capital [(a)]		1,553		1,553	
Other reserves		(11)		(18)	
Losses relating to previous years		(590)		25	
Loss for the period		(545)		(1,289)	
TOTAL SHAREHOLDERS' EQUITY		**407**		**272**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,254**		**2,835**	

(a) Fully paid-up share capital consisting of 1,553,400,000 shares with no face value.

Profit and Loss Account

(amounts in millions of euros)	Notes	2014 Total	2014 of which with related parties	2015 Total	2015 of which with related parties
REVENUES	*(26)*				
Net sales from operations		5,284	*266*	4,716	*190*
Other income and revenues		122	*93*	115	*79*
Total revenues		5,406		**4,831**	
OPERATING EXPENSES	*(27)*				
Purchases, services and other costs		(5,539)	*(2,487)*	(4,394)	*(1,704)*
Payroll and related costs		(357)		(341)	
OTHER OPERATING (EXPENSE) INCOME	*(28)*	**(27)**	*(27)*	**(7)**	*(7)*
DEPRECIATION, AMORTIZATION AND IMPAIRMENT	*(29)*	**(185)**		**(833)**	
OPERATING PROFIT (LOSS)		**(702)**		**(744)**	
FINANCIAL INCOME (EXPENSE)	*(30)*				
Financial income		35	*11*	62	*18*
Financial expense		(76)	*(47)*	(86)	*(50)*
Derivatives		11	*11*	8	*8*
		(30)		**(16)**	
INCOME (EXPENSE) FROM INVESTMENTS	*(31)*				
Share of profit (loss) of equity-accounted investments		(3)		(30)	
		(3)		**(30)**	
PROFIT (LOSS) BEFORE INCOME TAXES		**(735)**		**(790)**	
Income taxes	*(32)*	190		(499)	
LOSS FOR THE PERIOD		**(545)**		**(1,289)**	

Statement of Comprehensive Loss

(amounts in millions of euros)	2014	2015
LOSS FOR THE YEAR	**(545)**	**(1,289)**
Other items of comprehensive loss:		
Valuations of defined-benefit plans for employees	(5)	5
Foreign currency translation differences	4	4
Tax effect relative to the other components of the comprehensive loss that cannot be reclassified to the profit and loss account	1	(1)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(545)**	**(1,281)**

Statement of Changes in Shareholders' Equity

(amounts in millions of euros)	Share capital	Exchange differences reserve	Other reserves	Retained earnings /(losses brought forward)	Loss for the period	Total
Balances at December 31, 2013 (a)	**1,553**	**(6)**	**(5)**	**35**	**(625)**	**952**
Loss for the year 2014					*(545)*	*(545)*
Other items of comprehensive loss:						
Revaluation of defined-benefit plans for employees net of tax effect			(4)			**(4)**
Foreign currency translation differences		4				**4**
Total comprehensive loss for the year 2014 (b)				**(625)**	**625**	
Transactions with shareholders:						
Allocation of loss for the year 2013						
Reduction of share capital and loss coverage				(625)	625	
Contribution by the sole shareholder						
Total transactions with shareholders (c)						
Other changes:						
Business combination under common control						
Total other changes (d)						
Balances at December 31, 2014 (e=a+b+c+d)	**1,553**	**(2)**	**(9)**	**(590)**	**(545)**	**407**
Loss for the year 2015					*(1,289)*	**(1,289)**
Other items of comprehensive loss:						
Revaluation of defined-benefit plans for employees net of tax effect			4			**4**
Foreign currency translation differences		4				**4**
Total comprehensive loss for the year 2015 (f)		**4**	**4**		**(1,289)**	**(1,281)**
Transactions with shareholders:						
Allocation of loss for the year 2014				(545)	545	
Reduction of share capital and loss coverage	(1,146)			1,146		
Contribution by the sole shareholder	1,146					**1,146**
Total transactions with shareholders (g)				**601**	**545**	**1,146**
Balances at December 31, 2015 (i=e+f+g)	**1,553**	**2**	**(5)**	**11**	**(1,289)**	**272**

Cash Flow Statement

(amounts in millions of euros)	*Notes*	**2014**	**2015**
Loss for the period		(545)	(1,289)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	*(30)*	89	101
Net impairments (writebacks) on plant, property, equipment and intangible assets	*(30)*	96	732
Share of profit (loss) of equity-method investments		5	30
Currency translation differences from alignment	*(31)*	1	2
Net gains on disposal of assets		5	(3)
(Dividends)	*(32)*	(1)	
Interest income	*(30)*		(11)
Interest expense	*(31)*	38	29
Current, deferred and advance income taxes for the period	*(33)*	(190)	499
Changes in working capital:			
- inventories	*(3)*	63	410
- trade receivables	*(2)*	89	27
- trade payables	*(16)*	(156)	(230)
- provisions for risks and charges	*(21)*	(16)	(27)
- other assets and liabilities		71	(27)
Cash flow provided by changes in working capital		*(451)*	*243*
Net changes in provisions for employee benefits	*(22)*		(4)
Dividends received		1	1
Interest received			2
Interest paid		(33)	(41)
Income taxes received (paid) including tax credits rebated			17
Net cash flow provided by operating activities		**(483)**	**218**
of which with related parties	*(34)*	*(2,219)*	*(1,664)*
Investments:			
- tangible assets	*(7)*	(270)	(211)
- intangible assets	*(8)*	(4)	(7)
- investments	*(9) e (10)*	(13)	(46)
- changes in payables relating to investment activities	*(16)*	2	(7)
- financial receivables instrumental to the operating activity – investment		(101)	(10)
Cash flow from investments		*(386)*	*(281)*
Disposals:			
- tangible assets	*(7)*		1
- investments	*(9) e (10)*	2	
- sale of business units			*4*
Cash flow from disposals		*2*	*5*
Net cash flow from investment activities		**(384)**	**(276)**
of which with related parties	*(34)*	*(109)*	*(41)*
Long-term debt obtained	*(20)*	121	8
Repayments of long-term debt	*(20)*		
Increase (decrease) in short-term debt	*(14)*	743	(1,027)
Cash flow from share capital			1,147
Other changes		2	1
Net cash flow from financing activities		**866**	**128**
of which with related parties	*(34)*	*863*	*128*
Net cash flow for the period		**(1)**	**70**
Cash and cash equivalents - beginning of the year	*(1)*	**80**	**79**
Cash and cash equivalents - end of the year	*(1)*	**79**	**149**

Supplementary information

(amounts in millions of euros)	Notes	Year 2014	Year 2015
Analysis of disposals (sales of business units)			
Non-current assets:			
Tangible assets	*(7)*		4
Net effect of disposal			**4**
CASH FLOW FROM DISPOSALS			**4**

Notes to the Consolidated Financial Statements

Basis of presentation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS" or "International Accounting Standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of EC Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002, and in accordance with Art. 9 of the Italian Legislative Decree 38/05.[4]

The consolidated financial statements have been prepared on a historical cost basis, with adjustments where appropriate, except for items that, in accordance with IFRS, must be recorded at fair value as described in the paragraph on accounting policies.

The financial statements at December 31, 2015, approved by the Board of Directors of Versalis SpA at its meeting on the March 30, 2016, are audited by Reconta Ernst & Young SpA. As the main independent auditor, the Reconta Ernst & Young network is responsible for auditing the Group's consolidated financial statements.

Considering their materiality, the amounts of the items in the financial statements and the associated notes are stated in millions of euro, unless otherwise indicated.

Consolidation principles

Consolidated subsidiaries

The consolidated financial statements include the financial statements of Versalis SpA and the Italian and foreign subsidiaries controlled by Versalis SpA (hereinafter referred to as the "Group"). Control of an investee exists when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To have power over an investee, the investor must have existing rights that give it the current ability to direct the relevant activities of the investee, i.e. the activities that significantly affect the investee's returns.

The subsidiary's amounts are included in the Consolidated Financial Statements from the acquisition date until the date when the parent ceases to control the subsidiary. All the assets, liabilities, income and expenses of consolidated subsidiaries are consolidated on a line-by-line basis in the Consolidated Financial Statements; the book value of these subsidiaries is offset against the corresponding share of the shareholders' equity. Equity and net profit of noncontrolling interests are included in specific lines of equity and the profit and loss account.

When shareholdings are acquired after control was obtained (acquisition of minority interests), any positive difference between the purchase cost and the proportionate share of shareholders' equity is stated in the Group's equity; in the same way, effects deriving from disposals of equity interests that do not result in a loss of control are recorded in equity. Conversely, the sale of equity interests with loss of control determines the recognition in the profit and loss account of: (i) any gain/loss calculated as the difference between the consideration received and the corresponding transferred share of equity; (ii) any gain or loss recognized as a result of the remeasurement of any investment retained in the former subsidiary to its fair value; and (iii) any amount related to the former subsidiary previously recognized in other comprehensive income which can be reclassified subsequently to profit and loss account.[5] Any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost and shall be accounted for in accordance with the applicable measurement criteria.

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[4] The international accounting standards used in preparing the consolidated financial statements substantially coincide with those issued by the IASB in force for financial year 2015 because the current differences between the IFRSs endorsed by the European Commission and those issued by the IASB concern cases not present in the Group's businesses.

[5] On the contrary, any values related to the former subsidiary included in other components of comprehensive income, which cannot be reversed n the income statement, are charged to retained earnings.

Interests in joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. 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”.

A joint operation is a joint arrangement whereby the parties have enforceable rights to the assets, and enforceable obligations for the liabilities, relating to the arrangement. In the Consolidated Financial Statements the Versalis’ share of the assets/liabilities and revenues/expenses of the joint operations is recognized upon rights and obligations to the arrangements. After the initial recognition, the assets/liabilities and revenues/expenses of the joint operations are measured in accordance with the measurement criteria applicable to each case. Immaterial joint operations are accounted for using the equity method or, if this does not result in a misrepresentation of the Company’s financial position, at cost net of impairment losses.

Interests in associated companies

An associated company 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 does not control nor joint control those policies. Investments in associated companies are accounted for using the equity method as described in the accounting policy for "The equity method of accounting".

Consolidated companies, non-consolidated subsidiaries, joint ventures, equity investments in joint operations, and associated companies, are included in note 38 "Companies and equity investments of Versalis SpA as at 31st December 2015". In the same note 38, the consolidation variations, which occurred during the year, are also indicated.

The financial statements of the consolidated companies are audited by external auditors, who also audit the information required for the preparation of the Consolidated Financial Statements.

The equity method of accounting

Investments in unconsolidated subsidiaries, joint ventures and associates are accounted for using the equity method[6].

Under the equity method, investments are initially recognized at cost, allocating any difference between the cost of the investment and the investor’s share of the fair value of the investee’s identifiable net assets similarly to the recognition principles of business combination. Subsequently, the carrying amount is adjusted to reflect: (i) the investor’s share of the post-acquisition profit or loss of the investee; and (ii) the investor’s share of the investee’s other comprehensive income. Changes in the net assets of an equity-accounted investee, not arising from the investee’s profit or loss or other comprehensive income, are recognized in the investor’s profit and loss account, as they basically represent a gain or loss from a disposal of an interest in the investee’s equity. Dividends received from an investee are recorded as a reduction of the carrying amount of the investment. In applying the equity method, consolidation adjustments are considered (see also paragraph "Principles of consolidation"). When there is objective evidence of impairment (see also the accounting policy for "Current financial assets"), the recoverability is tested by comparing the carrying amount and the related recoverable amount determined by adopting the criteria indicated in the accounting policy for "Property, plant and equipment". Unconsolidated subsidiaries, joint ventures and associates are accounted for at cost, net of impairment losses, if this does not result in a misrepresentation of the Group financial position and performance. When an impairment loss no longer exists, a reversal of the impairment loss is recognized in

[6] In the case of the assumption of a link (joint control) at a later period, the investment is recorded for the amount equivalent to that resulting from the application of the equity method, as if the same had been applied from the outset; the effect of the book value"revaluation" of the interests held prior to the assumption of the link (joint control) are recorded in equity.

profit and loss account within "Other gain (loss) from investments". The reversal cannot exceed the previously recognized impairment losses.

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/loss calculated as the difference between the consideration received and the corresponding transferred share; (ii) any gain or loss recognized as a result of the remeasurement of any investment retained in the former joint venture/associate to its fair value[7]; and (iii) any amount related to the former joint venture/associate previously recognized in other comprehensive income which can be reclassified subsequently to profit and loss account[8]. 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.
The parent company's share of any of the subsidiary's losses, exceeding the value of the investment, is recorded in a specific reserve to the extent that the company is required to fulfill legal or implicit obligations of the subsidiary, or in any case, to cover its losses.

Intragroup transactions

All balances and transactions between consolidated companies, including unrealized profits arising from such transactions, have been offset. Unrealized profits from transactions between the Group and its equity-accounted entities are offset to the extent of the Group's interest in the equity accounted entity. In both cases, unrealized losses are not offset since they are evidence of an impairment loss of the asset transferred.

Translation of financial statements in currencies other than the Euro

Financial statements of foreign subsidiaries having a functional currency other than the euro, (i.e. the Group's functional currency), are translated into euro using the exchange rates prevailing as at the balance sheet date for assets and liabilities, historical exchange rates for equity and average exchange rates for the profit and loss account (source: Bank of Italy).

Exchange differences from the translation of the subsidiaries financial statements denominated in foreign currency, deriving from the application of different exchange rates for assets and liabilities, for net equity and the income statement, are recorded in equity under "Reserve for exchange differences" for the portion attributable to the Group[9]. The reserve for exchange rate translation differences is recorded in the the income statement upon full divestment, (i.e. the date of the loss of control or loss of joint control or loss of significant influence over the subsidiary). In such cases, the recognition in the income statement of the reserve is carried out in "Other income (expense) from investments." At the time of the the partial sale, without loss of control, the share of foreign exchange differences relating to the percentage of the investment sold is posted to the equity of minority interests. In the event of a partial sale, with no loss of joint control or significant influence, the share of foreign exchange differences, relating to the percentage of divested participation, is recorded in the income statement.

The financial statements used for converting are those denominated in the functional currency.

The main exchange rates utilized to translate the financial statements, in currencies other than the euro, are listed here below:

(amounts of currency for 1 euro)	Annual average exchange rate 2014	Exchange rate at Dec. 31, 2014	Annual average exchange rate 2015	Exchange rate at Dec. 31, 2015
Pound Sterling	0.81	0.78	0.73	0.73
Hungarian Forint	308.71	315.54	310.00	315.98
Chinese Renminbi	8.19	7.54	6.97	7.06

7 If the remaining investment continues to be accounted for using the equity method, the retained portion is not adjusted to its fair value of this equity investment.

8 On the contrary, any values recorded in other components of comprehensive income, related to the former joint venture or associated company for which the reversal to the income statement is not foreseen, are charged to retained earnings.

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

Accounting policies

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

Tangible Assets

Tangible assets, including investment properties, are recorded according to the cost method, and stated at purchase price or production cost, inclusive of directly attributable costs required to make the assets ready for use. When you require a significant period of time to make the asset ready for use, the purchase price (or the cost of production) includes the financial expenses incurred which, theoretically would have been saved, during the period necessary to make the asset ready for use, if such investment had not been made.

In the case of current obligations for the dismantling and removal of assets and site remediation, the book value includes the estimated costs (discounted) to be incurred at the time the structures are actually abandoned, recorded as a contra-entry to a specific provision. The accounting treatment of the changes in the estimates of these costs, the passing of time and the discount rate is specified under "Provisions for risks and charges". Given that the uncertainty in determining the time of abandonment of the assets prevents the possible estimation of the relative discounted costs of abandonment; the dismantling and site restoration costs of tangible assets are only recorded when the date such costs will actually be incurred can be determined and the amount of the obligation can be reliably estimated. In this regard Versalis periodically evaluates the requirements of the activity, in order to verify the occurrence of changes, circumstances or events that may lead to the need for detecting dismantling and site restoration costs, relating to its tangible assets.

The revaluation of tangible assets is not allowed, not even pursuant to specific laws.

Assets acquired under financial leasing or concerning arrangements that do not take the legal form of a finance lease but substantially transfer the risks and rewards of ownership, are recorded at fair value, net of the lessor, or if lower, the present value of the minimum lease payments, under tangible assets against a financial payable to the lessor, and depreciated according to the criteria described below. When there is a reasonable certainty, of exercising the right of redemption, the asset is depreciated over the period of either the lease term or the useful life of the asset, whichever is the shortest.

The costs for improvements, modernization and transformation, which are expected to increase the value of tangible assets, are capitalized when it is probable that such costs will increase the future economic benefits expected from such assets. Items purchased for safety or environmental reasons, which even though not directly increasing the future economic benefits of existing activities, are also recorded as assets when such items are necessary for obtaining the benefits of other tangible assets.

Tangible assets, from the time the use of the asset starts (or should have started), are systematically amortised over their useful life, estimated as the period over which the assets will be utilized by the company. When the tangible asset consists of several significant components with different useful lives, the depreciation is applied to each component. The value to be depreciated is the book value less the estimated residual value at the end of its useful life, if material and reasonably determinable. Land, (even if purchased together with a building), and assets held for sale are not subject to the depreciation (see item "Assets held for sale and discontinued operations"). Any changes to the amortization schedule, resulting from the revision of the useful life of the asset, the residual value, or of how to derive the economic benefits of the asset, are recognized prospectively.

Assets which are transferable free of charge, are amortised over the duration of the concession and the useful life of the asset.

The replacement costs of identifiable components of complex assets are capitalized and depreciated over their useful life; the residual book value of the replaced component is stated in the income statement. Improvements to leased assets are depreciated over the useful life of these improvements, or the minor remaining period of the lease, taking into account the possible renewal period if its occurrence depends solely on the conductor and is virtually certain. Ordinary maintenance and repair costs, other than replacement of identifiable components, which reintegrate but do not improve the performance of the assets, are reported in the income statement when incurred.

When events occur that imply a reduction in value of tangible assets, their recoverability is tested by comparing the book value with the recoverable amount, being the higher of fair value, (net of disposal costs), and the value in use. Value in use is determined by discounting the expected cash flows deriving from the use of the asset and, if material and reasonably determinable, from its disposal at the end of its useful life, net of disposal costs. Value in use is determined net of tax as it gives substantially equivalent results to those obtained using an evaluation before taxes. The expected cash flows are calculated on the basis of reasonable and documented assumptions that represent the best estimate of future economic conditions occurring over the asset's useful life remaining, giving more weight to external indicators.

Discounting is carried out at a market rate that reflects current market assessments of the time value of money and the risks specific to the asset not reflected in the estimates of the cash flows. In particular, the discount rate used is the Weighted Average Cost of Capital (WACC), adjusted for the specific country risk in which the asset, being valued, is located. The optimization of the specific country risk to be included in the discount rate is based on information provided by external sources. The assessment is made for individual assets or for the smallest identifiable group of assets that generate independent cash inflows, resulting from the continuous (ie. Cash Generating Units), which are represented by the production facilities and related facilities. When the reasons for the previous write-downs cease to apply, assets are revalued and the adjustment is disclosed in the income statement as a revaluation (value restoration). The asset revaluation is the lower of the fair value and the book value, (prior to previous writedowns), and is reduced by the depreciation that would have been made if it had not been written down.

Intangible assets

Intangible assets include assets lacking physical substance, controlled by the company and capable of producing future economic benefits, as well as goodwill when purchased against payment. An asset is identifiable when there is the possibility of distinguishing the intangible asset from goodwill. This condition is normally met when: (i) the intangible asset can be traced back to a legal or contractual right, or (ii) the asset is separable, i.e. can be sold, transferred, licensed, rented or exchanged either individually or as an integral part of other assets. An entity controls an asset if it has the power to obtain the future economic benefits flowing from the asset and to restrict the access of others to these benefits.

Intangible assets are accounted for at cost, using the same criteria as that utilized for tangible assets. Revaluations are not permitted even in application of specific laws.

Intangible assets with a defined useful life are amortised on a straight-line basis over their useful life, estimated as the period over which the assets will be used by the company. The amount to be amortised and the recoverability of their book value are calculated in accordance with the criteria described in the section “Tangible Assets”.

Goodwill and other intangible assets with an indefinite useful life are not amortised. The recoverability of their book value is reviewed at least annually and whenever events or changes in circumstances indicate that the book value may not be fully recoverable. With reference to goodwill, a test is performed on the smallest aggregate level through which Management assesses, directly or indirectly, the return on investment (which also includes the goodwill). When the book value of the Cash Generating Unit, including goodwill attributed thereto, determined by taking into account any write-downs of non-current assets that are part of the Cash Generating Unit, exceeds its recoverable value[10], the difference is subject to impairment (i.e. primarily charged against goodwill up to its total vaue). Any excess amount is allocated on a pro rata basis to the value of the

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[10] For the definition of the recoverable value see the section "Tangible Assets".

assets that form the Cash Generating Unit, up to the recoverable value of assets with a finite useful life. The goodwill write-downs cannot be reversed[11].

Costs of technological development activities are capitalised when: (i) the cost attributable to the development activities can be reasonably determined; (ii) there is the intention, the availability of funding and the technical ability to make the asset available for use or sale; and (iii) it can be shown that the asset is able to generate future economic benefits.

Capital Grants

Capital grants are are accounted for when there is reasonable assurance that the conditions laid down by government bodies for obtaining them have been met and recorded as a reduction of purchase price or production cost of the relevant assets.

In accordance with the warranties given at the time of conferral in 2002 of the "Strategic Chemical Activities" business unit, Versalis SpA charges Syndial SpA for the costs which it incurs for environmental, health and safety actions deriving from activities carried out before conferral. If these relate to capital expenditures, these recharges are accounted for as capital grants. If, instead, these relate to operating expenses, they are accounted for in "Other income and revenues", as a recovery of costs.

Financial instruments

Current Financial assets

Cash and cash equivalents include cash in hand, sight deposits and financial assets originally due within 90 days, readily convertible into cash and subject to insignificant risk of changes in value.

Financial assets available for sale include financial assets (other than derivatives), loans and receivables, financial assets held for trading and held-to-maturity.

Financial assets held for trading and available-for-sale financial assets are stated at fair value, with gains or losses stated in the income statement under the heading "Financial income (expense)" and in the shareholders' equity reserve[12] under "Other items of comprehensive income" respectively. In the latter case, changes in fair value recorded in equity are charged to the income statement when the asset is sold or impaired. Assets are assessed for objective evidence of an impairment loss. This may include, among other things, significant breaches of contracts, serious financial difficulties or the high risk of insolvency of the counterparty. Asset write downs are included in the book value.

Interest matured and dividends declared on financial assets available-for-sale are accounted for on an accrual basis as "Financial income (expense)" [13] and "Other income (expense) from investments", respectively. When the purchase or sale of financial assets occurs under a contract whose terms require delivery of the asset within the timeframe established generally by regulations or conventions in the market place concerned, the transaction is accounted for at the settlement date.

Receivables are stated at amortised cost (see below "Non-current assets - Financial assets").

Non-current financial assets

Investments

Investments in equity instruments[14] are measured at fair values, with gains or losses recognized in the equity reserve related to other comprehensive income; the amounts recognized in equity are reclassified to the profit and loss account when the investment is impaired or realized. When investments are not traded in a public

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11 The write-down recorded in an interim period is not reversed even if, on the basis of conditions in a subsequent interim period, the devaluation would have been lower or not detected.

12 The changes in fair value of financial assets available for sale in foreign currency, due to changes in the exchange rate, are recorded in the income statement.

13 Accrued interest income on financial assets held for trading contribute to the overall assessment of the instrument's fair value and are recorded in "Other income (expense)", in the item "Net income from financial assets held for trading." However, accrued interest income on financial assets available for sale are accounted for "Income (expense)", in the item "Financial income".

14 For investments in joint ventures and associated companies see above "Equity method".

market and their fair value cannot be reasonably determined, they are accounted for at cost, net of impairment losses; impairment losses shall not be reversed[15].

The risk deriving from losses exceeding shareholders' equity is accounted for in a specific provision to the extent that the company is required to fulfill legal or implicit obligations towards the subsidiary or to cover its losses.

Receivables and held-to-maturity financial assets

Receivables and financial assets to be held to maturity are stated at cost, represented by the fair value of the initial price paid, plus transaction costs (e.g. commissions etc.). The initial book value amount is subsequently adjusted to take into account repayments of principal, impairments and amortization of the difference between the redemption value and the initial book value amount. The amortization is carried out on the basis of the effective internal rate of return represented by the rate that, at the moment of initial recognition, discounts the present value of expected future cash flows to the initial book value amount (the so-called amortised cost method). Receivables originating from assets granted in financial leasing are stated for the amount corresponding to the present value of the leasing fees and of the redemption price or of any residual value of the asset; the discounting is carried out adopting the implicit interest rate of the lease.

If there is objective evidence that an impairment loss has occurred (see also “Current financial assets”), the impairment is calculated by comparing the book value with the present value of the expected cash flows discounted at the effective interest rate computed at initial recognition or at the time of its updating to reflect contractually specified re-pricings. Receivables and held-to-maturity financial assets are accounted for net of the provision for impairment losses. When the impairment loss is assessed, the provision is utilized to cover expenses, otherwise it is released.

The economic effects of the valuation at amortized cost are accounted for as “Financial income (expenses)”.

Financial liabilities

Financial liabilities, other than derivatives, are evaluated at amortized cost (see item "Non-current financial assets").

Derivative financial instruments

Derivatives, including embedded derivatives that are separated from the host contract, are assets and liabilities stated at their fair value.

Derivatives are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, which is checked regularly, is demonstrated to be high. When derivatives hedge the risk of fluctuations in the fair value of the hedged instruments (fair value hedges, e.g. hedging against changes in the fair value of fixed-rate assets/liabilities), the derivatives are stated at fair value with changes taken to the income statement. Hedged items are adjusted to reflect, in the income statement, the changes in fair value attributable to the hedged risk, regardless of the forecast of a different valuation criteria generally applicable to this type of instrument.

When derivatives hedge the cash flow variation risk of the hedged item (cash flow hedge; e.g. hedging the variability of the cash flows of assets/liabilities as a result of the fluctuations of exchange rates), changes in the fair value of the derivatives considered effective are initially entered in net equity and then accounted for in the income statement, consistently with the economic effects generated by the hedged transaction.

Changes in the fair value of derivatives which do not satisfy the conditions required to qualify as hedging instruments are disclosed in the income statement. Specifically, changes in the fair value of non-hedging interest rates and exchange rates derivatives are accounted for in the income statement under “Financial

15 The write-down recorded in an interim period is not reversed even if, on the basis of conditions in a subsequent interim period, the devaluation would have been lower or not detected.

income (expense)”; conversely, changes in the fair value of non-hedging commodity derivatives are accounted for in the income statement under “Other operating (expense) income.”

The derivatives embedded in hybrid instruments are separated from the host contract and accounted for separately, are unbundled, and recognized as derivatives if the hybrid instrument as a whole is not measured at fair value through profit and loss account and if the characteristics and risks of the derivative are not closely related to those of the main contract. The existence of such embedded derivatives to be separated is verified, (and the conditions evaluated separately), when the company becomes part of the contract and, subsequently, when there are changes in the contract conditions, (i.e. which result in significant changes in cash flows generated by the same).

The economic effects of transactions which relate to purchase or sales contracts for commodities stipulated for the purpose of the company’s normal operating requirements and for which settlement is envisaged when the goods are delivered, are accounted for on an accruals basis (the so-called “normal sale and normal purchase exemption” or “own use exemption”).

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset in the balance sheet when a company has the legal, currently exercisable, right to such offsets and intends to settle on a net basis (i.e. to realize the asset and settle the liability simultaneously).

Derecognition of financial assets and liabilities

The financial assets are derecognized when the contractual rights relating to the cash flows associated with the financial assets are realized, expired or transferred to third parties. Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, canceled or expired.

Provisions for risks and charges

Provisions for risks and charges concern risks and charges of a definite nature and whose existence is certain or probable, but for which at period end the amount or date of occurrence remains uncertain. Provisions are made when: (i) there is a current obligation, either legal or implicit, deriving from a past event; (ii) fulfilment of that obligation will probably result in an outflow of resources; and (iii) the amount of the obligation can be reliably estimated. Provisions represent the best estimate of the expenditure required to settle the obligation or to transfer it to third parties at the balance-sheet date; provisions relating to onerous contracts are stated at the lower of the cost necessary to fulfil the contract obligation, net of the economic benefits expected to be received under it and any compensation or penalties arising from termination of the contract.

When the financial effect of time is material and the timing of settlement can be reliably estimated, the provisions should be discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The increase in the provision related to the passage of time is disclosed in the income statement as “Financial income (expense)”.

When the liability regards tangible assets (e.g. decommissioning and site remediation), the provision is stated with a corresponding entry to the asset to which it refers and accounted for in the income statement through the depreciation process.

The costs that the company expects to incur, in order to carry out the restructuring plans, are accounted for in the year in which the company formally defines the plan and the interested parties have developed a valid expectation that the restructuring will occur.

Provisions are periodically updated to show the variations in cost estimates, realization times and discount rates; the changes in estimates are accounted for in the same income statement item used to accrue the provision, or when the liability regards tangible assets (e.g. dismantling and site remediation), through an entry corresponding to the relevant assets, to the extent of the assets’ book value; any excess amount is accounted for in the profit and loss account.

The provisions for risks and charges, illustrated in Note 21, includes contingent liabilities represented by: (i) a possible, but not probable obligation arising from past events, whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the

Company; or (ii) a present obligation arising from past events, whose amount cannot be reliably measured or whose settlement will probably not result in a disbursement.

Employee benefits

The employee benefits are the remuneration paid by the company in exchange for the work performed by the employee or for the termination of employment.

Post-employment benefit plans, even if not formalized, 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. In defined-contribution plans the company’s obligation, which is limited to the payment of contributions to the State or to a separate legal entity (a fund), is determined on the basis of the contributions due.

The liability relating to defined-benefit plans, net of any plan assets, is determined on the basis of actuarial assumptions and provided for on an accrual basis over the period of service necessary for the benefits to vest.

Net interest includes the return on assets servicing the plan and the interest expense to be stated in the income statement. Net interest is determined by applying to the liabilities, net of any plan assets, the discount rate defined for the liabilities; the net interest of defined-benefit plans is accounted for in the item "Financial income (expense)".

For defined-benefit plans, the changes in the value of the net liability (so-called revaluations) from actuarial earnings (losses), resulting from changes in actuarial assumptions used or adjustments based on past experience, and from return on plan assets different from the item included in net interest, are stated in the statement of comprehensive income. In the presence of net assets, value changes different from the item included in net interest are also accounted for in the statement of comprehensive income.

The obligations relating to long-term benefits are determined by adopting actuarial assumptions; the effects of the revaluations are disclosed in in the income statement.The write-downs of the net liability for defined benefits accounted for in the statement of comprehensive income, are not subsequently reclassified in the income statement.

Revenues and costs

Revenues from sales of products and services are accounted for when material risks and rewards of ownership pass to the customer or when the transaction can be considered settled. In the case of sales of goods, revenues are generally accounted for upon shipment when, at that date, the risks of loss are transferred to the buyer.

Revenues related to partially rendered services are accrued based on the stage of completion, providing this can be measured reliably and that there is no significant uncertainty regarding the collectability of the amount and the related costs. Otherwise, they are accounted for only to the extent of the recoverable costs incurred.

Revenues are recorded based on the amount equal to the fair value of the amount received or receivable, net of returns, discounts, allowances and bonuses and directly related taxes. Amounts received or receivable, on behalf of third parties, are not considered revenues.

Exchanges of goods and services, of a similar nature and value, do not give rise to revenues and costs, as they do not represent sale transactions.

Costs are accounted for when the related goods and services are sold, consumed or allocated or when their future usefulness cannot be determined.

Costs related to emission quotas, determined on the basis of the average market prices, are stated in relation to the amount of carbon dioxide emissions exceeding the quotas assigned. Costs related to the purchase of emission rights are capitalized and accounted for as intangible assets net of any negative difference between the amount of emissions made and quotas assigned. Revenues related to emission quotas are stated when realized through sale. In the case of sale, where present, emission rights purchased are considered sold first. Cash receivables assigned in lieu of free assignment of emission quotas are recorded in the item “Other revenues” in the income statement.

Operating lease instalments are stated in the profit and loss account over the duration of the contract.

The costs for the acquisition of new knowledge or inventions, the study of products or alternative processes, new techniques or models, the planning and construction of prototypes or any costs sustained for other scientific research activities or technological development which do not satisfy conditions for recognition in the balance sheet, are generally considered current costs and recorded in the profit and loss account when incurred.

Operating grants are disclosed in the income statement on an accruals basis, in line with the related costs incurred.

Exchange rate differences

Revenues and costs relating to transactions in currencies other than the functional currency are posted utilizing the exchange rate in force at the transaction date.

Monetary assets and liabilities in currencies other than the functional currency are converted by applying the year-end exchange rate and the resulting gains/losses are disclosed in the income statement. Non-monetary assets and liabilities in currencies, other than the functional one measured at cost, are translated at the initial exchange rate. Non-monetary assets and liabilities, that are evaluated at fair value, recoverable amount or realizable value, are stated at the exchange rate applicable on the date of the evaluation.

Dividends

Dividends are accounted for as at the date the relative resolution was approved at the Shareholders’ Meeting, except in cases when it is reasonably certain that the shares will be sold before the payment of the dividends.

Income taxes

Current income taxes are determined on the basis of estimated taxable income; the estimated liability is posted in the item “Current income taxes payables”. Current tax assets and liabilities are accounted for based on the amount expected to be paid to/recovered from the tax authorities, utilizing the tax rates and tax laws enacted, or substantively enacted, as at the balance sheet date.

Deferred tax assets and liabilities are calculated on the temporary differences arising between the book value of the assets and liabilities and the corresponding amounts recorded for fiscal purposes on the basis of the tax rates and laws enacted, or substantively enacted, for future years. Deferred tax assets are accounted for when their recovery is considered probable. In particular, the recovery of deferred taxes is considered probable when sufficient taxable income is expected for the year in which the temporary difference is reversed.

Similarly, the unused tax credits and deferred tax assets on tax losses are accounted for only to the extent of their recoverability.

The tax assets, which are characterized by elements of uncertainty, are recorded only when their recovery is considered probable.

With reference to taxable temporary differences, related to investments in subsidiaries/associated companies and interests in joint agreements, the related deferred tax liability is not recorded in the event that the investor is able to control the reversal of the temporary differences and it is probable that such differences will not materialize in the foreseeable future.

Deferred tax assets and liabilities are accounted for under 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 accounted for under “Deferred tax assets”, and if negative under “Deferred tax liabilities”. When the results of transactions are accounted for directly in shareholders’ equity, the related current taxes, deferred tax assets and liabilities are also charged to shareholders’ equity.

Valuation at fair value

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants (i.e. not in a forced liquidation or distressed sale) at the date of valuation (so-called exit price).

The determination of fair value is based on the market conditions existing at the date of valuation and on assumptions of market-based operators. The fair value measurement assumes that the asset or liability is exchanged on the principal market or, in its absence, on the most beneficial market the company has access to, regardless of the intention of the company to sell the asset or transfer the liability being valued.

Determination of the fair value of a non-financial asset is performed by considering the market operators’ capacity to generate economic benefits, employing such asset at its fullest and best use, or selling it to another market operator who would employ it at its fullest and best use.

Determination of the fullest and best use of the asset is performed from the perspective of market operators even when the company intends to use it differently. It is assumed that the company’s current use of a non-financial asset is the fullest and best use of it, unless the market or other factors suggest that a different use made by market operators would maximize its value.

The fair value of a liability, whether financial or non-financial, or of equity instrument, in the absence of a quoted price, is valued by considering the valuation of the corresponding asset held by a market operator at the date of valuation.

The fair value of financial instruments takes into account the counterparty's credit risk for a financial asset (Credit Valuation Adjustment, CVA) and the risk of a liability reflects the effect of a risk of default of a financial liability; the risk of default includes, inter alia, the company's own credit risk for a financial liability (Debit Valuation Adjustment, DVA).

In the absence of available market prices, fair value is determined using valuation techniques that are appropriate in the circumstances and maximize the use of material observable inputs, reducing the use of unobservable inputs to a minimum.

Financial Statements

Balance sheet assets and liabilities are classified as current and non-current. Income statement items are presented by nature[16].

Assets and liabilities are classified as current when: (i) they are expected to be realized/settled in the entity's normal operating cycle or within twelve months after the balance sheet date; (ii) they consist of available cash or cash equivalents which do not have constraints, such as to limit their use in the following twelve months, at the balance sheet date; or (iii) they are held primarily for the purpose of trading. Derivative instruments held for trading are classified as current, regardless of their maturity date. Non hedging derivative instruments, which are entered into to manage risk exposures but do not satisfy the formal requirements to be considered as hedging, and hedging derivative instruments are classified as current when they are expected to be realized/settled within twelve months after the balance sheet date; on the contrary they are classified as non current.

The statement of comprehensive income shows the net profit for the period together with income and expenses that are posted directly in equity in accordance with the IFRSs.

The Statement of Changes in Shareholders' Equity includes the comprehensive income (expenses) for the year, transactions with shareholders and other changes in shareholders' equity.

The Cash Flow Statement is presented using the indirect method, whereby net profit/(loss) is adjusted for the effects of non-monetary transactions.

Changes to accounting criteria

Regulation No. 2015/29 issued by the European Commission on December 17, 2014, approved the amendment to IAS 19, "Defined benefit plans: the employee contributions", whereby it is permissible to book the contribution related to defined benefit plans, due by the employee or third parties, reducing the service cost in the period in which the related service is made, provided that such contributions have the following terms:

(i) are set out in the formal terms of the plan, (ii) are related to the service rendered by the employee, and (iii) are irrespective of the number of years of service of the employee (eg. the contributions are a fixed percentage of salary or a fixed amount for the whole period of work or related to age of the employee).

Regulation no. 2015/28 issued by the European Commission on the 17th December 2014, approved the IASB's " Annual Improvements to IFRS 2010-2012 Cycle ", containing changes, mainly of a technical and editorial nature, of the international accounting standards. The previous approval regulations have provided for the coming into force of the amendments to the accounting standards starting from the first year that begins on or after 1 February 2015, subject to the possibility of early implementation. The above-mentioned provisions have been applied, in advance, as from 2015. The application of these provisions does not generate any significant impact.

The other changes to the accounting standards, which took effect from 1 January 2015, did not have any material effects.

[16] Further information on financial instruments as classified in accordance with IFRS is provided in note 25 – "Guarantees, commitments and risks - Other information about financial instruments.".

Use of accounting estimates

The preparation of financial statements in accordance with generally accepted accounting standards requires Management to make accounting estimates based on complex or subjective judgements, past experience and assumptions deemed to be reasonable and realistic based on the information available at the time. The use of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based, especially in the current context characterized by the economic and financial crisis which made it necessary to make assumptions regarding the future which are marked by significant uncertainty.

The principal accounting estimates used that required subjective judgements, assumptions and estimates relating to issues which, by their very nature, are uncertain, are summarized below. Changes in the conditions on which such assumptions and estimates are based may have a significant effect on future results.

Impairment of assets

Impairment losses are accounted for if events or changes in circumstances indicate that their book value amount is no longer recoverable.

Such indicators include changes in the Group’s business plans, changes in market prices leading to unprofitable performance and reduced utilization of the plants. Determining whether and to what extent an asset is impaired involves Management estimates on complex and highly uncertain factors, such as future prices, the effects of inflation and technological improvements on operating costs, production profiles and the outlook for the global or regional market demand or supply.

The amount of an impairment loss is determined by comparing the book value amount of an asset with its recoverable amount. The recoverable amount is the greater of fair value net of disposal costs and value in use, determined by discounting the expected cash flows deriving from the asset, net of disposal costs and the effect of tax. The expected future cash flows are quantified considering information available at the date of review on the basis of subjective judgements on trends in future variables - such as prices, costs, growth rate of demand, production volumes - and are discounted using a rate which takes into account the risk inherent in the activity involved. The calculation of the recoverable amount was significantly affected by the Directors’ adoption of a Strategic Plan, for the period 2016 - 2021, based on a "stand-alone” operations hypothesis.

Recoverability of deferred tax assets

Management has identified the necessary requisites for recognition of the deferred tax assets on the future profitability estimates of the Versalis Group’s companies. It is also important to note that Art. 23, paragraph 9, of Law Decree No. 98 of the 6^{th} July 2011 stipulates that the recoverability of tax losses in effect at the date of the decree has no time limit. The determination of the recoverable amount was significantly affected by the Directors’ adoption of a Strategic Plan, for the period 2016 - 2021, based on a "stand-alone” operations hypothesis.

Dismantling and remediation of production sites

At present, the companies of the Versalis Group have no obligation to restore sites, in compliance with legislation, administrative regulations or contractual clauses and, therefore, in consideration also of the current corporate plans, which do not envisage any decommissioning of the operational industrial sites, given the strategic importance of these sites for the achievement of the corporate objectives, Management considers the probability of incurring costs relating to the decommissioning and reclamation of these sites to be remote.

Environmental liabilities

Versalis is subject to numerous laws and regulations concerning environmental protection, at EU, national, regional and local level, including laws implementing international conventions and protocols relating to activities in the field of the petrochemical industry, to products and other activities. The related costs are accrued when it is likely that a liability has been incurred and the amount can be reasonably estimated.

Although at present Versalis does not believe that there will be any significant adverse effect on the financial statements due to non-compliance with environmental regulations - taking into account the actions already taken, the insurance policies underwritten and the provisions accrued – it is not possible to exclude the possibility that Versalis may incur additional costs and liabilities, even of a material amount, given that, at present, it is impossible to foresee the effects of future developments, also taking into account the following aspects: (i) the possibility of as yet unknown contamination; (ii) the results of the on-going surveys and the other possible effects deriving from the application of current legislation; (iii) the possible effects of future environmental legislation and rules; (iv) the effect of possible technological changes relating to environmental remediation; and (v) the possibility of litigation and the difficulty of determining any consequences, also in relation to the liability of other parties and to possible compensation.

Employee benefits

Defined-benefit plans and other long-term benefits are evaluated with reference to uncertain events and actuarial assumptions, including, amongst others, discount rates, expected rates of salary increases, mortality rates, estimated retirement dates and future trends in healthcare costs.

The main assumptions used to quantify such benefits are determined as follows: (i) discount and inflation rates, which reflect the rates at which the benefits could be effectively settled, are based on rates that accrue on high-quality corporate bonds (or, in the absence of a “deep market” for such bonds, on the return on government bonds) and on inflation forecasts in the countries involved; (ii) future salary levels are determined on the basis of inflation forecasts, productivity, promotion and seniority; (iii) future healthcare costs are determined on the basis of elements such as present and past healthcare cost trends, including assumptions on the inflation of such costs, and changes in the health status of participants; (iv) demographic assumptions reflect the best estimate of variables such as mortality, turnover and disability in relation to the population of participants.

Differences normally occur in the value of the net liability (asset) of employee benefit plans arising from so-called revaluations represented by, among other things, changes in the actuarial assumptions employed, the difference between the actuarial assumptions adopted previously and those that are actually realized and the different return on plan assets compared to that considered in net interest. The revaluations for defined-benefit plans are accounted for in the statement of comprehensive income and in the income statement for long-term plans.

Provisions for risk and charges

Besides recognizing environmental liabilities and liabilities for employee benefits, Versalis sets aside provisions associated mainly with legal and tax litigation.

Determining appropriate amounts to set aside is a complex process that entails subjective judgements by management.

Recent accounting standards

Accounting standards and interpretations issued by IASB/IFRIC and endorsed by the European Commission

Regulation No. 2015/2173 issued by the European Commission on 24th November, 2015, approved the amendment to IFRS 11 "Accounting for acquisitions of interests in jointly controlled assets" (hereinafter “IFRS 11 amendment”), which governs the accounting treatment to be adopted for the acquisitions of the initial interest, or additional interests in joint operation, (without changing the joint operation classification), whose activity meets the definition of business provided by IFRS 3. In particular, the quota acquired in the joint operation is recorded by adopting the provisions for business combinations applicable to such cases, which include but are not limited to: (i) at fair value valuation of the identifiable assets and liabilities, other than those for which there is a different evaluation criterion; (ii) the posting in the income statement of costs directly attributable to the acquisition at the time of its incurrence; (iii) the recording of deferred taxes related to the initial posting of assets (other than goodwill) and liabilities in the presence of temporary differences between accounting and tax value; (iv) the recording of the goodwill arising from the difference between the consideration transferred and the fair value of the net identifiable assets acquired; (v) the verification of the recoverability of the carrying value of the cash-generating unit, to which goodwill has been allocated at least annually, or in the presence of impairment indicators. The IFRS 11 amendment is effective for the accounting periods beginning on, or after, 1st January 2016.

Regulation n. 2015/2231, issued by the European Commission on the 2nd December 2015, approved the amendments to IAS 16 and IAS 38, "Clarification on acceptable methods of depreciation" (hereinafter amendments to IAS 16 and IAS 38), which considers the adoption of a method of depreciation based on revenues to be inappropriate. Limited to intangible assets, such disclosure is considered to be a rebuttable presumption, which can only be overcome upon the occurrence of any of the following circumstances: i) the right of use of an intangible asset, is related to the achievement of a predetermined threshold of revenue to be produced; or (ii) if it can be shown that the attainment of the revenues and the use of the asset's economic benefits are highly correlated. The amendments to IAS 16 and IAS 38 are effective for the accounting periods beginning on, or after, 1st January 2016.

Regulation No. 2015/2406 issued by the European Commission on 2nd December 2015 approved the IAS 1 "Reportable Initiative" amendments, dealing essentially with clarifications regarding the rules for the presentation of financial statements, especially concerning the utilization of the materiality concept. The IAS 1 amendments are effective for the accounting periods beginning on, or after, 1st January 2016.

Regulation no. 2015/2441 dated 18th December 2015 endorsed the amendment to IAS 27 "Net equity method in the separate financial statements", which introduces the possibility of using the equity method for valuation of investments in subsidiaries, joint ventures and associated companies in separate financial statements. The amendment to IFRS 27 is effective for the accounting periods beginning on, or after, 1st January 2016.

Regulation no. 2015/2343 issued by the European Commission on 15th December 2015, approved the " Annual Improvements to International Financial Reporting Standards 2012-2014 Cycle", containing changes, mainly of a technical and editorial nature, of the international accounting standards. The amendment is effective for the accounting periods beginning on, or after, 1st January 2016.

Versalis is analyzing the above standards and assessing whether their adoption will have a significant impact on the on the financial statements.

Current assets

1. Cash and cash equivalents

Cash and cash equivalents amounted to €149 million (€79 million at December 31, 2014) and are mainly deposited in non-interest bearing current accounts.

2. Trade and other receivables

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

(amounts in millions of euros)	**31.12.2014**	**31.12.2015**
Trade receivables	664	636
Financial receivables:		
instrumental to operating activities	130	10
Other receivables	192	228
	986	**874**

Financial receivables of €10 million relate to the interests due on the medium and long-term loans made to the joint venture company Matrìca SpA, in order to meet the financial requirements of the Green Hub project in Porto Torres. The decrease from the previous year is due to the reclassification from current assets to non-current of the 130 million euro in loans to Matrica SpA.

Receivables are shown net of provisions for impairment of €146 million:

(amount in millions of euros)	**Amount at 31.12.2014**	**Additions**	**Deductions**	**Amount at 31.12.2015**
Provisions for impairment of trade receivables	141	7	(2)	146
	141	**7**	**(2)**	**146**

Provisions for impairment regard overdue trade receivables of doubtful collectability; for more details on the company's exposure to contingent losses deriving from counterparties' failure to fulfil their obligations see the paragraph “Credit Risk” of Note No. 25.

The utilizations refer to receivables written off as non-collectible.

Trade receivables and other overdue receivables are detailed as follows:

	31.12.2014			31.12.2015		
(amounts in millions of euros)	Trade receivables	Other receivables	Total	Trade receivables	Other receivables	Total
Receivables neither overdue nor written off	623	181	804	599	205	804
Receivables written down (net of write down)	7		7	3		3
Net receivables overdue nor written down:						
- up to 90 days overdue	*25*	(9)	*16*	*14*	3	17
- between 3 to 6 months overdue	*2*		*2*	*4*	*1*	5
- between 6 to 12 months overdue	*1*	*1*	*2*	*6*	*8*	14
- over 12 months overdue	*6*	*19*	*25*	*10*	*11*	21
	34	**11**	**45**	**34**	**23**	**57**
	664	**192**	**856**	**636**	**228**	**864**

The other receivables are comprised of the following:

(amounts in millions of euros)	31.12.2014	31.12.2015
Receivables from Eni Group companies	77	118
Advances for services and guarantee deposits	24	37
Receivables from parent company	36	30
Receivables for patents and royalties	13	6
Receivables relating to personnel	3	2
Other receivables	39	35
	192	**228**

Receivables from Eni Group companies mainly relate to Syndial SpA (€106 million), Raffineria di Gela SpA (€2 million) and Eni Trading & Shipping SpA (€1 million).

Receivables from the parent company relate mainly to Versalis SpA's adhesion to the Group's VAT (€25 million).

Trade receivables and other receivables in currencies other than the euro amounted to €52 million and are mainly denominated in US dollars.

The fair value of trade and other receivables has no material impact, given their short short-term nature (i.e. between their creation and due date).

Receivables from related parties are disclosed in Note 33.

3. Inventories

Inventories are comprised of the following:

	31.12.2014				31.12.2015			
(amount in millions of euros)	Petroleum products	Chemical products	Other	Total	Petroleum products	Chemical products	Other	Total
Raw materials and consumables	119	173	60	352	43	107	54	204
Work in progress and semi-finished products		11		11		9		9
Finished products and goods	41	673		714	22	435		457
	160	**857**	**60**	**1,077**	**65**	**551**	**54**	**670**

The following movements took place in inventories and in provisions for impairment:

(amount in millions of euros)	Value at the beginning of the year	Variation during the year	Additions	Utilizations	Operations on business units	Foreign currency translation differences	Other movements	Value at the end of the year
31.12.2014								
Gross value	1,219	(46)			(5)	1	(1)	1,168
Provisions for impairments	(74)		(26)	9				(91)
Net inventories	**1,145**	**(46)**	**(26)**	**9**	**(5)**	**1**	**(1)**	**1,077**
31.12.2015								
Gross value	1,168	(447)				3		724
Provisions for impairments	(91)		(7)	44				(54)
Net inventories	**1,077**	**(447)**	**(7)**	**44**		**3**		**670**

The inventories variation (decrease of €447 million) is mainly due to the decrease of the average unit price in euro of the virgin naphtha compared to 2014, partly offset by an increase of the quantity purchased.

There are no secured guarantees on inventories.

4. Current income tax assets

Current income tax assets amounted to €10 million (€14 million as at December 31, 2014) and referred to IRAP advances paid in previous years (€9 million). Further details are provided in Note 32.

5. Other current tax assets

Other current tax assets include the following:

(amounts in millions of euros)	**31.12.2014**	**31.12.2015**
VAT receivables	12	8
Other receivables	1	
	13	**8**

6. Other Assets

Other assets include the following:

(amounts in millions of euros)	**31.12.2013**	**31.12.2014**
Deferred charges	3	4
Fair value on non-hedging derivatives	2	1
	5	**5**

Other assets amount to €5 million (same amount as at December 31, 2014) and mainly include the prepaid expenses and the fair value of (not classifiable as "hedging" but without speculative purposes), recorded in the financial statements based on calculated values and reported by the parent company Eni SpA. These are derivatives that, whilst not for trading purposes or speculative, do not meet all the requirements under IAS/IFRS to be considered hedges.

The fair value of derivatives (not qualifying as “hedges” but not of a speculative nature) is accounted for on the basis of the values determined and communicated by the parent company Eni SpA. These are derivatives, which while not having a trading or speculative purpose, do not meet the requirements of the IAS/IFRS standards to qualify as hedges.

The nominal value of a derivative is the contractual amount on the basis of which the differentials are exchanged. This amount can be expressed either on a value basis or on a physical quantities basis (barrels, tonnes, etc.). Monetary amounts expressed in foreign currency are translated into euro by applying the exchange rate at the year end.

The notional amounts of derivatives summarized below do not represent amounts exchanged by the parties and consequently do not constitute a measure of the company’s exposure to credit risk, which is limited to the positive market value (fair value) of the contracts at the year end, less the effect of possible general offset arrangements.

The fair value of non-hedging derivatives are detailed as follows:

	31.12.2014		**31.12.2015**	
(amount in millions of euros)	Fair value	Commitments	Fair value	Commitments
Derivatives on exchange rates:				
- Outright	2	5	1	21
- Currency swap		113		
- Over the counter				
	2	**118**	**1**	**21**

Non-current assets

7. Property, plant and equipment

Property, plant and equipment are detailed as follows:

(amount in millions of euros)	Net value at the beginning of the year	Investments	Depreciation and amortization	Impairment losses and reversals	Currency translation differences	Operations on business units	Other variations	Net value at the end of the year	Gross value at the end of the year	Provisions for depreciation and impairments
31.12.2014										
Land	105					(2)		103	111	8
Buildings	49	1	(4)				15	61	346	285
Plant and machinery	577	38	(79)	(76)			110	570	570	
Industrial and commercial equipment	3		(2)					1	110	109
Other assets	3							3	55	52
Assets under construction and advances	323	231		(20)	4		(126)	412	687	275
	1,060	**270**	**(85)**	**(96)**	**4**	**(2)**	**(1)**	**1,150**	**1,879**	**729**
31.12.2015										
Land	103							103	111	8
Buildings	61		(5)	(12)			3	47	346	299
Plant and machinery	570	45	(90)	(396)		(2)	75	202	615	413
Industrial and commercial equipment	1		(1)						110	110
Other assets	3							3	55	52
Assets under construction and advances	412	166		(311)	5		(78)	194	853	659
	1,150	**211**	**(96)**	**(719)**	**5**	**(2)**		**549**	**2,090**	**1,541**

The investments of €211 million (€270 million in 2014) are discussed in the relevant section of the Directors' report.

Financial expenses capitalized during the year, determined by using a 2.90% interest rate (3.20% in 2014), amounted to €7 million (€6 million in 2014). The amount of the increase on internal work incurred and capitalized during the year amounted to €9 million (€12 million in 2014) and consisted of work carried out by internal personnel.

The following annual depreciation rates were:

(annual %)	**2014**	**2015**
Buildings	4 - 16	4 - 16
Plant and machinery	4 - 25	4 - 25
Industrial and commercial equipment	10 - 30	10 - 30
Other assets	12 - 20	12 - 20

The net write-downs of €719 million stem from the results of impairment tests, carried out based on the 2016 - 2021 plan "stand-alone" scenario, and refer to the following Cash Generating Units (CGU):

- Priolo plant facilities (€191 million);
- Elastomers plant of Ferrara (€111 million);
- Styrenics plant of Mantua (€126 million);
- Grangemouth plant facilities (€71 million);

- Dunkirk plant facilities (€43 million);
- Elastomers of Porto Torres (€38 million);
- Elastomers plant of Ravenna (€36 million);
- SBR and Latex plants in Ravenna (€27million);
- Intermediates of Mantua (€21 million);
- Ethylene and Polyethylene plants of Brindisi (€17 million);
- Szàzhalombatta plant facilities (€11 million);
- Polyethylene plant of Ferrara (€7 million);
- Porto Marghera plant facilities (€6 million);
- Ragusa plant facilities (€1 million);
- Oberhausen plant facilities (€1 million).

The assets related to the s-SBR Ravenna line were also are fully written down as a result of the cancellation of the development project (12 million euro).

Impairment losses are net of the use of public funds relating to the Priolo plant (€6 million). For further details, see the paragraph “Grants” in the “Accounting policies” chapter.

The loss for the year and the intrinsic negative profit conditions of some critical sites, represented impairment indicators for Management. These are discussed further in the sections “Comment on the economic and financial results” and “Business Outlook” of the Directors’ report. Consequently, management carried out impairment tests on non-financial fixed assets; for this purpose, these assets were grouped together in Cash Generating Units, which correspond mainly to the production facilities.

Management has identified the production sites as CGUs, due both to the high operational autonomy of the individual plants, and to the fact that, even within the same business sector, operating and profit conditions may differ. Nevertheless, where present at the same site, or at least linked together within the same geographical area, the close interdependence between the olefin cycle and the polyethylene and aromatics cycles entailed the need to group certain sites together, while in certain cases the co-existence of the styrene, elastomer and intermediates businesses, which are characterized by greater reciprocal independence, within the same production site, led to the sub-division of the sites involved into a set of different CGUs.

The impairment loss was calculated by comparing the carrying amount of each CGU with its value in use determined by discounting to present the expected cash flows deriving from use of the assets in a time period coinciding with the average remaining useful life of the CGU.

The cash flows were calculated based on the operating results forecast in the 2016-2021 Strategic Plan, in a "stand alone" scenario, approved by the Board of Directors; cash flows for the subsequent years were determined taking as a reference an average operating profit calculated taking into account both the final figures and the forecasts included in the Plan, in order to represent in an adequate manner the marked cyclical effects that characterize the petrochemical industry.

In identifying the reference time period, management also took into consideration the assessments of useful life carried out by independent experts in previous years.

In discounting the cash flows determined with the above methods and according to the above criteria, management adopted the discount rate of 12.0% (6.0% as at December 31, 2014); reflecting the assumptions of financial discontinuity by the Eni Group which require, amongst other things, the redefinition of the current capital and financial structure of the Group Versalis, and access to new sources of funding at a reasonably higher cost compared to the cost of funding from the parent company.

In view of the volatile trading environment, management has tested the reasonableness of its assumptions and the impairment test result through different sensitivity analyzes, in particular on the WACC and the forecast cash flows.

Business operations refer to the sale of the TAC business to Ravenna Servizi Industriali.

The other changes mainly included the reclassification from fixed assets under construction to finished assets.

There are no mortgages or special privileges existing on the plant, property and equipment.

The net amount of government grants and refunds from third parties is stated as a reduction in the value of property, plant and equipment amounted to €51 million (€63 million as at December 31, 2014). The award of public grants entails a number of constraints on the assets in relation to which they were awarded. These constraints consist essentially of the obligation not to remove the subsidized assets from the use envisaged for at least five years from the date of their commissioning. Non-compliance with this obligation entitles the granting body to seek repayment of the grant, plus interest.

8. Intangible assets

Intangible assets are comprised of the following:

(amounts in millions of euros)	Net value at the beginning of the year	Additions	Depreciation and amortization	Write-downs & value restoration	Net value at the end of the year	Gross value at the end of the year	Accumulated amortization and impairment
31.12.2014					**-**		
Intangible assets with finite useful lives							
- Research and development costs						3	3
- Industrial patents and intellectual property rights						3	3
- Concessions, licenses, trademarks and similar items	2	1			**3**	99	96
- Fixed assets in progress and advances	4	3			**7**	12	5
- Other intangible assets	61		(4)		**57**	146	89
	67	**4**	**(4)**		**67**	**263**	**196**
31.12.2015							
Intangible assets with finite useful lives							
- Research and development costs						3	3
- Industrial patents and intellectual property rights						3	3
- Concessions, licenses, trademarks and similar items	3				**3**	99	96
- Fixed assets in progress and advances	7	7		(7)	**7**	19	12
- Other intangible assets	57		(5)	(6)	**46**	146	99
	67	**7**	**(5)**	**(13)**	**56**	**269**	**213**

Concessions, licenses and trademarks relate essentially to industrial licenses.

Other intangible assets relate mainly to intellectual property rights for the license contract with Union Carbide (€44 million). It should be noted that this license contract was subject to an impairment test as it is included within the scope of the Brindisi production plant cash generating unit (for further details on the criteria for identifying cash generating units see Note 7). The remaining amortization period for the Union Carbide royalties is 12 years.

The following annual amortization rates, unchanged from the previous year were adopted:

(annual %)	**2014**	**2015**
Intangible assets with finite useful lives		
- Concessions, licenses, trademarks and similar items	4 - 33	4 - 33
- Other intangible assets	4 - 15	4 - 15

No grants were recorded as deductions from the value of intangible assets.

9. Equity-accounted investments

Equity-accounted investments include the following:

(amounts in millions of euros)	Net value at the beginning of the year	Acquisitions and subscriptions	Disposals	Share of profit on equity-accounted investments	Other changes	Net value at the end of the year
31.12.2014						
Investments in:						
- subsidiaries	4					**4**
- associates	100		(2)		1	**99**
- joint ventures	44	13		(5)		**52**
	148	**13**	**(2)**	**(5)**	**1**	**155**
31.12.2015						
Investments in:						
- subsidiaries	4	1			(1)	**4**
- associates	99	1				**100**
- joint ventures	52	35		(30)	10	**67**
	155	**37**		**(30)**	**9**	**171**

Acquisitions and subscriptions relate to the share capital increase of Lotte Versalis Elastomers Co. Ltd (€29 million), Newco Tech SpA (€5 million), Priolo Servizi S.C.p.A (€1 million) and Polimeri Europa Elastoméres France SA in Liquidation (€1 million).

Charges resulting from the adjustment of the investment values, accounted for utilizing the equity method, amounted to €30 million and relate to Matrica (€27 million), Polimeri Europa Elastoméres France SA in Liquidation (€1 million) and Newco Tech (€5 million), partly offset by the adjustment value of Lotte Versalis Elastomers (€3 million).

Other changes of €9 million relate mainly to an interest-free bridge loan granted to Matrica in anticipation of an increase in share capital.

The equity-accounted investments relate to the following companies:

(amount in millions of euros)	**31.12.2014**	**31.12.2015**
Novamont SpA	77	77
Lotte Versalis Elastomers Co Ltd	31	64
Priolo Servizi Industriali Scarl	15	16
New co Tech SpA	3	3
Versalis Kimya Ticaret Limited Sirketi	4	4
Servizi Porto Marghera Scarl	3	3
Ravenna Servizi Industriali ScpA	2	2
Brindisi Servizi Generali Scarl	1	1
Altre (*)	2	1
Matrica	17	
	155	**171**

(*) Amounts of less than €1 million

The ownership percentages are shown in Note 38.

Other information on investments

The assets, liabilities, revenues, costs and operating profit/(loss) of unconsolidated subsidiaries, associated companies and joint ventures are detailed in the table below:

	31.12.2014			31.12.2015		
(amounts in millions of euros)	Subsidiaries	Joint ventures	Associates	Subsidiaries	Joint ventures	Associates
Current assets	2	39	32	2	26	33
Non-current assets	3	133	121	3	219	87
Total assets	**5**	**172**	**153**	**5**	**245**	**120**
Current liabilities	7	110	38	9	135	37
Non-current liabilities	1	10	15		31	21
Total liabilities	**8**	**120**	**53**	**9**	**166**	**58**
Revenue	**2**	**7**	**91**	**2**	**4**	**93**
Costs	**(1)**	**(15)**	**(87)**	**(2)**	**(20)**	**(82)**
Operating profit (loss)	**1**	**(8)**			**(18)**	**5**
Profit (Loss) for the period	**(1)**	**(8)**	**(1)**		**(22)**	**3**

10. Other investments

Other investments include the following:

(amount in millions of euros)	Net value at the beginning of the year	Acquisitions and subscriptions	Other changes	Net value at the end of the year
31.12.2014				
Investments in:				
- other companies	15			**15**
	15			**15**
31.12.2015				
Investments in:				
- other companies	15		1	**16**
	15		**1**	**16**

Other investments relate to the following companies:

(amounts in millions of euros)	31.12.2014	31.12.2015
Genomatica Inc.	12	13
Consorzio Exeltium SAS	3	3
	15	**16**

The ownership percentages are shown in Note 38.

11. Other financial assets

Other financial assets of €202 million (€72 million as at December 31, 2014) essentially refer to the loan granted to Matrìca SpA for the Green Hub project in Porto Torres.

The variation compared to the previous year is due to the reclassification from current assets to non-current assets.

12. Deferred tax assets

Deferred tax assets amounted to €124 million (€617 million as at December 31, 2014) net of deferred tax liabilities of €85 million (€63 million as at December 31, 2014).

(amount in millions of euros)	31.12.2014	31.12.2015
Pre-paid tax assets	680	209
Deferred tax liabilities available for offset	(63)	(85)
Net deferred tax assets	**617**	**124**

Income taxes are discussed in Note 32.

The deferred tax assets derive from the following timing differences:

(amount in millions of euros)	Amount at 31.12.2014	Additions	Deductions	Write-downs	Other changes	Amount at 31.12.2015
Deferred tax assets:						
- non-deductible impairment losses	117		(25)			92
- expenses with deferred deductibility	431			(422)		9
- tax losses	13		(5)		(8)	
- provisions for risks and charges	19		(10)		1	10
- other	100		(8)		6	98
	680		**(48)**	**(422)**	**(1)**	**209**
Deferred tax liabilities:						
- excess amortization/depreciation	41	25	(18)			48
- other	22	20	(1)		(4)	37
	63	**45**	**(19)**		**(4)**	**85**
Net deferred tax assets	**617**	**(45)**	**(29)**	**(422)**	**3**	**124**

13. Other Assets

Other assets of €1 million (€4 million as at December 31, 2014) relate essentially to personnel receivables.

Current liabilities

14. Short-term debt

Short-term debt amounting to €919 million (€1,788 million as at December 31, 2014) relates mainly to loans granted by Eni SpA.

(amount in millions of euros)	31.12.2014	31.12.2015
Payables to parent companies for loans	1,519	602
Commercial papers	61	116
Other financial institutions	208	201
	1,788	**919**

Short-term debt in foreign currencies other than euro amounted to €112 million (€56 million as at December 31, 2014), in pounds sterling and US dollars.

The average annual interest rate for the year was 0.9% (1.07% in 2014).

15. Current portion of long-term debt

The current portion of long-term debt amounted to €308 million (€3 million as at December 31, 2014) as illustrated in Note 20 "Long-term debt and current portion of long-term debt".

16. Trade and other payables

Trade and other payables include the following:

(amounts in millions of euros)	31.12.2014	31.12.2015
Trade payables	853	624
Other payables:		
- relating to capital expenditures	34	28
- other	82	68
	969	**720**

Trade payables of €624 million relate to payables to suppliers (€260 million), payables to associated companies, joint ventures and other Eni Group companies (€250 million) and payables to the parent company Eni SpA (€115 million).

Payables related to capital expenditures amounted to €28 million.

Other payables which amounted to €68 million refer mainly of payables to personnel (€37 million) and payables to social security authorities (€15 million).

Because of the short-term nature of trade and other payables, the fair value of these payables does not significantly differ from their carrying value.

Payables to related parties are reported in Note 33.

17. Current income tax payable

Income taxes payable of €8 million (€1 million as at December 31, 2014) relate to the income tax of foreign consolidated companies.

18. Other current taxes payable

Other taxes payable of €12 million (€10 million as at December 31, 2014) relate mainly to withholding tax.

19. Other liabilities

Other liabilities are detailed as follows:

(amount in millions of euros)	31.12.2014	31.12.2015
Accrued expenses	3	9
Fair value on non-hedging derivatives	5	2
	8	**11**

The fair value and commitments of non-hedging derivatives are detailed as follows:

	31.12.2014		31.12.2015	
(amount in millions of euros)	Fair value	Commitments	Fair value	Commitments
Derivatives on exchange rates:				
- Outright		22		8
- Currency swap	1	17	2	
- Over the counter	4	31		
	5	**70**	**2**	**8**

The fair value of derivatives not qualifying as "hedges" but not of a speculative nature is accounted for on the basis of the values determined and communicated by the parent company Eni SpA. These are derivatives which, while not having a trading or speculative purpose, do not meet the requirements of the IAS/IFRS standards to qualify as hedges.

The nominal value of a derivative is the contractual amount on the basis of which the differentials are exchanged. This amount can be expressed either on a value basis or on a physical quantities basis (barrels, tonnes, etc.). Monetary amounts expressed in foreign currency are translated into euro by applying the exchange rate at the year-end.

The nominal values of derivatives do not represent amounts exchanged by the parties and consequently do not constitute a measure of the company's exposure to credit risk, which is limited to the negative market value (fair value) of the contracts at the year end, less the effect of any general offset arrangements.

Non-current liabilities

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

Long-term debt and current portion thereof amounts to €682 million (€825 million as at December 31, 2014), detailed in the table below:

(amount in millions of euros)	31.12.2014 Portions at long-term	Portions at short-term	Total	31.12.2015 Portions at long-term	Portions at short-term	Total
Banks						
Shareholders for loans	670	3	673	370	303	673
Other financial institutions	152		152	4	5	9
	822	**3**	**825**	**374**	**308**	**682**

The average effective interest rate for the year was 4.03% (3.41% in 2014). For more information see the section "Leverage and net borrowings" of the Directors' Report.

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

(amount in millions of euros)	Value at December 31		Long-term maturity						
Type	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Beyond**	**Total**
Shareholders for loans	673	678	308	300				70	678
Other financial institutions	152	4		3				1	4
	825	**682**	**308**	**303**				**71**	**682**

The financial liabilities are not guaranteed by mortgages or privileges on the company's real estate.

The breakdown of net borrowings indicated in the "Comments on the economic and financial results" in the "Directors' Report" is as follows:

(amount in millions of euros)	31.12.2014 Current	Non-current	Total	31.12.2015 Current	Non-current	Total
A. Cash and cash equivalents	79		79	149		149
B. Available-for-sale securities						
C. Liquidity (A+B)	**79**		**79**	**149**		**149**
D. Financial receivables						
E. Short-term debt towards banks	61		**61**			
F. Long-term debt towards banks						
G. Bonds						
H. Short-term debt towards related entities	1,727		**1,727**	912		**912**
I. Long-term debt towards related entities	3	820	**823**	303	370	**673**
L. Other short-term debt				7		**7**
M. Other long-term debt		2	**2**	5	4	**9**
N. Total borrowings (E+F+G+H+I+L+M)	**1,791**	**822**	**2,613**	**1,227**	**374**	**1,601**
O. Net borrowings (N-C-D)	**1,712**	**822**	**2,534**	**1,078**	**374**	**1,452**

21. Provisions for risks and charges

(amount in millions of euros)	31.12.2014	31.12.2015
Provisions for disposal and restructuring	59	50
Provision for environmental risks	22	35
Provisions for redundancy incentives	17	15
Provision for losses on investments	7	8
Provision for legal and other proceedings	34	6
Provision for tax litigation risks	2	2
Provision for OIL insurance	2	2
Other provisions	4	11
	147	**128**

The following movements took place in provisions for risk and charges:

(amount in millions of euros)	Value at the beginning of the year	Additions	Utilization of provisions	Reversal of unutilized provisions	Other changes & foreign currency translation	Value at the end of the year
31.12.2014						
Provisions for disposal and restructuring	56	20	(21)		4	**59**
Provision for legal and other proceedings	39		(5)			**34**
Provision for environmental risks	15	8	(1)			**22**
Provisions for redundancy incentives	33	2	(12)	(6)		**17**
Provision for losses on investments	7					**7**
Provisions for tax litigation	3	2	(2)	(1)		**2**
Provision for OIL insurance	2		(1)		1	**2**
Other provisions	4					**4**
	159	**32**	**(42)**	**(7)**	**5**	**147**
31.12.2015						
Provisions for disposal and restructuring	59	24	(17)	(19)	3	**50**
Provision for environmental risks	22	19	(2)	(4)		**35**
Provisions for redundancy incentives	17		(1)	(1)		**15**
Provision for losses on investments	7	1				**8**
Provision for legal and other proceedings	34	2	(16)	(14)		**6**
Provisions for tax litigation	2					**2**
Provision for OIL insurance	2					**2**
Other provisions	4	3			5	**11**
	147	**49**	**(36)**	**(38)**	**7**	**128**

Provisions for disposal and restructuring of €50 million are related to the shutdown of the Hythe (UK) site and divestment of the Sarroch Aromatics business.
The provisions for environmental risks of €35 million include environmental charges related to various corporate sites for the part not covered by the guarantee issued by Syndial SpA, upon the transfer of the "Strategic Chemical Activity" business (see "Accounting policies - Grants").

Provisions for redundancy incentives of €15 million relate to expenses for ordinary redundancy procedures.

The provision for risks and charges for litigation of € 6 million relates mainly to litigation from revocatory actions, more extensively covered in the section "Disputes".

Provisions for tax litigation of €2 million are commented on in the section “Litigation”.

Provisions for OIL insurance of €2 million include 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.

The other provisions of €11 million consist mainly of social security contributions and employee termination benefits relating to the deferred cash incentive for senior managers and future charges for the purchase of green certificates.

22. Provisions for employee benefits

Provisions for employee benefits amounted to €67 million as detailed in the table below:

(amounts in millions of euros)	**31.12.2014**	**31.12.2015**
Employee termination indemnities (TFR)	50	45
Supplementary medical reserve for Eni managers (FISDE) and other foreign medical plans	10	1
Foreign pension plans	3	10
Other benefits	13	11
	76	**67**

Employee termination indemnities ("TFR") due upon termination of employment 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 at 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.

Foreign defined-benefit schemes are related in particular to provisions for pension plans, which relate to defined-benefit pension schemes adopted by non-Italian companies chiefly in Germany and the UK. The benefit is an income determined on the basis of seniority and the salary paid during the last year of service or according to the average annual salary paid in a given period and prior to the end of the employment relationship.

The liability for healthcare costs relative to the Managers Supplementary Healthcare Fund for companies of the Eni Group (FISDE) and other foreign medical plans are determined with reference to the contribution that the company pays for retired senior managers.

The other provisions for long-term employee benefits mainly regard the deferred cash incentive plans, the long-term incentive plan and the seniority bonuses. The figures for deferred cash incentive plans include the estimated amount of variable remuneration linked to business performance which will be paid to senior managers who have achieved the individual targets set. The long-term incentive plan (ILT) provides for payment, after three years of assignment, of a variable monetary benefit linked to the trend in a performance parameter compared to a benchmark group of international oil companies. The seniority awards are benefits distributed upon the achievement of a minimum period of service with the company and, with regard to Italy, are paid in kind.

Provisions for employee benefits, measured applying actuarial techniques, are analysed as follows:

	31.12.2014				
(amounts in millions of euros)	**TFR**	**Foreign defined-benefit schemes**	**FISDE and foreign medical plans**	**Other provisions for long-term employee benefits**	**Total**
Present value of obligations at the beginning of the year	**46**	**35**	**9**	**14**	**104**
Current cost				3	3
Interest costs	1	1			2
Remeasurements:	6	2	1		9
- From financial assumptions	*7*	*4*	*1*		*12*
- From past experience	*(1)*	*(2)*			*(3)*
Cost for past services and Gains/losses by extinction					
Benefits paid	(2)	(2)		(3)	(7)
Effect of business combinations, disposals, transfers	(1)				(1)
Currency exchange differences and other changes		2		(1)	1
Present value of obligations at the end of the period (a)	**50**	**38**	**10**	**13**	**111**
Plan assets at the beginning of the year		**30**			**30**
Interest income		1			1
Return on plan assets		3			3
Contributions to the scheme:					
- Contributions by the employer		*1*			*1*
Benefits paid		(2)			(2)
Currency exchange differences and other changes		3			3
Plan assets at the end of the year (b)		**35**			**35**
Redemption rights at the end of the year (c)					
Ceiling of assets/liabilities incurred at the beginning of the year					
Ceiling of assets/liabilities incurred at the end of the year (d)					
Net liabilities recognized in the financial statements (a-b±d)	**50**	**3**	**10**	**13**	**76**

(amounts in millions of euros)	31.12.2015 TFR	Foreign defined-benefit schemes	FISDE and foreign medical plans	Other provisions for long-term employee benefits	Total
Present value of obligations at the beginning of the year	**50**	**38**	**10**	**13**	**111**
Current cost		1		4	5
Interest costs	1				1
Remeasurements:	(4)	(1)		(3)	(8)
- Actuarial gains and losses from changes in demographic assumptions					
- From financial assumptions		*(1)*		*(3)*	*(4)*
- From past experience	*(4)*				*(4)*
Cost for past services and Gains/losses by extinction					
Benefits paid	(3)	(2)		(3)	(8)
Effect of business combinations, disposals, transfers					
Currency exchange differences and other changes		2			2
Present value of obligations at the end of the period (a)	**45**	**38**	**10**	**11**	**104**
Plan assets at the beginning of the year		**35**			**35**
Interest income		1			**1**
Return on plan assets		(1)			**(1)**
Contributions to the scheme:		1			**1**
- Contributions by the employer		*1*			**1**
Benefits paid		(1)			**(1)**
Currency exchange differences and other changes		2			**2**
Plan assets at the end of the year (b)		**37**			**37**
Redemption rights at the end of the year (c)					
Ceiling of assets/liabilities incurred at the beginning of the year					
Ceiling of assets/liabilities incurred at the end of the year (d)					
Net liabilities recognized in the financial statements (a-b±d)	**45**	**1**	**10**	**11**	**67**

Other provisions for long-term employee benefits of €11 million (€13 million as at December 31, 2014) primarily concern seniority awards for €4 million (€6 million as at December 31, 2014), deferred monetary incentives for €6 million (unchanged from December 31, 2014) and the long-term incentive plan for €1 million (unchanged from December 31, 2014).

The costs relating to liabilities for employee benefits recorded in the income statement include the following:

(amounts in millions of euros)	**TFR**	**Foreign defined-benefit schemes**	**FISDE and other foreign medical plans**	**Other provisions for long-term employee benefits**	**Total**
2014					
Current cost				3	3
Cost for past services and gains/loss by extinction					
Net interest expense (income):					
- Interest expense on the obligation	*1*	*1*			*2*
- Interest income on the plan assets		*(1)*			*(1)*
Total net interest expense (income)	1				1
- of which recognized in financial income (expense)	*1*				*1*
Total	**1**			**3**	**4**
- of which recognized in the cost of labour				*3*	*3*
- of which recognized in financial income (expense)	*1*				*1*
2015					
Current cost		1		4	5
Cost for past services and gains/loss by extinction					
Net interest expense (income):					
- Interest expense on the obligation	*1*				*1*
- Interest income on the plan assets		*(1)*			*(1)*
Total net interest expense (income)	1	(1)			
- of which recognized in financial income (expense)	*1*	*(1)*			
Revaluations of long-term plans				(2)	(2)
Total	**1**	**1**		**2**	**4**
- of which recognized in the cost of labour		*2*		*2*	*3*
- of which recognized in financial income (expense)	*1*	*(1)*			

The cost of defined-benefit plans included in the other items of the comprehensive income/loss are analysed as follows:

	31.12.2014					**31.12.2015**				
(amount in millions of euros)	**TFR**	**Foreign defined-benefit schemes**	**FISDE and foreign medical plans**	**Other provisions for long-term employee benefits**	**Total**	**TFR**	**Foreign defined-benefit schemes**	**FISDE and foreign medical plans**	**Other provisions for long-term employee benefits**	**Total**
Remeasurements:										
- Actuarial gains and losses from changes in financial assumptions	7	4	1		12			(1)		(1)
- Effect of past experience	(1)	(2)			(3)	(4)				(4)
	6	**2**	**1**		**9**	**(4)**		**(1)**		(5)

The main actuarial assumptions utilized to measure the liabilities at the end of the year and to determine the cost of the next year are illustrated here below:

(%)	TFR	Foreign defined-benefit schemes	FISDE and other foreign medical plans	Other provisions for long-term employee benefits
2014				
Discount rate	2.0	2.0-3.4	2.0	0.5-2.0
Wage growth trend rate		2.0-3.4		3.0
Inflation rate	2.0	2.0-2.9	2.0	2.0
2015				
Discount rate	2.0	2.0-3.65	2.0	0.5-2.0
Wage growth trend rate	3.0	2.0-3.45		
Inflation rate	2.0	2.0-2.95	2.0	2.0

The discount rate used was determined based on corporate bond yields (rating AA) in countries where the relevant market is sufficiently significant, or otherwise government bond yields. The demographic tables adopted are those used by each country for the assessments of IAS 19. The inflation rate was determined by considering the long-term forecasts issued by national or international banks.
The amount of contributions expected to be paid into defined-benefit plans in the next year totals €6 million.

23. Deferred tax liabilities

Deferred tax liabilities amounted to €16 million (€14 million as at December 31, 2014).

The most significant differences, of a temporary nature, are detailed below:

(amount in millions of euros)	Amount at 31.12.2014	Accruals	Utilizations	Other Changes	Amount at 31.12.2015
Deferred tax liabilities:					
- excess amortization/depreciation	81		(3)	(41)	37
- other	30	3	(5)	(17)	11
	111	**3**	**(8)**	**(58)**	**48**
Deferred tax assets:					
- tax losses	89			(62)	27
- other			(27)	32	5
	89		**(27)**	**(30)**	**32**
Net deferred tax assets	**22**	**3**	**19**	**(28)**	**16**

24. Shareholders' equity

The shareholders’ equity amounts to €272 million (€407 million as at December 31, 2014) as detailed below:

(amount in millions of euros)	**31.12.2014**	**31.12.2015**
Share capital	1,553	1,553
Reserve for exchange differences	(2)	2
Other reserves:	(9)	(5)
Business combination under common control reserve	*2*	*2*
Reserve for defined-benefit plans for employees net of tax effect	*(11)*	*(7)*
Retained earnings/(losses) brought forward	(590)	11
Loss for the period	(545)	(1,289)
	407	**272**

Share capital

The share capital consists of 1,553,400,000 ordinary shares without par value, owned exclusively by Eni SpA.

For information on the management of capital, see the specific section “Financial Risk Management – Capital Management”.

25. Guarantees, commitments and risks

Guarantees

Guarantees are detailed as follows:

	31.12.2014			**31.12.2015**		
(amount in millions of euros)	Fidejussions	Other guarantees	Total	Fidejussions	Other guarantees	Total
Consolidated subsidiaries		82	82		100	100
Other	1	7	8	1	4	5
	1	**89**	**90**	**1**	**104**	**105**

The bank guarantees provided in the interest of others of €1 million relate to the guarantee issued in favour of Serfactoring SpA, on behalf of employees of Versalis SpA who have obtained loans from Serfactoring SpA.

Other guarantees of €104 million provided on behalf of consolidated companies relate to indemnities given to Eni SpA and Syndial SpA, which in turn grant guarantees in favour of third parties on behalf of the Versalis Group companies.

The effective commitment as at December 31, 2015 amounted to €105 million.

Commitments and risks
Commitments and risks detailed as follows:

(amount in millions of euros)	**31.12.2014**	**31.12.2015**
Commitments		
Operating leases	3	2
	3	**2**
Risks		
Third party assets &other risks	44	42
	44	**42**
	47	**44**

Third-party assets held by the Group relate mainly to Syndial technical material (€3 million) stored at various Versalis Group sites. Other risks concern costs related to the divestment of the Sarroch Aromatics business.

Financial risk management

Introduction

The following main financial risks are identified, monitored and, as regards those specified below, actively managed by the Versalis Group: (i) market risk deriving from exposure to fluctuations in interest rates and exchange rates for currencies with which Versalis operates, and to the volatility of commodity prices; (ii) credit risk deriving from the possibility of default of a counterpart; (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[17] 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 governed by the "Guidelines" approved by the company's Board of Directors and by internal procedures, which make reference to a centralized financial asset management model, based on distinct Operational Finance structures (Eni Corporate Finance, Eni Finance International, Eni Finance USA and Banque Eni, this last within the limits set by banking legislation on "Concentration Risk") which ensure coverage of the requirements and absorption of financial surpluses of the Italian and foreign Versalis Group companies.

In addition, the management of trading in derivatives on commodities is entrusted to Eni Trading & Shipping SpA and Eni SpA.

In particular, all the Versalis Group's transactions in foreign currency and in derivatives are managed by Eni SpA, together with the trading of emission certificates. Commodity price risk is managed by the individual business units and Eni Trading & Shipping trades in hedging derivatives.

The Versalis Group uses derivative financial instruments and derivatives on commodities in order to minimize exposure to market risks related to changes in exchange rates and interest rates and to manage exposure to commodity price fluctuations. The Versalis Group does not enter into derivative transactions for speculative purposes.

[17] Sensitivity analysis is applied to financial instruments at floating interest rate, to instruments carried at fair value (non-hedging derivatives, cash flow hedging derivative, financial assets available for sale); and to financial instruments exposed to exchange rate risk.

Versalis has defined financial activity guidelines which quantify the maximum exchange and interest rate risk that can be assumed and define the characteristics of suitable counterparties.

As regards commodity risk, Versalis has set maximum limits on price risk deriving from commercial activities. The steering functions in this case are entrusted to a Commodity Risk Committee.

Exchange rate risk

Exchange rate risk derives from the fact that operations are conducted in currencies other than the euro (in particular the US dollar) and can determine the following impacts: on the individual operating results due to the different materiality of costs and revenues, denominated in foreign currencies, with respect to the moment when the price conditions have been defined (economic risk) and on the translation of trade receivables/payables denominated in foreign currencies (transaction risk); on the consolidated financial statements (profit or loss and shareholders' equity) on the translation of assets and liabilities of companies that prepare their financial statements with a functional currency other than the euro. The objective of Versalis management is to minimize the risk of exchange rate risk and optimizing the economic risk related to commodity prices; the risk of growing income in foreign currency or converting assets and liabilities of companies that issue their financial statements in a currency different than euro are not usually the objects of hedging derivatives. In general, an appreciation of the US dollar against the euro has a positive effect on operating reults of the Versalis Group and vice versa. Exchange-rate derivatives are measured at fair value on the systematic basis of market prices provided by leading info-providers. The value at risk technique (VaR) deriving from exchange rate risk positions is calculated daily using the parametric approach (variance/covariance), adopting a 99% confidence level and a 20-day holding period.

Commodity risk

The 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 US $10 per tonne of petroleum feedstock would lead to a reduction in the annual operating profit of around €35 million.

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 also, as far as the latter are concerned, with the centralized finance model adopted. As regards counterparty risk in commercial contracts, credit management is the responsibility of the business units and of the dedicated specialist Eni Corporate units, on the basis of formal procedures to assess and grant credit to commercial partners, including credit recovery activities and possible litigation management. At the Corporate level, guidelines and methodologies are defined to quantify and control customer risk.

As regards the financial counterparty risk deriving from the use of cash, positions in derivative contracts and transactions with an underlying physical basis with financial counterparties, the above-mentioned "Guidelines" identify the objective of risk management as the optimization of the risk profile in pursuance of the operating targets.

The maximum risk limits are expressed in terms of the maximum credit granted by classes of counterparties, defined at the Board of Directors level and based on ratings provided by the leading Agencies. The risk is managed by Eni's Operational Finance Units, by Eni Trading & Shipping and Eni SpA for trading in commodity derivatives, and by the companies and Divisions only for transactions with an underlying physical basis with financial counterparties, in keeping with the centralized finance model. As regards the ceilings defined for rating classes, for each operating structure the lists of names of authorized counterparties are identified, assigning to each a maximum credit limit, which is monitored and checked daily. The critical situation that occurred on the markets starting from financial year 2008 led to the adoption of stricter rules, namely risk diversification and rotation of financial counterparties, and of selectivity for transactions in derivatives with duration of more than three months.

During the course of 2015 the trade receivables trend, regarding both third parties and intercompany, revealed a substantial uniformity with 2014, reaching at year-end a slightly lower level of total exposure; even though the macroeconomic environment lacked any elements of decisive improvement and recourse to sales to Factor were more limited. Thanks to constant customer monitoring and promotion of awareness, the overdue receivables, and consequently the number and the amount of litigations, were significantly lower compared to 2014.

It should be noted that among the the overdue recievables there was a significant exposure against a customer, (admitted to the extraordinary administration procedure for large companies), in crisis since June 2009 and declared bankrupt in 2013, whose total outstanding amount was reduced in 2015 following a transaction between the parties; both the claims arising prior to the admission to the above procedure and those identified later, were fully written down.

Liquidity risk

Liquidity risk represents the risk that, owing to an inability to raise new funds (funding liquidity risk) or to sell off assets on the market (asset liquidity risk), the company may not be able to fulfil its payment commitments, causing an impact on net income if the company is forced to incur additional costs to meet its commitments or, as an extreme consequence, a situation of insolvency representing a risk to its survival as a going concern. The aim of the Group's risk management is to put in place, within the scope of the "Financial Plan", a financial structure which, in keeping with the business targets and with the limits defined by the Board of Directors (in terms of maximum percentage levels of leverage and minimum percentage levels of ratios between medium/long-term debt and total debt and between fixed-rate debt and total medium/long-term debt), can ensure an adequate level of liquidity for the entire Group, minimizing the related opportunity cost, and can maintain a balance in terms of duration and composition of the debt.

These financial statements have been prepared on a going concern basis since Versalis SpA is wholly owned by Eni SpA, which manages and coordinates its activities.

On the February 26, 2016 the parent company Eni SpA disclosed to the market that on December 31, 2015 the Versalis Group has been classified as "discontinued operations", as there is a firm commitment from Management of the parent to recover the value of Versalis Group through its sale, and it is highly probable that the sale of the controlling stake will be achieved in a short period of time, considering the ongoing negotiations to reach an agreement with an industrial partner. In particular, the sales transaction involves the acquisition of a stake in the Versalis SpA, by the third party investor, that would complement Eni in the corporate structure and will enable the realization of a shared business plan, required for the Group's development .

The realization of the deal also assumes the redefinition of the financial structure of the Group, through access to new sources of funding, to be achieved through the establishment of agreements with financial institutions.

At present, and until such time as the sale is not completed, the Versalis Group expects to meet its liquidity needs through the support of the Eni Group, via the right to access its financial resources, without credit limits, as contractually defined under the existing agreements with the parent Eni SpA.

At the reporting date, the Versalis Group had no unutilized credit facilities.

The tables below show the amounts of payments contractually owed in relation to financial debts, including payments of interest and the time horizon of disbursements for trade and other payables.

Future payments against debt

	Year of maturity						
(amount in millions of euros)	2016	2017	2018	2019	2020	Beyond	**Total**
Short-term debt	919						**919**
Long-term debt including current portion		303				71	**374**
Interest on financial debt	3						**3**

Future payments against trade and other payables

	Year of maturity						
(amount in millions of euros)	2016	2017	2018	2019	2020	Beyond	**Total**
Trade payables	624						**624**
Advances from customers, other payables	96						**96**
	720						**720**

Future payments against obligations

In addition to the financial and trade payables shown in the Balance Sheet, the 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 the Versalis Group in future years against the main existing contractual obligations.

	Year of maturity						
(amount in millions of euros)	2016	2017	2018	2019	2020	Beyond	**Total**
Costs (charges) relating to environmental provisions	7	7	4	4	3	10	**35**
Other commitments	96	28	21	14	14	15	**188**
	103	**35**	**25**	**18**	**17**	**25**	**223**

The Other Commitments of €223 million include essentially an undertaking to purchase supplies of petrochemical products.

Investment commitments

Over the next few years, the Versalis Group plans to carry through a programme of capital expenditure of €191 million. The table below shows the time schedule for the investments relating to the more significant committed projects. A project is considered committed when it has obtained the necessary approval from Management and when the relative purchase contracts have been awarded or are being finalized.

	Year of maturity						
(amount in millions of euros)	2016	2017	2018	2019	2020	Beyond	**Total**
Other commitments (*)	189	2					**191**
	189	**2**					**191**

(*) Commitments for investments will be partially refunded by Syndial in the amount of €3 million in 2016 against existing guarantees. For further information see the paragraph "Accounting policies - Grants".

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. Management's aim in the medium term is to maintain a solid financial structure summarized by a leverage figure of not more than 1.

Fair value of financial instruments

In carrying out its business, the Versalis Group uses various 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 an immaterial amount.

The classification of financial assets and liabilities is indicated below; these are measured at fair value in the Balance Sheet according to the fair value hierarchy defined on the basis of the significance of the inputs used in the measurement process. In particular, on the basis of the features of the inputs used in making the measurements, the fair value hierarchy has the following levels:

- Level 1: prices quoted (and unadjusted) in active markets for identical financial assets or liabilities;
- Level 2: measurements carried out on the basis of inputs, other than the quoted prices as above, which, for the assets and liabilities to be measured, can be observed directly (e.g. prices) or indirectly (e.g. deriving from prices).
- Level 3: inputs not based on observable market data.

In relation to the above, the Versalis Group’s financial instruments carried at fair value at December 31, 2015 regard “level 2” derivative contracts. During the year, there were no transfers between the different fair value hierarchy levels.

Environmental regulations

As regards environmental risk, at present 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. 471/1999 of the Ministry of Environment; (iii) new development 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 the Versalis Group through the business conferral by Syndial SpA are covered by a specific warranty issued by the latter.

Emission trading

Italian Legislative Decree no. 216 of April 4, 2006 implemented both the Emission Trading Directive 2003/87/EC relative to greenhouse gas emissions and Directive 2004/101/EC relative to the use of carbon credits deriving from projects for the reduction of emissions based on the Kyoto Protocol.

On November 27, 2008, the National Committee for Management and Implementation of Directive 2003/87/EC published Resolution 20/2008 relative to the European Emission Trading Scheme – ETS (in operation since January 1, 2005), assigning the emissions allowances for the 2008-2012 period to the existing plants. It should be noted that, at the request of the European Commission, changes were made by the National Committee for Management and Implementation of Directive 2003/87/EC which expanded the scope of application of the Directive with respect to the provisions in force for the period 2005-2007, extending it to certain types of combustion plants including those present in the steam cracking plants (see also the section Commitments for sustainable development in the Directors' Report on Operations).

On the basis of the estimates of the emissions made, at December 31, 2015, the Versalis Group presented an overall emission rights surplus (a so-called “long position”)[18]; therefore, in accordance with the accounting criteria adopted, Management will recognize the related income from these surplus rights at the moment of sale.

[18] Provisional data: the definitive data will be available only after the final results have been certified by the Accredited Auditor. This will, however, not affect the company's position, which will certainly remain long.

Litigation

Versalis is a party to civil and administrative proceedings and legal disputes related to transactions carried out in the ordinary course of its business. On the basis of the information currently available Versalis considers that such proceedings and cases will not have a significant adverse impact on its financial statements. A summary of the more important proceedings is given below. Unless otherwise stated, no provisions were made for such risks given that it was considered improbable that the proceedings would have a negative outcome.

Antitrust litigation

Chloroprene Rubber litigation

With regards to elastomers (CR), the European Court of First Instance judgment of December 2012 reduced to approximately €106 million the original fine of €132.16 million imposed jointly on Polimeri Europa (now Versalis SpA) and eni by the European Commission on the December 5, 2007, for the alleged execution, along with other chemical companies, of a restrictive competition agreement concerning the sale of the elastomer in question. In March 2013, eni SpA and Versalis SpA lodged an appeal against the judgement at the European Court of Justice, in order to overturn the decision of the Commission, which has in turn appealed against the judgement. With the sentence rendered on the March 5, 2015, the European Court of Justice dismissed both the appeal filed by Eni and the appeal proposed by the Commission, confirming the judgment of the European Court of First Instance. With this Court of Justice ruling, the CR European Community litigation can be considered definitively concluded. Furthermore, the Court of Justice ruling has no impact on the income statement since the fine had been accrued for in previous years.

Tax litigation

On the 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 the 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.

On September 22, 2011, the Milan Tax Office served a demand for payment of registry, mortgage and cadastral tax of €1.7 million relating to the sale transaction relating to the sale of the equity investment in Raffineria di Gela SpA to Eni SpA as a result of the conferral of the “SPLITTER” business unit. The company appealed to the Tax Commission together with Eni and Raffineria di Gela SpA and has not accrued any provisions, as it is reasonably confident of a positive outcome for the dispute. The Tax Office has filed an appeal against judgement no. 2870 of 12/12/2013 filed on 21/03/2014 of the Milan Provincial Tax Commission which upheld the company’s appeal.

The Milan Tax Office served a demand for payment of higher registry, mortgage and cadastral tax of approximately €1 million relating to the sale of the TAF business unit in Brindisi to Syndial SpA. The company, in conjunction with the jointly-responsible Syndial, having failed to settle the dispute using the proposed tax settlement procedure, intends to appeal; the estimated cost is approximately €500 thousand.

The Municipality of Melilli (SR) served an assessment notice for higher property tax (ICI) for the year 2011 for a total of €47 thousand and €88 thousand for the year 2012; the Company has proceeded to pay both amounts.

On the December 19, 2014, the Milan Revenues Agency 3 served a demand on the company for payment of higher registry, mortgage and cadastral tax of approximately €323 thousand relating to the transfer of the “Catalysis and Sustainable Chemistry” business unit in Novara. The company, after having discussed the claim with the Agency, has proceeded to pay the agreed final amount of €126 thousand.

The Municipality of Sarroch notified on the December 21, 2015 a TARSU tax assessment demand, for the year 2010, in the amount of amount €217 thousand (for taxes, penalties and interest). The company intends to proceed by submitting a petition for assessment with adhesion and has prudently set aside the amount requested.

On the October 15, 2014 the Milan Finance Police started an inspection on Versalis SpA (formerly Polimeri Europa SpA) for the tax years 2010 to October 15, 2014 relating to transactions with foreign subsidiaries/associated companies, and to personnel (for the year 2014 until October 15, 2014) also with regard to employment and social security, in accordance with, among others, Law No. 689 of 24.11.1981. The inspection is ongoing.

26. Revenue

The main "Revenue" items are analysed below. The most significant changes in Revenues are explained in the "Operating Review" in the Directors' Report.

Net sales from operations

Net sales from operations are detailed in the table below:

(amounts in millions of euros)	2014	2015
Sales of petrochemical products	5,096	4,585
Sales of other products	2	3
Other services	186	128
	5,284	**4,716**

Net sales by business are discussed in the "Business review" in the Directors' Report.

The table below shows the geographical distribution of net sales from operations:

(amounts in millions of euros)	2014	2015
Italy	2,565	2,154
Rest of Europe	2,433	2,326
Asia	157	162
America	105	61
Africa	10	13
Other areas	14	
	5,284	**4,716**

Other income and revenues

Other income and revenues are comprised of the following:

(amounts in millions of euros)	2014	2015
Recovery of other costs and expenses	53	52
License rights and royalties	21	26
Income for emission rights	12	13
Real estate revenues	6	3
Insurance payouts	3	3
Income from the sale of Energy Efficiency Certificates.	16	1
Contract penalties	1	1
Other	10	16
	122	**115**

The recovery of other costs and expenses refer to the re-charging of operating expenses to Syndial SpA in virtue of the guarantees issued at the time of conferral in 2002 of the "Strategic Chemical Activities" business unit (€29 million, for further details see the paragraph "Accounting policies - Grants") and to the recharging of sundry costs and expenses to other companies working at the production sites (€23 million).

27. Operating expenses

The following is a summary of the main items of the “Operating expenses”.

Purchases, services and other costs

Purchases, services and other costs include the following:

(amounts in millions of euros)	**2014**	**2015**
Production costs - raw, ancillary and consumable materials and goods	4,018	2,748
Service costs	1,285	1,154
Leasing and rental charges	26	21
Net provisions for risks and charges	2	10
Change in inventories	63	407
Impairment of receivables	6	7
Other expenses	139	53
Decreases of capitalized internal work costs		(6)
	5,539	**4,394**

The service costs of €1,154 million refer mainly to costs for utilities (€444 million), logistics and transport (€277million), maintenance (€198 million) and professional services and consulting (€28 million).

Leasing and other charges of €21 million consist mainly of fees for concessions and licenses of €10 million, rent for land and buildings of €5 million.

Information relating to provisions for risks and charges is provided in Note 21.

Information relating to changes in inventories is provided in Note 3.

Information relating to the impairment of receivables is provided in Note 2.

The Other Expenses of €53 million include mainly indirect taxes and duties for €17 million, the charges relating to the Aromatic Sarroch agreement signed in December 2015 (€3 million), association fees for €3 million, losses on trade receivables of €2 million, and charges for fines of €1 million.

Non-capitalisable research and development costs amounted to €36 million (€40 million in 2014).

Payroll and related costs

Payroll and related costs are detailed as follows:

(amounts in millions of euros)	**2014**	**2015**
Wages and salaries	271	257
Social security contributions	78	75
Costs related to defined benefit plans and defined contribution plans	19	19
Other costs	1	
	369	**351**
Less:		
Capitalized direct cost associated with self-constructed assets	(12)	(10)
	357	**341**

Costs related to employee benefits include expenses for defined-contribution plans of €14 million and expenses for defined-benefit plans of €5 million. The expenses for defined-contribution and defined-benefit plans are analysed in Note 22.

The remuneration 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 at December 31, 2015 amounted to €5 million as follows:

(amounts in millions of euros)	**2014**	**2015**
Wages and salaries	4	4
Costs related to defined benefit plans and defined contribution plans	1	1
	5	**5**

The remuneration paid to directors amounted to €179 thousand. The remuneration paid to statutory auditors amounted to €127 thousand. The remuneration includes emoluments and all other kinds of remuneration, and pension and welfare contributions payable for the performance of the duties, which constituted a cost for the company, even if not subject to personal income tax.

The average number of employees, classified by category, is as follows:

	2014	**2015**
Managers	109	106
Managers/supervisors and employees	3,388	3,150
Workers	2,085	1,892
	5,582	**5,148**

The average number of employees was calculated as the arithmetic mean of the number of employees at the beginning and at the end of the year. The average number of senior managers includes managers employed and operating in foreign countries whose organizational role is equivalent to the Italian "senior manager" grade.

28. Other operating (expenses) income

The other operating expenses include the following:

(amounts in millions of euros)	**2014**	**2015**
Income from commodity derivatives	11	5
Income from evaluation of commodity derivatives		4
Expenses from commodity derivatives	(38)	(16)
	(27)	**(7)**

Other operating expenses of €7 million (€27 million in 2014) relate to the recognition in income statement of net expenses incurred on commodity derivatives which do not fulfill the formal requisites necessary to be classified as "hedges" in accordance with IAS 39.

29. Depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

(amounts in millions of euros)	2014	2015
Depreciation and amortization:		
- Property, plant and equipment	85	96
- Intangible assets	4	5
	89	**101**
Impairment losses:		
- Property, plant and equipment	96	719
- Intangible assets		13
	96	**732**
	185	**833**

Information regarding depreciation rates and the impairment of property, plant and equipment is provided in Note 7, to which the reader is referred, while that regarding intangible assets is provided in Note 8.

30. Financial income (expense)

Financial income (expense) includes the following:

(amounts in millions of euros)	2014	2015
Financial income (expense)		
Financial income	35	62
Financial expense	(76)	(86)
Derivatives	11	8
	(30)	**(16)**

The net amount of financial income (expense) are detailed as follows:

(amounts in millions of euros)	2014	2015
Financial income (expenses) related to net borrowings		
- Interest and other expenses to banks and other financial institutions	(39)	(35)
Positive (negative) exchange differences		
- Positive exchange differences	23	48
- Negative exchange differences	(31)	(51)
Derivatives	11	8
Other financial income and expense		
- Capitalized financial expense	6	7
- Interest and other income on financing receivables and securities related to operations		11
- Other financial income (expense)		(4)
	(30)	**(16)**

Net income (expense) on derivatives regard derivative contracts that do not meet the formal conditions to be classified as “hedges” as specified by IAS 39 and, therefore, the related fair value changes are stated in the income statement. Net income on derivative instruments of €8 million regards contracts on currencies.

Income (expense) on derivative contracts is determined as a result, essentially, of recognition in the income statement of the effects of measurement at fair value of those derivative contracts that cannot be considered for hedging according to the IFRSs, because they relate to the net exposure to exchange rate and interest-rate risks and, therefore, are not relative to specific commercial or financial transactions. The same lack of the formal requisites for being considered as derivative hedging contracts entails the recognition 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.

31. Income (expense) from investments

(amount in millions of euros)	2014	2015
Gains from valuations using the equity method		3
Losses from valuations using equity-accounting method	(5)	(33)
Dividends	2	
	(3)	**(30)**

Capital gains from the valuations using the equity-accounting method concern Lotte Versalis Elastomers and capital losses from the valuations using the equity-accounting method concern Matrica, Newco Tech SpA and Polimeri Europa Elastomères France.

32. Income taxes

The income tax details are as follows:

(amount in millions of euros)	2014	2015
Current tax assets:		
- Italian companies	(8)	(5)
- foreign companies	3	8
	(5)	**3**
Net deferred (prepaid) taxes:		
- Italian companies	(167)	464
- foreign companies	(18)	32
	(185)	**496**
	(190)	**499**

The current taxes for the year relating to the Italian companies regard the income for the recognition of the fiscal benefit deriving from participation in the eni national tax consolidation (for more details on the benefits deriving from participation in the national tax consolidation see the section “Income taxes” of the Directors' Report).
Net deferred tax assets are described in Notes 12 and 23.

The difference between the theoretical tax rate and the effective rate for the periods compared can be detailed as follows:

(%)	2014	2015
Theoretical tax rate	**28.8**	**31.0**
Items increasing (decreasing) statutory tax rate:		
- (impairments) reversal of deferred taxes	(4.2)	(73.5)
- permanent differences	(1.6)	
- prior year taxes	1.0	(0.3)
- changes in tax rates		(10.6)
- (additions)/deductions to provisions for tax litigation		
- different tax burden on foreign companies	6.5	(9.1)
- expenses and income from investments	(5.6)	
- other changes	1.0	(0.7)
	(2.9)	**(94.2)**
	25.9	**(63.2)**

An analysis of the temporary differences between the statutory and fiscal values is provided in Notes 12 and 23.

33. Related party transactions

The transactions with related parties carried out by Versalis SpA mainly regard 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 companies owned or controlled by the Italian State. All of the transactions carried out form part of ordinary operations and took place at arm's length, that is, at conditions that would have been applied by independent parties on the open market, and were carried out in the best interest of the Versalis Group.

The main transactions carried out were with the following companies:

a) Eni SpA: purchase of petroleum feedstock and virgin naphtha for the cracker plants; purchase of natural gas; sale of basic chemicals and transactions of an administrative and financial nature, procurement and information technology services, legal services, research services and services for personnel, treasury services and administrative activities;

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

c) Eni Finance International SA (controlled by Eni International Holding BV): financial transactions;

d) Eni Insurance Limited (controlled by Eni SpA) insurance cover for risks;

e) 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;

f) EniServizi SpA (controlled by Eni SpA): receiving general services;

g) Eni Trading & Shipping SpA (controlled by Eni SpA): transport by sea, purchase and sale of raw materials of basic chemical products, and derivative contracts on commodities;

h) Matrìca SpA: financing of assets instrumental to operating activities;

i) Raffineria di Gela SpA (controlled by Eni SpA): transactions deriving from rental of the "Polyethylene" business unit at Gela;

j) Saipem SpA (controlled by Eni SpA): receiving goods and services related to the construction and upgrading of plants;

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

l) Priolo Servizi Scarl (associate of Versalis SpA): supply of general and auxiliary services at sites where Versalis SpA is also present;

m) Ravenna Servizi Industriali SCpA (associate of Versalis SpA): supply of general and auxiliary services at sites where Versalis SpA is also present;

n) Servizi Porto Marghera Scarl (associate of Versalis SpA): supply of general and auxiliary services at sites where Versalis SpA is also present;

o) Gruppo Ferrovie dello Stato: rail transport.

Trade and other transactions with the parent company, consolidated subsidiaries, unconsolidated subsidiaries, associated companies and jointly controlled companies and with other companies owned or controlled by Eni SpA or by the State are detailed as follows:

(amounts in millions of euros)

	31.12.2015					2015							
						Costs				Revenue			
Name	Trade and other receivables	Trade and other payables	Positive derivatives	Negative derivatives	Guarantees	Goods	Services	Other	Other operating expenses	Goods	Services	Other	Other operating income
Associates													
Brindisi Servizi Generali Scarl							5						
Priolo Servizi Scarl		12					20						
Ravenna Servizi Industriali ScpA	9	7					9					3	
Servizi Porto Marghera Scarl	1	2					20			8		1	
	10	**21**					**54**			**8**		**4**	
Joint ventures													
Matrìca SpA	14	2								6	1		
Lotte Versalis Elastomers Co Ltd	(10)										1	20	
	4	**2**								**6**	**2**	**20**	
Parent company													
Eni SpA	39	112	1	1	92	410	198	3	16	7	3	8	9
	39	**112**	**1**	**1**	**92**	**410**	**198**	**3**	**16**	**7**	**3**	**8**	**9**
Eni Group companies													
Ecofuel SpA	9	3				20		1		84	6	1	
Eni Corporate University SpA		1					1						
Eni Insurance Ltd							4						
EniPower SpA	13	23					131			54		1	
EniPower Mantova SpA	1	11					71			3	1		
EniServizi SpA						1	5						
Eni Trading and Shipping SpA	1	74				560	128			6		13	
Ing. Luigi Conti Vecchi SpA	1	1				7					1		
Raffineria di Gela SpA	4	44											
Saipem SpA		30				24	33						
Serfactoring SpA		1			1								
Società EniPower Ferrara Srl		3					21						
Syndial SpA	116	44			5		19	1		2	3	32	
	145	**235**			**6**	**612**	**413**	**2**		**149**	**11**	**47**	
Entities owned or controlled by the State													
Gruppo Ferrovie dello Stato							12						
Gruppo Terna											4		
							12				**4**		
	198	**370**	**1**	**1**	**98**	**1,022**	**677**	**5**	**16**	**170**	**20**	**79**	**9**

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

(amount in millions of euros)

	31.12.2015			2015		
Name	Receivables	Payables	Guarantees	Charges	Gains	Derivatives
Parent company						
Eni SpA		1,275		35		8
Eni Group companies						
Eni Finance International SA		310				
Eni Trading and Shipping Spa				15	7	
Serfactoring SpA	2					
Joint ventures						
Matrica SpA	210				11	
	212	**1,585**		**50**	**18**	**8**

Impact of transactions and balances with related parties on the Group's balance sheet, profit and loss account and cash flow statement.

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

(amounts in millions of euros)

	31.12.2014			31.12.2015		
	Total	Related parties	Proportion %	Total	Related parties	Proportion %
Cash and cash equivalents	79	79	100	149	149	100
Trade and other receivables	986	288	29	874	208	24
Other current assets	5	3	60	5	1	20
Other financial assets	72	71	99	202	202	100
Other non-current assets	4	3	75	1		
Short-term debt	1,788	1,781	100	919	912	99
Trade and other payables	969	520	54	720	364	51
Other current liabilities	8	6	75	11	7	64
Long-term debt (including short-term portions)	825	823	100	682	673	99
Other non-current liabilities	9					

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

(amount in millions of euros)

	2014			2015		
	Total	Related parties	Proportion %	Total	Related parties	Proportion %
Net sales from operations	5,284	266	5	4,716	190	4
Other income and revenues	122	93	76	115	79	69
Purchases, services and other costs	5,539	2,487	45	4,394	1,704	39
Payroll and related costs	357			341		
Other operating income and expense	(27)	(27)	100	(7)	(7)	100
Financial income	35	11	31	62	18	29
Financial expenses	75	47	63	(86)	(50)	58
Derivatives	11	11	100	8	8	100
Income and charges on investments	(3)	1	-33	(30)	(30)	100

The principal cash flows with related parties are described in the following table:

(amounts in millions of euros)	**2014**	**2015**
Revenues and other income	359	269
Costs and expenses	(2,460)	(1,711)
Net change in trade and other receivables, and other assets	(81)	(46)
Net change in trade and other liabilities, and other liabilities	(9)	(155)
Dividends, interest and taxes	(33)	(21)
Net cash flow provided by operating activities	**(2,224)**	**(1,664)**
Investments:		
- investments and securities	(13)	(46)
- financial receivables	(101)	(10)
- change in payables and receivables relating to investments	5	15
Cash flow from investments	*(109)*	*(41)*
Disposals:		
- investments and securities		
Cash flow from disposals		
Net cash flow from investment activities	**(109)**	**(41)**
- Change in financial liabilities	863	(1,019)
- Capital contribution		1,147
Net cash flow from financing activities	**863**	**128**
Total financial flows to related parties	**(1,470)**	**(1,577)**

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

(amounts in millions of euros)

	2014			2015		
	Total	Related parties	Proportion %	Total	Related parties	Proportion %
Cash provided by operating activities	(483)	(2,219)	n.s.	218	(1,664)	n.s.
Cash provided by investment activities	(384)	(109)	28%	(281)	(41)	15%
Cash provided by financing activities	866	863	100%	128	128	100%

34. Significant non-recurring events and operations

No significant non-recurring events and operations took place during the year.

35. 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.

36. Assets held for sale and in disposal groups

At December 31, 2015 there were no assets held for sale and in disposal groups.

37. Main events subsequent to the December 31, 2015

For a description of the main events subsequent to December 31, 2015, see the “Significant events after the reporting date” in the “Other information” section of the Directors' Report.

38. List of investments

Versalis SpA Group companies and equity investments as at December 31, 2015

In accordance with the provisions of Arts 38 and 39 of Italian Legislative Decree No. 127/1991, Art 126 of Consob Resolution No. 11971 of May 14, 1999 and subsequent amendments and Consob Communication No. DEM/6064293 of July 28, 2006, the lists of the subsidiary and associated companies of Versalis SpA at 31st December 2015, and of other significant equity investments are provided below.

The companies are listed in alphabetical order and divided into Italian and foreign companies. For each company the following details are shown: company name, location of registered office, share capital or consortium fund, shareholders and their interests, for consolidated companies the percentage held by Versalis SpA is shown; the accounting criterion (equity or cost accounting method) for investments in non-consolidated companies.

Subsidiary and associated companies of Versalis SpA as at 31st December 2015

CONSOLIDATING COMPANY

Name	Registered office	Currenc	Shares Capital	Shareholde	% Ownership	% Consolidated pertaining to the Group	Method of consolidation or criterion of measurement (*)
Versalis SpA	San Donato Milanese (MI)	EUR	1,553,400,000	Eni SpA	100.00	100.00	L.b.L.

(*) L.b.L. = line by line, N.E. = measurement at net equity, Co. = measurement at cost

SUBSIDIARIES

In Italy

Name	Registered office	Currenc	Share Capital	Shareholders	% Ownership	% Consolidated pertaining to the Group	Method of consolidation or criterion of measurement (*)
Consorzio Industriale Gas Naturale	San Donato Milanese (MI)	EUR	124,000	Versalis SpA	53.55	53.55	N.E.
				Raffineria di Gela SpA	18.74		
				Eni SpA	15.37		
				Syndial SpA	0.76		
				Raffineria di Milazzo SpA	11.58		

(*) L.b.L. = line by line, N.E. = measurement at net equity, Co. = measurement at cost

SUBSIDIARIES

Outside Italy

Name	Registered office	Curren	Share Capital	Shareholders	% Ownership	% Consolidated pertaining to the Group	Method of consolidation or criterion of measurement (*)
Dunastyr Polystyrene Zrt	Budapest (Hungary)	HUF	8,092,160,000	Versalis SpA	96.34	100.00	L.b.L.
				Versalis International	1.83		
				Versalis Deutschland GmbH	1.83		
Eni Chemicals Trading (Shanghai) Co Ltd	Shanghai	USD	5,000,000	Versalis SpA	100.00	100.00	L.b.L.
Polimeri Europa Elastomères France SA in liquidation	Champagnier (France)	EUR	13,011,904	Versalis SpA	100.00	100.00	N.E.
Versalis Americas Inc.	Dover, Delaware (USA)	USD	100,000	Versalis International SA	100.00	100.00	N.E.
Versalis France SAS	Mardyck (France)	EUR	126,115,583	Versalis SpA	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 Kimya Ticaret Limited Sirketi	Istanbul (Turkey)	TRY	20,000	Versalis International SA	100.00	100.00	N.E.
Versalis UK Ltd	Lyndhurst (Great Britain)	GBP	4,004,041	Versalis SpA	100.00	100.00	L.b.L.
Versalis International SA	Brussels	EUR	15,449,174	Versalis SpA	59.00	100.00	L.b.L.
				Versalis Deutschland GmbH	23.71		
				Dunastyr Polystyrene Ltd	14.43		
				Versalis France SAS	2.86		
Versalis Pacific Trading (Shanghai) Co Ltd	Shanghai	CNY	1,000,000	Versalis SpA	100.00	100.00	L.b.L.
Versalis Pacific (India) Private Limited	Mumbai (India)	INR	115,110	Versalis Pacific Trading	99.99	99.99	N.E.
				Third parties	0.01		

(*) L.b.L. = line by line, N.E. = measurement at net equity, Co. = measurement at cost

(1) The company has a branch in Switzerland which does not make use of preferential tax regimes according to Art. 3 of Ministerial

ASSOCIATED COMPANIES

In Italy

Name	Registered office	Currency	Share Capital	Shareholders	% Ownership	% Consolidated pertaining to the Group	Method of consolidation or criterion of measurement (*)
Brindisi Servizi Generali Scarl	Brindisi (BR)	EUR	1,549,060	Versalis SpA	49.00	49.00	N.E.
				Syndial SpA	20.20		
				EniPower SpA	8.90		
				Third parties	21.90		
Novamont SpA	Novara (NO)	EUR	13,333,500	Versalis SpA	25.00	25.00	N.E.
				Third parties	75.00		
Priolo Servizi Scpa	Melilli (SR)	EUR	28,100,000	Versalis SpA	33.16	33.16	N.E.
				Syndial SpA	4.38		
				Third parties	62.46		
Ravenna Servizi Industriali ScpA	Ravenna (RA)	EUR	5,597,400	Versalis SpA	42.13	42.13	N.E.
				EniPower SpA	30.37		
				Ecofuel SpA	1.86		
				Third parties	25.64		
Servizi Porto Marghera Scarl	Venice, Porto Marghera (VE)	EUR	8,695,718	Versalis SpA	48.44	48.44	N.E.
				Syndial SpA	38.39		
				Third parties	13.17		

JOINT VENTURES

In Italy

Name	Registered office	Currency	Share Capital	Shareholders	% Ownership	% Consolidated pertaining to the Group	Method of consolidation or criterion of measurement (*)
Matrìca SpA	Porto Torres (SS)	EUR	37,500,000	Versalis SpA	50.00	50.00	N.E.
				Third parties	50.00		
Newco Tech SpA	Novara (NO)	EUR	400.000	Versalis SpA	81.59	81.59	N.E.
				Genomatica Inc	18.41		

Outside Italy

Name	Registered office	Currency	Share Capital	Shareholders	% Ownership	% Consolidated pertaining to the Group	Method of consolidation or criterion of measurement (*)
Lotte Versalis Elastomers Co Ltd	Yeosu (Jeollanam) (South Korea)	KRW	165,200,010,000	Versalis SpA	50.00	50.00	N.E.
				Third parties	50.00		

(*) L.b.L. = line by line, N.E. = measurement at net equity, Co. = measurement at cost

OTHER COMPANIES

In Italy

Name	Registered office	Currency	Share Capital	Shareholders	% Ownership	% Consolidated pertaining to the Group	Method of consolidation or criterion of measurement (*)
IFM Ferrara ScpA	Ferrara (FE)	EUR	5,270,466	Versalis SpA Syndial SpA Società EniPower Ferrara Srl Third parties	19.74 11.58 10.70 57.98	19.74	Co
Consorzio Crea Assemini	Cagliari (CA)	EUR	70,000	Versalis SpA Third parties	7.14 92.86	7.14	Co
IAS Industria Acqua Siracusana SpA	Siracusa (SR)	EUR	102,000	Versalis SpA Third parties	1.00 99.00	1.00	Co

Outside Italy

Name	Registered office	Currency	Share Capital	Shareholders	% Ownership	% Consolidated pertaining to the Group	Method of consolidation or criterion of measurement (*)
Genomatica Inc	San Diego (USA)	USD	130,707,445	Versalis SpA Third parties	5.12 94.88	5.12	Co
BKV Beteiligungs-und Kunststoffverwert-ungsgesellschaft mbH	Frankfurt (Germany)	EUR	15,106,119	Versalis GmbH Third parties	1.11 98.89	1.11	Co
EXELTIUM 2 SAS	Paris (France)	EUR	9,473	Versalis France SAS Third parties	1.88 98.12	1.88	Co
EXELTIUM SAS	Paris (France)	EUR	174,420,200	Versalis France SAS Third parties	1.66 98.34	1.66	Co

Changes in the consolidation area

There are no changes compared to 2014.

Independent Auditors' Report

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Independent Auditor's Report
in accordance with Article 14 of Legislative Decree n. 39, dated 27 January 2010 and Art. 165 of Legislative Decree n.58, dated 24 February 1998

(Translation from the original Italian text)

To the Sole Shareholder of
Versalis S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Versalis S.p.A. and its subsidiaries (the "Versalis Group"), which comprise the balance sheet as at 31 December 2015, the profit and loss account, the statement of comprehensive loss, the statement of changes in Shareholder's Equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Versalis S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Reconta Ernst & Young S.p.A.
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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Versalis Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Opinion on the consistency of the Directors' Report on Operations with the consolidated financial statements

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion, as required by law, on the consistency of the Directors' Report on Operations with the consolidated financial statements. The Directors of Versalis S.p.A. are responsible for the preparation of the Directors' Report on Operations in accordance with the applicable laws and regulations. In our opinion the Directors' Report on Operation is consistent with the consolidated financial statements of the Versalis Group as at 31 December 2015.

Milan, 14 April 2016

Reconta Ernst & Young S.p.A.
Signed by: Emilio Patruno, Partner

This report has been translated into the English language solely for the convenience of international readers.