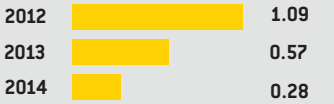
Versalis

Adjusted operating profit
(€ million)

Injury frequency rate
(No. of accidents per million of worked hours)



Production
(ktonnes)

Direct GHG emissions
(mmtonnes CO_2eq)

Sales of petrochemical products
(ktonnes)

Recycled/reused water
(%)

71.3%
Average plant utilization rate due to business restructuring

New strategic **partnerships** in the **Far East**

Green Chemical plant start up in Sardinia trough the reconversion of **Porto Torres** site

€40 million
research & development expenses

Divestment of **Sarroch** plant in line with turnaround strategy

14
new patent applications filed

Performance of the year

> In 2014, the injury frequency rate (employees and contractors) was more than halved (down by 50.9%) compared to 2013, in continuation of the positive trend registered in the last years.

> In 2014, greenhouse gas emissions and other emissions in the atmosphere were lower than in 2013 (down by 16.3%), following the substantial restructuring of the production assets of Versalis through the closure of the Hythe site as well as the shutdown of the petrochemical site of Porto Marghera for almost all 2014. Recycled/reused water rate improved, up to 87.7%.

> In 2014 adjusted net loss was €277 million, €61 million lower than in 2013, benefitting from the improvement of margins in intermediates and polyethylene reported in the last part of the year. This was achieved against the backdrop of continued weakness in commodity demand and increasing competition from non-EU producers. Results reflected efficiency initiatives and restructuring programs, mainly relating to the start-up of the Porto Torres green chemical project and the shut-down of certain unprofitable production units.

> Sales of petrochemical products amounted to 3,463 ktonnes, down by 322 ktonnes or 8.5% from 2013, driven by decrease in consumption.

> Petrochemical production volumes were 5,283 ktonnes, decreasing by 534 ktonnes or 9.2% from the previous year, following weak demand in all businesses, mainly elastomers and polyethylene.

> In 2014 the total expenditure in R&D amounted to approximately €40 million, in line with the previous year. 14 patent applications were filed.

Restructuring of petrochemical activities in Sardinia

> In June 2014, the green chemical project of Matrìca, a 50/50 joint venture between Versalis and Novamont, started operations marking the full conversion of the Porto Torres site. Matrìca's plant is currently leveraging on innovative technology to transform

vegetable oils into monomers and intermediates that are feedstock for the production of complex bio-products destined for a number of industries such as the tyre industry, bio-lubricants and plastic production. The overall production capacity of approximately 70 ktonnes per year will come gradually online during 2015. Cracking production line was definitively closed.

> At the end of December 2014, Versalis signed an agreement to divest the Sarroch plant to the refining company Saras, which owns a refinery close to Eni's petrochemical site. The agreement includes the disposal of the Versalis plants connected with the production cycle of the refinery, in particular the reforming unit, the propylene splitter unit and other related services, including the logistics system. Versalis will continue to operate on the site with the planned HSE activities and environmental remediation activities, not included in the transaction.

Green chemical project

> In November 2014, Eni defined with the Ministry for Economic Development and the interested stakeholders a plan to restore the profitability of the petrochemical plant at Porto Marghera. The "green" project, in partnership with the U.S.-based company Elevance Renewable Science Inc, envisages building of world-scale plants which are the first of their kind and the new technology for the production of bio-chemical intermediates from vegetable oils destined for high added-value industrial applications such as detergents, bio-lubricants and chemicals for the oil industry.

Development and sustainability initiatives

> In November 2014, Versalis signed a partnership with Solazyme, an U.S.-based renewable oil and bio-products company, aimed to expand market access and commercial use of Encapso™ – the world's first commercially-available, biodegradable encapsulated lubricants for drilling fluids. Encapso will also be used in oil and gas fields operated by Eni.

> Following the strategic partnership signed in 2013 with Yulex, an U.S.-based leader in biomaterials, to produce guayule-based biorubber by using non-food feedstocks, is under development the agronomic protocol and the innovative technology engineering, through the development of the entire supply chain, from the cultivation to the extraction of natural rubber, until the construction of a biomass power station.

Strategy

Versalis was negatively affected by a steep decline in market demand and increasing competitive pressure, mainly in commodity business with lower technological content. In this scenario, the priority is the economic sustainability of Versalis in the medium and long term. The breakeven for adjusted operating profit and operating cash flow is expected to be achieved starting from 2016, performing and completing the following strategic guidelines: (i) critical sites reconversions (in particular Porto Torres, Priolo, Porto Marghera, Sarroch and Hythe) with the shutdown and/or divestment of no more competitive production and consolidation of the other businesses; (ii) refocusing on high value-added productions (i.e. specialties) also through the development of green chemistry; (iii) empowerment of productive platform by means of the internationalization of the business to serve consumers even more global and markets feature by high growth of demand rate, also through strategic alliances signed with industrial players.

Sales – production – prices

In 2014 **sales** of chemical products amounted to 3,463 ktonnes, down by 322 ktonnes or 8.5% from 2013, mainly due to the weakness of demand. The steepest declines were registered in olefins (down by 19%) and aromatics (down by 14%) following the shutdown of cracking and aromatics site of Porto Marghera occurred in the end of February. Polymers sales were barely unchanged from 2013.

Average unit sales prices were 3% lower than in 2013, with different trends in different kinds of business: olefins prices were affected by a sharp decline in butadiene quotations (down 17%) and xylenes (down 15%), driven by the weakness of the market and overcapacity. Elastomers average prices decreased by 8% due to price competition from Asian producers. Styrenic prices decreased by 4% while polyethylene prices were barely unchanged due to product shortage in Europe.
Chemical **production** amounted to 5,283 ktonnes, with a

decrease of 534 ktonnes or 9.2% from 2013. This was mainly due to a decrease in intermediates (down 14%) due to the Porto Marghera cracker shutdown and elastomers (down 8%) due to lower demand. Lower decreases were registered in styrenes (down by 4%). These reductions were partly offset by higher production of polyethylene (up by 2%) due to a partial recovery in sales volumes from the depressed levels registered in 2013. The main decreases in production were registered at Porto Marghera (down by 85%) due to the standstill of cracking and aromatics lines from the end of February 2014 until the end of the year and Sarroch (down by 23%) due to the lower production as a result of the challenging competitive environment. Priolo and Dunkerque crackers registered an increase in production, since they were fully operating to compensate the lower production at Porto Marghera site. Outside Italy, the rubber and latex plant of Hythe was definitely closed at the end of March. Nominal capacity of plants declined from the previous year due to rationalization measures, with an average plant utilization rate calculated on nominal capacity of 71.3% (65.3% in 2013).

Product availability (ktonnes)	**2012**	**2013**	**2014**	**Change**	**% Ch.**
Intermediates	3,595	3,462	2,972	(490)	(14.2)
Polymers	2,495	2,355	2,311	(44)	(1.9)
Production	**6,090**	**5,817**	**5,283**	**(534)**	**(9.2)**
Consumption and losses	(2,545)	(2,394)	(2,292)	102	(4.3)
Purchases and change in inventories	408	362	472	110	30.4
	3,953	**3,785**	**3,463**	**(322)**	**(8.5)**

Business trends

Intermediates

Intermediates revenues (€2,310 million) decreased by €399 million from 2013 (down by 14.7%) reflecting the shutdown of Porto Marghera cracker, with an effect on sold volumes of aromatics and derivatives. Lower butadiene sales (down by 31%) and xylene (down by 34%) were attributable to market weakness and production overcapacity in Europe. Average unit prices decreased by 2%, with aromatics price lowered by 7% (in particular xylene prices decreased by 15% due to demand weakness), olefins prices by 1% due to lower ethylene and butadiene prices, almost completely offset by higher prices of propylene.

Intermediates production (2,972 ktonnes) registered a decrease from the last year (down by 490 ktonnes or 14.2%) due to reductions in olefines (down 11%) and in aromatics (down 31%) driven by the shutdown of Porto Marghera plant from February until the end of the year as well as lower productions in Sarroch plant. In addition, derivatives productions decreased by 10% due to disruptions and maintenance standstills registered in the second part of the year.

Polymers

Polymers revenues (€2,800 million) decreased by €133 million or by 4.5% from 2013 due to average unit prices and volumes of elastomers decreasing by 8% and 5% respectively, driven by continuing weakness of automotive sectored demand and low price of Asian producers. These negatives were further exacerbated by the decrease of average styrenics prices (down 4%) and sold volumes down by 4%, also due to new import flows coming from North Africa. Polyethylene prices were barely unchanged.

In the elastomers segment, a partial recovery in sales was registered in thermoplastic rubbers (up by 9%), special rubbers EPDM (up by 5%), that partially compensate lower sales of commodity rubbers (SBR down by 11% and BR down by 3%), nitrilic (down by 9%) and lattices (down by 19%). Lower sales of styrenes (down by 4%) is attributable to lower volumes sold of compact polystyrene (down by 4%), due to demand weakness, monomer styrol (down by 15%) due to lower production availability in Europe following the planned shutdown. The sold volumes of polyethylene reported an increase due to higher sales of HDPE (up 7%), Eva (up 9%) and LLDPE (up 1%) driven by lower supply in Europe. LDPE sales decreased by 2.5%.

Polymers production (2,311 ktonnes) decreased by 1.9% from 2013, mainly in elastomers segment (down 8%), due to the definitive closing of Hythe with lower production of lattices and SBR rubbers, and of BR rubbers due to declining demand. Styrene productions decreased by 4% with lower volumes of styrol (down by 5%) due to the planned shutdown of the second half of 2014 and compact polystyrene (down by 6%), partly offset by higher productions of ABS/San (up by 11%) for short-term production rescheduling. Polyethylene sales increased by 2%, due to higher production at Brindisi site (Hdpe up by 5%) due to the planned standstill of olefin production lines, and Eva in the Oberhausen site (up by 53%).

Capital expenditure

In 2014 capital expenditure amounted to €282 million (€314 million in 2013) mainly regarding: (i) improvement of plants' efficiency (€161 million); (ii) environmental protection, safety and environmental regulation (€30 million); (iii) maintenance and savings (€28 million); (iv) upkeeping of plants (€26 million).