

FINANCIAL REPORT 2012
Financial Statements Standalone

Borealis AG

About Borealis

Borealis is a leading provider of chemical and innovative plastics solutions that create value for society. With sales of EUR 7.1 billion in 2011, customers in over 120 countries, and around 5,300 employees worldwide, Borealis is owned 64% by the International Petroleum Investment Company (IPIC) of Abu Dhabi and 36% by OMV, the leading energy group in the European growth belt. Borealis is headquartered in Vienna, Austria, and has production locations, innovation centres and customer service centres across Europe and the Americas.

Through Borouge, a joint venture between Borealis and the Abu Dhabi National Oil Company (ADNOC), one of the world's major oil and gas companies, the company's footprint reaches out to the Middle East, Asia Pacific, the Indian sub-continent and Africa. Established in 1998, Borouge employs approximately 1,700 people, has customers in more than 50 countries and its headquarters are in Abu Dhabi in the UAE and Singapore.

Building on Borealis' unique Borstar® and Borlink™ technologies and their more than 50 years experience in polyolefins, Borealis and Borouge provide innovative, value creating plastics solutions for the infrastructure (pipe systems and power and communication cables), automotive and advanced packaging markets. In addition, Borealis offers a wide range of base chemicals from melamine and fertilizer to phenol and acetone.

Today, Borealis and Borouge have a manufacturing capacity of over 5.4 million tonnes of polyolefins (polyethylene and polypropylene) per year having recently completed a 1.5 million tonne capacity expansion in Abu Dhabi. The Borouge 3 plant expansion will be completed at the end of 2013 with a further capacity of 2.5 million tonnes per year (t/y) being fully operational in mid-2014. The companies continue to invest to ensure that their customers throughout the value chain and across the globe can always rely on product quality, consistency and security of supply.

Borouge and Borealis are committed to the principles of Responsible Care® and proactively contribute to addressing the world's water and sanitation challenges through their Water for the World™ initiative.

For more information visit:

www.borealisgroup.com

www.borouge.com

www.waterfortheworld.net

Borlink and Water for the World are trademarks of the Borealis group.
Borstar is a registered trademark of the Borealis group.

TABLE OF CONTENTS

04	Our values
05	Our business
07	Financial Statements Standalone as of December 31, 2012
26	Management Report as of December 31, 2012
29	Borealis AG Group management report as at December 31, 2012
36	Auditor's Report
38	Statement of the Executive Board according to § 82 (4) Z3 Vienna Stock Exchange Act

OUR VALUES

RESPONSIBLE

We are leaders in Health, Safety and the Environment

We are good neighbours wherever we operate

We do business according to high ethical standards

RESPECT

We involve people and communicate in a straightforward way

We work together – helping and developing each other

We are 'One Company' – building on diversity

EXCEED

Our customers' and owners' success is our business

We win through commitment and innovation

We deliver what we promise – and a little bit more

NIMBLICITY™

We are fit, fast and flexible

We create and capture opportunities

We seek the smart and simple solutions

OUR BUSINESS

POLYOLEFINS

Infrastructure: pipe systems

A well-established and highly experienced market leader in materials for advanced polyolefin pipe systems, Borealis' applications include water and gas distribution, waste water and sewage disposal, chemical and industrial pipelines, in-house plumbing and heating as well as pipe coating solutions for oil and gas exploration and transportation.

Infrastructure: energy and communication cables

Borealis is the leading provider of polyolefin compounds for the global wire and cable industry. The company delivers effective solutions that are widely applied in low, medium, high and extra high-voltage energy transmission and distribution cables, in data and communication cables as well as in building and automotive wires and cables.

Automotive

Borealis' advanced polyolefin plastics are the first choice of renowned global automotive manufacturers, who use the innovative solutions for a wide range of exterior, interior and under-the-bonnet applications. These include bumpers, body panels, trims, dashboards, door cladding, climate control units, air intake manifolds and battery cases.

Advanced packaging

Thanks to their superior properties and excellent flexibility, Borealis polyolefins are the advanced packaging material of choice for applications in healthcare, courier bags, food packaging, flexible and rigid transport packaging, bottles, crates, boxes, trays, large containers and pallets.

CUTTING-EDGE TECHNOLOGIES: BORSTAR® AND BORLINK™

Borealis' cutting-edge Borstar® technology is a crucial contributor when it comes to meeting today's growing demand for advanced plastics and the development of innovative, value-creating products of the next-generation. Borstar is the company's proprietary process technology. Combined with its unique catalyst technology, Borstar supports the production of a wide range of enhanced polyethylene (PE) and polypropylene (PP) products. Borstar PE 2G and Borstar PP 2G are both manufactured using Borealis' next-generation technology. They represent a leap forward in process technology, allowing flexible polymer design from bi-modal to multi-modal PE/PP and facilitating the development of an ever-widening range of new plastics that outperform alternative materials in meeting the needs of manufacturers and end users. By tailoring the molecular structure of PE and PP to precisely match the application requirements, Borstar PE 2G and Borstar PP 2G extend the product range, making it possible to create more sophisticated, customer-oriented solutions characterised by a unique combination of outstanding mechanical properties and excellent processability.

Borlink™ is another innovation that underscores Borealis' commitment to the wire and cable industry. It combines the company's leading production technology with the support of our recognised industry experts. Borlink serves as platform for Borealis and Borouge to work together with the entire energy infrastructure value chain to establish innovative solutions that address the challenges of an ever more interconnected world.

BASE CHEMICALS

Feedstocks and olefins

Borealis sources basic feedstocks such as naphtha, butane, propane and ethane from the oil and gas industry and converts these into ethylene and propylene through its olefin units. Steam crackers in Finland, Sweden and Abu Dhabi, the latter operated by Borouge, produce both ethylene and propylene, while propylene is also produced in a propane dehydrogenation plant in Kallo, Belgium. Feedstock and olefins required for Borealis' plants and those of its joint ventures are sourced from its owners or joint venture partners; any surplus requirement is purchased from the markets. A range of co-products from the steam cracking process, including pygas and butadiene, is also sold to international markets.

Phenol and aromatics

Phenol, benzene and cumene as well as acetone are produced in Finland and are sold mainly to the adhesive, fibre, epoxy resin and polycarbonate industries in Northern Europe. Phenol is used in adhesives, construction materials, carpets, CDs, DVDs, mobile phones and household appliances. Borealis is the leading phenol producer in the Nordic and Baltic regions. Acetone is commonly used in solvents for paints, acrylics, fibres and pharmaceuticals. Benzene and cumene are feedstocks for other chemical processes.

Fertilizer and melamine

Fertilizer and melamine are produced in Linz, Austria, and Ottmarsheim, France, while melamine is additionally produced at Borealis' facilities in Piesteritz, Germany. The company is the European leader on the melamine market and a leading provider of fertilizer in the Danube region.



FINANCIAL STATEMENTS

BALANCE SHEET AS AT DECEMBER 31, 2012**Assets**

	31/12/2012, EUR	31/12/2011, TEUR
A. Fixed assets		
I. Intangible assets		
1. Licenses	5,726,530.47	6,540
2. Industrial property rights	0.00	0
3. Prepayments	0.00	0
	5,726,530.47	6,540
II. Tangible assets		
1. Furniture and fixtures	793,930.88	1,072
2. Vehicles	37,593.26	57
3. Assets under construction	9,900.00	12
	841,424.14	1,141
III. Financial assets		
1. Investments in affiliated companies	1,965,193,256.67	1,976,399
2. Loans to affiliated companies	107,000,000.00	72,000
3. Investments in associated companies	662,016,716.33	662,017
	2,734,209,973.00	2,710,416
	2,740,777,927.61	2,718,097
B. Current assets		
I. Inventories		
1. Raw materials and supplies	305,361,505.55	306,161
2. Finished goods and merchandise	551,419,769.38	471,788
	856,781,274.93	777,949
II. Accounts receivable and other assets		
1. Trade accounts receivable	431,596,558.45	247,026
2. Accounts receivable from affiliated companies	749,522,176.32	632,885
3. Accounts receivable from associated companies	77,859,963.28	197,253
4. Other receivables and assets	191,441,525.18	128,444
	1,450,420,223.23	1,205,608
III. Cash at banks	12,055,295.14	84,880
	2,319,256,793.30	2,068,437
C. Prepaid expenses	12,912,346.04	11,494
Total assets	5,072,947,066.95	4,798,028

BALANCE SHEET AS AT DECEMBER 31, 2012**Shareholders' Equity and Liabilities**

	31/12/2012, EUR	31/12/2011, TEUR
A. Shareholders' Equity		
I. Share capital	300,000.00	300
II. Capital reserves		
1. Appropriated	101,604,460.00	101,605
2. Unappropriated	1,559,783,410.00	1,739,783
	1,661,387,870.00	1,841,388
III. Revenue reserves		
1. Legal reserve	30,000.00	30
IV. Retained earnings	75,276,133.90	188,687
thereof profit carried forward EUR 78,687,169.29 2011: profit carried forward TEUR 18,437		
	1,736,994,003.90	2,030,405
B. Provisions		
1. Provisions for pensions	8,354,927.71	0
2. Other provisions	159,606,495.84	136,972
	167,961,423.55	136,972
C. Liabilities		
1. Bonds	325,000,000.00	200,000
2. Bank loans and overdrafts	1,155,733,969.78	933,564
3. Trade accounts payable	487,307,837.02	376,405
4. Accounts payable to affiliated companies	1,167,562,076.62	1,020,879
5. Accounts payable to associated companies	18,551,419.96	80,177
6. Other liabilities	13,836,336.12	19,626
thereof taxes: EUR 1,836,928.13; 2011: TEUR 11,597		
thereof social security: EUR 0; 2011: 0		
	3,167,991,639.50	2,630,651
Total equity and liabilities	5,072,947,066.95	4,798,028
Contingent liabilities	28,235,294.12	32,000

INCOME STATEMENT FOR THE YEAR 2012

	2012, EUR	2011, TEUR
1. Sales	6,723,032,956.42	6,498,377
2. Increase or decrease in inventories	79,631,769.38	-37,799
3. Other operating income		
a) Other income	132,140,538.39	109,860
4. Cost of materials and purchased services		
a) Cost of materials	-5,753,648,117.27	-5,192,276
b) Cost of purchased services	-792,142,741.14	-768,213
	-6,545,790,858.41	-5,960,489
5. Personnel expenses		
a) Salaries	-44,839,318.45	-45,820
b) Expenses for severance payments and corporate staff and self-employment fund contributions	-249,664.49	-1,019
c) Pension fund contributions	-4,796,185.62	-1,404
d) Expenses for statutory social security and payroll related taxes and contributions	-4,469,153.63	-4,139
e) Other social benefits	-4,803,403.07	-632
	-59,157,725.26	-53,014
6. Amortization and depreciation of intangible and tangible assets	-1,192,652.42	-1,319
7. Other operating expenses		
a) Taxes, other than those reported in line item 18	-1,259,383.94	-1,297
b) Other expenses	-542,102,275.67	-520,651
8. Subtotal from line 1 to 7 (Operating result)	-214,697,631.51	33,668
9. Income from investments thereof affiliated companies: EUR 206,795,431.15; 2011: TEUR 540,338	206,795,431.15	540,338
10. Interest income from loans to affiliated companies thereof affiliated companies EUR 3,409,554.86; 2011: TEUR 1,558	3,409,554.86	1,558
11. Other interest and similar income thereof affiliated companies EUR 25,271,255.54; 2011: TEUR 26,213	52,964,645.12	41,123
12. Gains on disposal of investments	30,434.46	1,588
13. Expenses arising from financial assets Write-down of investments in affiliated companies EUR 114,700,000.00; 2011: TEUR 313,300	-114,700,000.00	-313,300
14. Interest and similar expenses thereof affiliated companies: EUR 16,908,017.41; 2011: TEUR 26,216	-158,910,278.44	-134,688
15. Subtotal from line 9 to 14 (Financial result)	-10,410,212.85	136,619
16. Results on ordinary activities	-225,107,844.36	170,287

17. Extraordinary income	18,245,620.68	0
18. Taxes on income	23,451,188.29	-7
19. Net loss/income for the year	-183,411,035.39	170,280
20. Release of capital reserves	180,000,000.00	0
21. Allocation to revenue reserves	0.00	-30
22. Profit carried forward from previous years	78,687,169.29	18,437
23. Retained earnings	75,276,133.90	188,687

NOTES

I. ACCOUNTING AND VALUATION POLICIES

The financial statements have been prepared in accordance with the Austrian Commercial Code (UGB), Austrian Generally Accepted Accounting Principles, and the general standard of presenting a true and fair view of the financial position, financial performance and cash-flows of the entity. The presentation of the financial statements also corresponds with the criteria set out in the Austrian Commercial Code.

Presentation, valuation and disclosure of financial statement items are in line with the Austrian Commercial Code and its special regulations for corporations. The financial statements have been prepared on a going concern basis and assets and liabilities have been reported using the unit account method of valuation.

Tangible and intangible assets are reported at cost less accumulated depreciation and impairment losses. Impairments of tangible and intangible assets in excess of scheduled depreciation are recognized as write-downs in case impairment is deemed to be sustainable. No impairments have been recognized during financial year.

Financial assets are carried at cost. In case of sustained and material impairment lower fair value is recognized. During the financial year, the applied write-down due to impairment on investments in affiliated companies amounted to EUR 114,700,000.00 (2011: TEUR 313,300).

Raw materials and supplies are capitalized at acquisition cost in line with the weighted average price method. Finished goods are carried at the lower of production cost, originating from the company's cost accounting,

and net sales value. Acquisition cost is stipulated following the first-in, first-out (FIFO) method.

Production costs comprise:

- prime costs
- special production costs
- variable factory overheads

Accounts receivable and other assets are reported at fair value. All recognizable individual risks were accounted for by valuation allowances.

Provisions for pensions are calculated according to IFRS (IAS 19) using the projected unit credit method. The calculation assumes an annual interest rate of 3.25% and follows the regulations of Aktuarvereinigung AVÖ 2008-P. Additionally the earliest date possible for retirement age according to Austrian social insurance legislation is adopted for the calculation. No staff fluctuation deduction was made.

Provisions for jubilee payments are calculated in accordance with IFRS (IAS 19) using an interest rate of 3.25% (2011: 4.75%).

At balance sheet date all risks recognizable in the light of sound commercial judgement and contingent liabilities are provided for; including provisions for impending losses from negative fair values of derivative instruments.

Liabilities are reported at the amount repayable. The income statement has been prepared using the expenditure format.

Obligatory disclosures on financial statements items have been omitted in case there had been no corresponding facts.

The financial statements are prepared in Euro (i.e. reporting currency). Generally, receivables denominated in other currencies are valued at the lower of acquisition rate and the exchange rate prevailing on balance sheet date, whereas liabilities denominated in foreign currencies are valued at the higher of rate of origin or exchange rate prevailing at balance sheet date.

Basically, derivative financial assets are reported at the lower of acquisition cost or fair value at balance sheet date. Provisions for impending losses from unclosed transactions are measured following the imparity principle at the unit account method. Starting with 2011 due to implementation of the new AFRAC-position paper (Austrian Financial Reporting and Auditing Committee) derivative financial instruments designated for hedging purposes have been presented and measured as a unit with the underlying transaction. Fair value hedges (i.e. hedges of the exposure to changes in fair value of a recognized asset or liability or unrecognized firm commitment) as well as cash-flow hedges (i.e. hedges of the exposure to changes in cash flows) are in use.

A prerequisite for hedge accounting is primarily the effectiveness of the hedge relationship, which is represented by matching risks and chances out of hedged items or transactions and hedging instruments, matching currencies and interest maturities, matching credit ratings and durations. Hedging cash flows requires the hedge to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk (risks of transactions being matched by counter-risks of derivatives) during the period for which the hedge is designated.

Hedge accounting requires the entity to assess retrospectively whether the hedge relationship was highly or completely effective during the particular period. Hedge ineffectiveness of designated derivative instruments is recognized in profit or loss via provisions for impending losses.

Hedge accounting requires designated derivatives to form a valuation unit with the hedged transactions or items. Foreign exchange receivables and payables with its exchange risk being hedged by foreign exchange transactions are measured at the forward exchange

rate. In case of effective hedge relationships, measurement of provisions for impending losses of designated derivatives is based on opposite income-related cash flows of the hedged transaction.

Applying the option not to report deferred tax assets on the balance sheet according to Section 198 Par. 10 of the Austrian Commercial Code, deferred tax assets amounting to TEUR 10,000 (2011: TEUR 7,929) have not been capitalized.

The following companies signed toll manufacturing contracts with Borealis, starting business on January 1, 2010:

- Borealis Polyolefine GmbH, Austria
- Borealis Polymere GmbH, Germany
- Borealis Polymers N.V., Belgium
- Borealis Kallo N.V., Belgium
- Borealis Antwerpen Compounding N.V., Belgium
- Borealis Italia S.p.a., Italy
- Borealis AB, Sweden
- Borealis Polymers Oy, Finland

Borealis AG supplies all raw materials, consumables and other means of production to the toll manufacturers for finished goods fabrication. Finished goods as well as productive factors remain in the property of Borealis AG, with end products being marketed by Borealis itself and toll manufacturers being remunerated market rates for their services.

II. NOTES TO THE BALANCE SHEET

ASSETS

A. Fixed assets

Movement of fixed assets in 2012 are shown in the statement of fixed assets (Annex 1 to the Notes).

Intangible assets

Intangible assets purchased from affiliated companies amount to historical values of EUR 13,453,272.85 (2011: TEUR 13,453).

Amortization/Depreciation is calculated on a straight-line basis over expected useful lives of three to fifteen years.

Tangible assets

Amortization/Depreciation is calculated on a straight-line basis over expected useful lives of three to ten years.

Financial assets

Investments in affiliates and associated companies are broken down into the following table:

Values in EUR millions	Investment in %	proportional Equity IFRS	proportional Net Profit IFRS
Investments in affiliated companies			
Borealis UK Ltd, Manchester, UK	100.00	1	0
Borealis Agrolinz Melamine GmbH, Linz, Austria	100.00	154	43
Borealis Italia S.p.A., Monza, Italy	100.00	14	1
Borealis Polyolefine GmbH, Schwechat, Austria	99.99	187	26
Borealis Compounds Inc., Rockport, USA	100.00	61	0
Borealis Polymers OY, Finland	100.00	367	48
Borealis Sverige AB, Sweden	100.00	349	31
Borealis Technology OY, Finland	100.00	116	1
Borealis France S.A.S., Suessnes, France	100.00	1	0
Poliolefinas Borealis Espana S.A., Barcelona, Spain	100.00	1	0
Borealis s.r.o., Prague, Czech Republic	100.00	0	0
Borealis Polska Sp z.o.o., Warsaw, Poland	100.00	0	0
Borealis Asia Ltd, Hong Kong	100.00	0	0
Borealis Insurance A/S, Copenhagen, Denmark	100.00	53	5
Borealis Polymere GmbH, Burghausen, Germany	100.00	58	5
Borealis Plasticos SA, Mexico City, Mexico	99.99	0	0
Borealis Brasil SA, Itatiba, Brazil	80.00	46	4
Borealis Poliolefinas da América do Sul Ltda, Brazil	99.99	0	0
Borealis Funding Company Ltd, Ramsey, Isle of Man, UK	100.00	0	0
Borealis Financial Services NV, Mechelen, Belgium	99.99	156	11
Borealis Polymers N.V., Mechelen, Belgium	100.00	545	19
Borealis Antwerpen Compounding N.V., Belgium	100.00	5	1
Borealis Kallo N.V., Belgium	99.99	74	3
Borealis PEC-Rhin S.A.S., France	100.00	83	13
Investments in associated companies			
Abu Dhabi Polymers Company Ltd, Abu Dhabi	40	1,713	371
Borouge Pte, Singapore	50	23	10
Borealis Financial Services Ltd, Jersey, UK	25	0	0

Loans to affiliated companies totalling EUR 107,000,000.00 (2011: TEUR 72,000) will mature with an amount of EUR 32,000,000 (2011: TEUR 32,000) in three years and an amount of EUR 75,000,000 (2011: TEUR 40,000) in more than five years.

B. Inventories

	2012, TEUR	2011, TEUR
Raw materials and supplies	305,361	306,161
Finished goods and merchandise	551,420	471,788
Total	856,781	777,949

C. Current assets

Accounts receivable from affiliated companies totalling EUR 749,552,176.32 (2011: TEUR 632,885) are broken down into trade receivables of EUR 19,033,778.18 (2011: TEUR 15,904) and other receivables of EUR 730,488,398.14 (2011: TEUR 616,982). Receivables from affiliated companies with maturities of more than one year amounted to EUR 0 (2011: TEUR 74,258).

Accounts receivable from associated companies totalling EUR 77,859,963.28 (2011: TEUR 197,253) are broken down into trade receivables of EUR 77,779,959.25 (2011: TEUR 48,994) and other receivables of EUR 80,004.03 (2011: TEUR 148,259). All receivables from associated companies are due within one year, same as for 2011.

All trade accounts receivable are due within one year, same as for 2011.

Other receivables and assets do not contain any material income, for which payment will be received after balance sheet date.

SHAREHOLDERS' EQUITY AND LIABILITIES

A. Shareholders' equity

Share capital

At the Extraordinary General Meeting dated May 22, 2007, a resolution was approved for an increase in share capital by EUR 137,142.86 from EUR 142,857.14 to EUR 280,000.00. This capital increase was disclosed by reclassification of part of unappropriated additional paid-in capital.

At the Extraordinary General Meeting of Borealis GmbH, Vienna, dated June 20, 2007, it was agreed to change the company structure from a limited liability company to a joint stock company.

At the first Extraordinary General Meeting of Borealis AG, Vienna, on August 6, 2007, it was agreed to raise the share capital of the company from EUR 280,000.00 to EUR 300,000.00, issuing 20,000 new bearer shares by contributing the economic ownership of stocks in AMI Agrolinz Melamine International GmbH, Linz.

Share capital consists of 300,000 bearer shares at balance sheet date.

Capital reserves (additional paid-in capital)

The reported unappropriated additional paid-in capital results from indirect shareholder grants by OMV

Aktiengesellschaft amounting to EUR 10,000.00 and by OMV Refining & Marketing GmbH amounting to EUR 643,990,000.00.

In addition, on the basis of an agreement of a contribution in kind between Borealis AG, Vienna, and IPIC Denmark Holdings ApS dated December 5, 2005, relating to a 40 per cent interest in Borealis A/S and a 50 per cent interest in IOB, a sum of EUR 1,195,920,552.86 was allocated to additional paid-in capital.

An amount of EUR 137,142.86 of the additional paid-in capital was reclassified to share capital in 2007.

Furthermore, due to an agreement of a contribution in kind between Borealis AG, Vienna, International Petroleum Investment Company, Abu Dhabi, and OMV Aktiengesellschaft, Vienna, regarding AMI Agrolinz Melamine International GmbH, Linz, an amount of EUR 101,604,460.00 was allocated to the appropriated additional paid-in capital.

In the years 2010 and 2012, EUR 100,000,000.00 and EUR 180,000,000.00, respectively, of capital reserves were released.

B. Provisions

Other provisions

	2012, TEUR	2011, TEUR
Customer rebates and bonuses	47,293	45,487
Long-term incentive scheme	7,711	6,239
Impending losses from uncompleted transactions	8,474	2,500
Restructuring	0	904
Outstanding invoices	46,380	45,052
Employee bonuses	6,127	6,362
Commissions	1,902	1,857
Unconsumed leave	1,289	999
Accrued interest	18,595	16,383
Other	21,835	11,189
Total	159,606	136,972

Other Provisions include a provision for employee jubilee payments amounting to TEUR 740 (2011: TEUR 555).

C. Liabilities

The maturities of all payables are shown in the following table:

Values in EUR	Remaining period to maturity			Carrying value	
	<one year	>one year	>five years		
Bonds	0.00	200,000,000.00	125,000,000.00	325,000,000.00	
2011	0.00	0.00	200,000,000.00	200,000,000.00	
Bank loans and overdrafts	270,022,123.04	389,493,378.29	496,218,468.45	1,155,733,969.78	
2011	215,789,307.73	182,305,543.75	535,469,522.00	933,564,373.48	
Trade accounts payable	487,307,837.02	0.00	0.00	487,307,837.02	
2011	376,404,941.01	0.00	0.00	376,404,941.01	
Accounts payable to affiliated companies	1,143,091,488.38	15,058,823.52	9,411,764.72	1,167,562,076.62	
2011	988,879,464.66	0.00	32,000,000.00	1,020,879,464.66	
Accounts payable to associated companies	18,551,419.96	0.00	0.00	18,551,419.96	
2011	80,176,757.00	0.00	0.00	80,176,757.00	
Other liabilities	13,836,336.12	0.00	0.00	13,836,336.12	
2011	19,625,538.43	0.00	0.00	19,625,538.43	
Total	1,932,809,204.52	604,552,201.81	630,630,233.17	3,167,991,639.50	
Total	2011	1,680,876,008.83	182,305,543.75	767,469,522.00	2,630,651,074.58
Contingent liabilities	0.00	0.00	28,235,294.12	28,235,294.12	
2011	0.00	0.00	32,000,000.00	32,000,000.00	
hereof affiliated companies	0.00	0.00	28,235,294.12	28,235,294.12	
2011	0.00	0.00	32,000,000.00	32,000,000.00	

Accounts payable to affiliated companies totalling EUR 1,167,562,076.62 (2011: TEUR 1,020,879) consist of financial payables of EUR 898,474,892.79 (2011: TEUR 908,618) and trade payables of EUR 269,087,183.83 (2011: TEUR 112,261).

Accounts payable to associated companies amounting to EUR 18,551,419.96 (2011: TEUR 80,177) consist of trade payables.

In April 2010 a 7-year bond was issued with a nominal value of TEUR 200,000 and a fixed interest rate of 5.375%.

In July 2012 a second 7-year bond was issued with a nominal value of TEUR 125,000 and an interest rate of 4.0%.

The bonds are listed at the secondary market of the Vienna Stock Exchange.

Other liabilities do not contain any material expenses, which will be paid after balance sheet date.

**D. Obligations from the use of fixed assets not stated in the balance sheet
(i.e. lease and rental agreements)**

Values in TEUR	expenses for the next year	expenses for the next five years
Obligations from lease agreements	394	1,003
Obligations from rental agreements	2,217	5,851
Total	2,611	6,854

E. Notes to Financial instruments

According to the financial policy of Borealis Group, inter alia, derivative instruments are designated to hedge relationships in order to reduce the risks of operating, finance and investment activities, i.e. risks of foreign exchange rates, interest rates and commodity prices. Borealis AG uses interest rate swaps, forward exchange transactions, foreign exchange derivative contracts and commodity futures as derivative financial instruments.

Financial risk management is centralised in the Treasury and Funding Department where foreign exchange risks out of short-term cash-flows are hedged and limits for long-term foreign exchange exposures are set. The

majority of borrowings are based on variable interest rates, which are transformed into fixed interest rates using interest rate swaps. Part of its forecast feedstock purchases and finished goods sales are hedged by feedstock swaps. Commodity price risks are managed by feedstock traders and monitored by Trade Support and Risk Management. Forecast energy purchases are hedged by using electricity and natural gas swaps.

At balance sheet date financial instruments were broken down as follows and reported in the respective balance sheet items:

Derivatives 2012	nominal value	unit	fair value		carrying value	balance sheet item
			positive	negative		
			TEUR	TEUR	TEUR	
Forward Exchange Transaction	276,798	TEUR	8,847	-4,615	-	
thereof valuation unit with hedged transaction	276,798	TEUR	8,847	-4,615	-	
Interest Rate Swaps	141,000	TEUR	-	-3,937		
thereof valuation unit with hedged transaction	30,000	TUSD	-	-582	-	
thereof valuation unit with hedged transaction	141,000	TEUR	-	-3,937	-	
thereof valuation unit with hedged transaction	30,000	TUSD	-	-582	-	
Foreign Exchange Derivative Contracts	48,740	TUSD	-	-532	-532	Other provisions
thereof valuation unit with hedged transaction	-		-	-		
Commodity Futures	509	kt	12,886	-9,014	-820	Other provisions
thereof valuation unit with hedged transaction	6,299	GWh	3,995	-37,214	-	
thereof valuation unit with hedged transaction	390	kt	11,846	-8,194	-	
thereof valuation unit with hedged transaction	6,299	GWh	3,995	-37,214	-	

Derivatives 2011	nominal value	unit	fair value		carrying value	balance sheet item
			positive	negative		
			TEUR	TEUR	TEUR	
Forward Exchange Transaction	907,620	TEUR	3,033	-14,050	-	
thereof valuation unit with hedged transaction	907,620	TEUR	3,033	-14,050	-	
Interest Rate Swaps	367,000	TEUR	-	-7,265	-229	Other provisions
	30,000	TUSD	-	-1,395	-	
thereof valuation unit with hedged transaction	297,000	TEUR	-	-7,036	-	
	30,000	TUSD	-	-1,395	-	
Foreign Exchange Derivative Contracts	48,740	TUSD	-	-2,271	-2,271	Other provisions
thereof valuation unit with hedged transaction	-		-	-		
Commodity Futures	540	kt	7,956	-4,653	-	
	6,385	GWh	1,975	-26,089	-	
thereof valuation unit with hedged transaction	540	kt	7,956	-4,653	-	
	6,385	GWh	1,975	-26,089	-	

Fair value of forward exchange contracts is the quoted market price at balance sheet date, i.e. the present value of the quoted forward price. Fair value of interest rate swaps is the calculated amount the Group would receive or pay in case of closing of the position at balance sheet date, with current interest rates taken into account. Fair value of commodity futures is the market price quoted at balance sheet date.

Impending losses from negative fair values of derivative instruments not presented as valuation units have been provided for in provisions amounting to TEUR 532 (2011: TEUR 2,500) at balance sheet date.

Forward exchange transactions mature at an average of 12 months, with a few isolated transactions maturing in the year 2015. At balance sheet date Borealis had outstanding interest rate derivatives with maturities until 2014 as well as a foreign exchange derivative contract maturing in the year 2016. Commodity futures mature at an average of 12 months up to the year 2014.

Provisions for impending losses are accrued for forward exchange transactions and commodity futures, respectively, in case those transactions show a negative fair value at balance sheet date and are not designated as hedging instruments. Forward exchange transactions and commodity futures, respectively, which show a positive fair value at balance sheet date and are not designated as hedging instruments are not capitalized.

Interest rate swaps for interest bearing loans are not capitalized as they are regarded to form a valuation unit with the underlying loan.

Expenses and income from derivative instruments not designated to hedge relationships are generally disclosed in profit and loss items other operating expenses and other operating income, respectively. Equally, results from derivative instruments related to financing or financial investments are generally disclosed in financial result. In case derivatives are designated as hedging instruments, results thereof are disclosed in the same profit and loss item as the results of the hedged transaction.

Hedge effectiveness of all existing hedges is assessed prospectively using the critical term match method. The retrospective assessment uses the cumulative dollar-offset-method. For a hedge to be classified highly effective, the actual results of the hedge (retrospective hedge effectiveness assessment) have to be within a range of 80 to 125 per cent. At balance sheet date all derivatives designated as hedging instruments are classified highly effective.

F. Contingent Liabilities

Borealis AG furnished guarantees amounting to TEUR 28,235 (2011: TEUR 32,000) to external loans for affiliated companies.

III. NOTES TO THE INCOME STATEMENT

1. SALES AND COST OF MATERIALS

Sales and cost of materials relate to the sale of Borealis Group products predominantly to external customers.

Sales by market and business areas				2012
in TEUR	Polyolefins	Base chemicals	Other	Total
EU countries	3,255,320	1,866,389	41,125	5,162,834
non-EU countries	492,655	56,630	874	550,159
Total Europe	3,747,975	1,923,019	41,999	5,712,993
North America	122,365	23,855	0	146,220
South America	169,719	0	0	169,719
Middle East (excl UAE)	316,265	14,087	0	330,352
United Arab Emirates	44,416	0	18,848	63,264
Asia	201,492	4,918	0	206,410
Australia, New Zealand	6,147	0	0	6,147
Africa	87,928	0	0	87,928
Total	4,696,307	1,965,879	60,847	6,723,033

Sales by market and business areas				2011
in TEUR	Polyolefins	Base chemicals	Other	Total
EU countries	3,197,431	1,686,417	78,183	4,962,031
non-EU countries	682,347	5,797	-	688,144
Total Europe	3,879,778	1,692,214	78,183	5,650,175
North America	111,584	55,421	-	167,005
South America	161,790	-	-	161,790
Middle East (excl UAE)	77,982	13,461	-	91,443
United Arab Emirates	64,455	-	14,818	79,273
Asia	240,909	34,161	-	275,070
Australia, New Zealand	2,546	-	-	2,546
Africa	71,075	-	-	71,075
Total	4,610,119	1,795,257	93,001	6,498,377

2. PERSONNEL EXPENSES

The average number of employees was 175 (2011: 174) as at December 31, 2012.

Pension fund as well as corporate staff and self-employment fund contributions are broken down as follows:

	2012, EUR	2011, TEUR
Board of Management	1,652,790.82	435
Managerial Employees	111,501.52	157
Other Employees	3,022,667.18	1,831
Total	4,786,959.52	2,423

Severance payments amounted to TEUR 3,085 (2011: TEUR 269):

	2012, EUR	2011, TEUR
Board of Management	1,128,503.00	0
Managerial Employees	0.00	0
Other Employees	1,956,323.64	269
Total	3,084,826.64	269

3. OTHER OPERATING EXPENSES

	2012, TEUR	2011, TEUR
Other		
Freight	270,535	265,386
Storage	13,827	16,661
Insurance	8,359	8,701
Consulting services	19,867	12,980
Charged management expenses	71,544	70,134
Commission	15,467	14,813
Rents	3,890	4,340
Travel expenses	2,532	3,387
Trainings, seminars	1,957	1,637
Royalties	97,456	96,348
Sundry	36,668	26,264
Total	542,102	520,651

Realized results from commodity derivatives (raw materials) amounting to TEUR 7,561 (2011: TEUR 10,234) are included in the profit and loss item "Cost of materials".

4. AUDIT EXPENSES

	2012, EUR	2011, TEUR
Audits of statutory national and consolidated financial statements	284,075.00	271
Other assurance services	72,089.82	70
Other services	52,262.00	23
Total	408,426.82	364

5. FINANCIAL RESULT

Financial result is broken down as follows:

	2012, TEUR	2011, TEUR
Income from investments		
Borealis Technology Oy, Finland	99,000	-
Borealis Sverige AB, Sweden	31,153	106,004
Borealis Agrolinz Melamine GmbH, Austria	30,000	30,000
Borealis Polymers OY, Finland	24,000	391,000
Borealis Portugal SGPS S.A., Portugal	16,365	-
Borealis Brasil S.A., Brazil	2,438	2,099
Borealis Polymere GmbH, Germany	2,000	9,780
Borealis France S.A.S., France	1,000	-
Borealis Italia S.p.A., Italy	600	1,300
Borealis Polska, Poland	128	25
Borealis s.r.o., Czech Republic	111	130
	206,795	540,338
Interest income on loans		
Borealis Technology Oy, Finland	1,325	1,322
Borealis Polyolefine GmbH, Austria	2,085	236
	3,410	1,558
Income from disposal of financial investments		
IOB Holding A/S, Denmark	30	1,588
Other interest and similar income		
Interest and other income from interest rate swaps and foreign exchange hedges	29,222	13,671
Interest income from intercompany financing	22,272	24,655
Interest income from securitization for forfaiting	580	1,843
Other	891	954
	52,965	41,123

	2012, TEUR	2011, TEUR
Interest and similar expenses		
Interest expense from intercompany financing	16,908	26,216
Interest expense from interest rate swaps and foreign exchange hedges	20,431	15,714
Write-down of financial assets	114,700	313,300
Results from foreign exchange translations	62,199	35,336
Interest from banks	46,854	42,610
Interest expense from securitization for forfaiting	3,197	6,311
Other	9,321	8,501
	273,610	447,988
Financial result	-10,410	136,619

The write-down of financial assets relates exclusively to the partial write-down for the affiliated companies

Borealis Technology OY, Finland, due to dividend payments.

6. INCOME TAXES

Since 2008 the company has been the parent in a tax group in line with Section 9 of the Austrian Corporation Tax Act. Group member is Borealis Polyolefine GmbH, Schwechat.

Becoming effective on January 1, 2012, the existing tax group, comprising Borealis AG (tax group parent) and Borealis Polyolefine GmbH, Schwechat (tax group member) added Borealis Agrolinz Melamine GmbH, Linz, and Linzer Agro Trade GmbH, Linz, as tax group members.

According to the group tax contract the group is charged with the related corporation tax expense attributable to any positive result. In case of negative results of tax group members no tax compensation is credited. Negative results have to be documented by the group parent and offset against positive future results without immediate tax charges to be paid.

Provisions for notional accumulated losses brought forward from Borealis Polyolefine GmbH amounting to TEUR 210,384 (2011: TEUR 260,033) have not been

accrued for in 2012 since the termination of the tax group or withdrawal of the group member is not being planned and these existing losses carried forward have not been offset against profits yet.

Tax group members Borealis Agrolinz Melamine GmbH and Linzer Agro Trade GmbH generated taxable profits during 2012 and have been charged with tax compensations payable to the tax group parent amounting to TEUR 32,258.

The tax group in line with Section 9 of the Austrian Corporation Tax Act comprising Borealis Agrolinz Melamine GmbH (tax group parent) and Linzer Agro Trade GmbH (national group member) as well as Borealis Agrolinz Melamine Deutschland GmbH (foreign group member) was terminated. It existed until the end of the year 2011. Foreign group member losses, deducted in previous years to reduce the tax base for the tax group, will be added to the tax base for 2012 of the Borealis AG group.

7. EXTRAORDINARY INCOME

Extraordinary income comprises a gain from the cross-border merger between Borealis A/S, Denmark, and the company dated June 30, 2012, and amounting to EUR

18,245,620.68. Extraordinary income is calculated as difference between the assets added stated at fair value and the carrying value of the lost investment.

IV. OTHER INFORMATION

Management Board

Mark Garrett
Daniel James Shook
Herbert Willerth
Gerd Löbber (until June 30, 2012)
Markku Korvenranta
Alfred Stern (since July 1, 2012)

Salaries of Management Board members amounted to TEUR 5.941 (2011: TEUR 5,034) along with additional payments into pension funds amounting to TEUR 524 (2010: TEUR 435).

Active members of the Supervisory Board received a remuneration totalling TEUR 849 (2011: TEUR 836).

Members of the Company Boards have not been granted advances, loans or guarantees.

Borealis AG is a large joint stock company pursuant to Section 221 of the Austrian Company Code.

Supervisory Board

Khadem Al Qubaisi
Gerhard Roiss (until February 21, 2012)
Mohamed Abdulla Al Azdi
Mohamed Al Mehairi
David Charles Davies
Manfred Leitner (since February 21, 2012)

Borealis AG prepares consolidated financial statements in compliance with International Financial Reporting Standards (IFRS) including the International Reporting Committee (IFRIC) as adopted by the EU. The consolidated financial statements are filed under No. 269858a at the Commercial Register in Vienna.

Borealis AG is included in the consolidated financial statements of the International Petroleum Investment Company (IPIC), Abu Dhabi.

Vienna, February 14, 2013

Management Board:



Mark Garrett
Chief Executive



Daniel Shook
Chief Financial Officer



Markku Korvenranta



Herbert Willerth



Alfred Stern

STATEMENT OF FIXED ASSETS FOR THE YEAR 2012

	Balance as at Jan. 1, 2012 EUR	Additions EUR	Acquisition Cost Disposals EUR	Reclassifi- cations EUR	Balance as at Dec. 31, 2012 EUR	Depreciation/ Amortization accumulated EUR	Carrying Value as at		Depreciation/ Amortization EUR
							Dec. 31, 2011 EUR	Dec. 31, 2012 EUR	
Intangible assets									
Licenses	38,307,023.32	0.00	0.00	0.00	38,307,023.32	-32,580,492.85	6,540,416.13	5,726,530.47	-813,885.66
Industrial Property Rights	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	38,307,023.32	0.00	0.00	0.00	38,307,023.32	-32,580,492.85	6,540,416.13	5,726,530.47	-813,885.66
Tangible assets									
Furniture and fixtures	3,295,524.84	69,713.12	0.00	11,347.30	3,376,585.26	-2,582,654.38	1,072,275.07	793,930.88	-359,404.61
Vehicles	117,823.97	0.00	0.00	0.00	117,823.97	-80,230.71	56,955.41	37,593.26	-19,362.15
Assets under construction	11,347.30	9,900.00	0.00	-11,347.30	9,900.00	0.00	11,347.30	9,900.00	0.00
	3,424,696.11	79,613.12	0.00	0.00	3,504,309.23	-2,662,885.09	1,140,577.78	841,424.14	-378,766.76
Financial assets									
Investments in affiliated companies	3,749,540,930.05	109,270,306.62	-5,776,000.00	0.00	3,853,035,236.67	-1,887,841,980.00	1,976,398,950.05	1,965,193,256.67	-114,700,000.00
Loans to affiliated companies	72,000,000.00	35,000,000.00	0.00	0.00	107,000,000.00	0.00	72,000,000.00	107,000,000.00	0.00
Investments in associated companies	662,016,716.33	0.00	0.00	0.00	662,016,716.33	0.00	662,016,716.33	662,016,716.33	0.00
	4,483,557,646.38	144,270,306.62	-5,776,000.00	0.00	4,662,051,953.00	-1,887,841,980.00	2,710,415,666.38	2,734,209,973.00	-114,700,000.00
Total fixed assets	4,525,289,365.81	144,349,919.74	-5,776,000.00	0.00	4,663,863,285.55	-1,923,085,357.94	2,718,096,660.29	2,740,777,927.61	-115,892,652.42

MANAGEMENT REPORT AS AT DECEMBER 31, 2012

Operational Review

The year 2012 was influenced by the economic uncertainty resulting from the sovereign debt crisis and failing efforts on both fiscal and political front to re-establish trust in the global markets. For Borealis 2012 was a year of two halves, the first half of the year was for the industry a more stable period with rising prices, whereas the last six months brought volatile development in both demand and price levels.

Oil prices reached their bottom in the summer at 96 USD/bbl. Subsequently, the oil prices increased and reached an annual average of 111 USD/bbl in 2012, similar to the year 2011. Prices of feedstock followed that trend and experienced a sharp decrease in the middle of 2012, 30% down from its yearly highs in spring. Naphtha is the most significant raw material for Borealis for the production of olefins. The yearly average for Naphtha increased slightly compared to 2011 and reached 936 USD/t, but experienced a high volatility during the year. Market prices for ethylene and propylene displayed a similar trend.

Price trends within the feedstock market could not be fully passed on to buyers of polyolefins, especially the rapid changes in the pricing proved to be challenging. As a consequence, profit margins declined for Borealis as they did for other European producers of polyolefins. The polyolefins business segment suffered a substantial decline in the profit compared to the year 2011, as a result of the above mentioned market volatility.

The segment "Feedstock, Olefins & Energy" was also impacted by the economy, but still generated healthy profit levels.

The segment "Phenol" saw an increase, both in margins as well as in sales volumes, compared to 2011 and reached its best result since 2004.

Overall, Borealis AG generated a net loss amounting to EUR -183.4 million compared to a net profit amounting to EUR 170.3 million in 2011.

Operating result decreased from EUR 33.7 million in 2011 to EUR -214.7 million in 2012. The primary factors for the deterioration of the results are the customer demand and the long market as a consequence which resulted in substantially lower margins.

Financial result encompasses write-downs of investments due to dividend payments amounting to EUR 114.7 million (2011: EUR 313.3 million) relating to a Finnish and a Portuguese affiliated company.

As a result of the increased foreign exchange loss and the overall funding needs for expansion projects in the United Arab Emirates and France, interest expenses amounting to EUR 158.9 million increased above the last year's interest expenses (2011: EUR 134.7 million).

The company continued to utilise its strong balance sheet position to obtain long term funding in 2012. Strategic financing initiatives of 2011 were supplemented by a successful placement of the 2nd Borealis Bond in the secondary market of the Vienna stock exchange (EUR 125.0 million), renewal of a Revolving credit facility (EUR 1000.0 million), which provides a flexible financing option, US private placement in amount of USD 133 million, as well as by a new securitisation program of EUR 300 million. Borealis AG benefits from its very well diversified financing portfolio and the related maturities of those refinancing sources. Furthermore, Borealis has a well established access to capital markets as well as private placements which serve as additional sources of financing. Overall, the company has sufficient liquidity headroom, which offers extensive flexibility and supports further corporate growth.

Borealis continued to simplify its corporate structure also in 2012. A cross-border merger of its former parent company Borealis A/S, Denmark, into Borealis AG and a liquidation of the Borealis Portugal SGPS S.A. are good examples of complexity reduction effort.

Borealis AG has representations in Abu Dhabi, Moscow, Saint Petersburg, Croatia, Romania as well as a branch office in Turkey.

Non-financial performance indicators are not monitored separately for Borealis AG, but rather within the context of the entire Borealis Group.

Workforce numbers (in terms of full-time equivalents) decreased by 8 compared to the preceding year. This decrease can be attributed to the ongoing streamlining of the centralized activities within the scope of group management.

Risk management

The internal control systems as well as the risk management in relation to accounting processes define all processes used to ensure economic viability and accuracy of accounting systems, thereby reducing the proneness to error, protecting assets against losses due to damage or fraud, and guaranteeing the conformity of company procedures with its articles, group directives and current law.

The control environment for the accounting process is characterized by a clearly defined operational and organizational structure. Accounting guidelines are laid down in a group manual, which is continuously revised, and is subject to obligatory implementation by Borealis AG and local companies.

SAP provides standardized corporate software which is used throughout the group. This enables management to have an overview of the companies development at all times. Close cooperation with the group auditors, who guarantee the application of uniform accounting standards by means of an international network, ensures the comprehensive and efficient external auditing of the group's financial statements.

Monitoring of the internal control system takes place by means of regular reporting to the Supervisory Board and audits by the Internal Audit Department.

In addition to the accounting process, Borealis AG is also subject to other risks for which an adequate risk management system has been implemented.

Strategic risks are risks that may negatively impact the company's strategy or its reputation. To counteract these risks appropriate contingency plans are in place, which are intended to ensure that strategies can be implemented as planned. Strategic risks usually relate to long-term trends such as market and industry shifts, strategic moves in relation to competitive conditions (e.g. innovations, mergers and acquisitions, etc.), or attacks on the company's reputation that have long-lasting effects.

Operative risks include health, safety and the environment as well as price risks related to finished products, which frequently occur in the course of daily business activities. They are managed through a wide range of control mechanisms.

Subsequently, potential financial risks and corresponding risk mitigation measures are discussed. Risk management for the individual group companies is taken over by Borealis AG. Contracts for derivative financial instruments are concluded by Borealis Funding Company Ltd (long-term contracts) and Borealis Financial Services N.V. (short-term contracts).

Credit Risk

The management has set up processes to continuously monitor default risk. The level of default risk relating to a specific debtor consists of the sum of all outstanding trade receivables and is reconciled with the individually

agreed credit limit. Evaluations of credit limits take place on a daily basis and, in addition, the entire customer portfolio is reviewed at least once a year. Changes to the credit limits must be approved on a case-by-case basis. On the balance sheet date Borealis AG was not exposed to any significant concentrations of default risks (up to 10 percent of the outstanding trade receivables). No significant default risks associated with trade receivables sold under the securitization program remain with Borealis.

Liquidity Risk

Liquidity reserves are managed on a day-to-day basis, in order to ensure that sufficient liquidity is available at all times, while at the same time keeping working capital at the lowest level possible.

Foreign currency risk

Borealis AG is exposed to foreign currency risks through transactions like sales, purchase or financing denominated in other currencies than the EUR. The key foreign currency risks are associated with the fluctuations of the USD, SEK, NOK and GBP against the EUR (ranking reflects materiality).

Borealis AG hedges trade receivables and payables, cash positions and other forecasted positions denominated in currencies other than the EUR. The company can also hedge long-term business risks within pre-defined limits at any time. Positions held in foreign currencies are generally hedged through a combination of forward exchange contracts and foreign currency options.

Interest rate risk

Borealis AG uses modified duration as a means of reducing interest rate risk, whereby average modified duration may only deviate from a pre-defined value within a given range. Therefore, Borealis AG has purchased interest rate derivatives denominated in EUR and USD to reach this target. Terms and conditions of interest rate derivatives purchased must conform to the underlying current or future loan requirements with regard to maturity or other conditions.

Additional risks emanating from the switch to toll manufacturing

The switch to toll manufacturing has been accompanied by the transfer of market and price risks for finished products, raw materials and the inventory risk.

The company uses large quantities of petrochemical raw materials and energy in its various production processes. These materials can also be resold, where appropriate. Borealis AG has entered into long-term

agreements with various suppliers and customers, respectively, to hedge against price risks relating to raw material. In addition, derivative instruments are used to smooth effects of price fluctuations of raw material on the income statement and, thus, on the company's shareholders' equity in the long term.

Research and Development

Since 2008, research and development for Borealis AG has been carried out by group companies and external service providers on a contractual basis, whereby existing intellectual property of the group is concentrated within the company.

Current projects focus on innovation with regard to market-oriented production of compound and polymer solutions. Efforts have been intensified to achieve a favourable competitive position. This effort is in line to the company's mission statement "Value creation through innovation" and is supported by innovation clusters in Sweden and Finland as well as the innovation

headquarter in Linz. Additionally, a newly established Innovation Centre has started its mission in Abu Dhabi, UAE, where experts of both Borealis and Borouge, an associated company of Borealis AG, work together on the projects for the polyolefins customers.

Outlook for 2013

Management of Borealis AG expects the year 2013 to be challenging for the company. A roll out of a re-designed and streamlined organisational structure for the polyolefins business together with continuing focus on safety, innovation combined with the implementation of initiatives to enhance excellence within the operational and commercial area should contribute to solid results at year-end, in spite of difficult overall market conditions.

Significant events after the balance sheet date

No events of material significance took place at Borealis AG after the balance sheet date.

BOREALIS AG GROUP MANAGEMENT REPORT AS AT DECEMBER 31, 2012

(The following information is based on the consolidated financial statements from December 31, 2012, prepared in accordance with IFRS and accepted by the EU.)

Safety tops the agenda

Borealis' safety performance, measured by the number of Total Recordable Injuries (TRI) per million hours worked, improved slightly in 2012 to 1.5 per million hours worked compared to 1.6 in 2011, a world class performance. Despite the decrease Borealis continues to strive to further improve its safety to foster an accident free work environment. To achieve this goal Borealis works with its employees and contractors on a daily basis to improve safety across the organisation.

Economic volatility continued in 2012

2012 was a year of continued economic uncertainty as the sovereign debt crisis continued and efforts on both the fiscal and political front to elevate trust in the global markets were unsuccessful. For Borealis, 2012 was a year of two halves. In the first half of the year a rising price environment improved margins of the different business segments, while the second half of the year saw margins decline, particularly for Polyolefins. Feedstock prices peaked in March, before dropping dramatically to bottom out in June. On an annual basis, crude oil averaged at 112 USD/bbl only 1 USD/bbl higher compared to the average for 2011. Feedstock prices followed a similar pattern.

Acquisitions for growth

In February Borealis completed the acquisition of French fertilizer producer PEC-Rhin. The company is located in Ottmarsheim, France and produces nitrogen fertilizers, ammonia and nitric acid. This acquisition complements Borealis' existing fertilizer business and enables the company to further grow in Central and Eastern Europe. Already in its first year after acquisition, Borealis Ottmarsheim contributed significantly to the performance of the Fertilizer business segment.

In November, Borealis reached an agreement to acquire DEXPlastomers V.O.F in Geleen, The Netherlands, from DSM Nederland B.V. and ExxonMobil Benelux Holdings B.V. The products of DEXPlastomers are specialties, complementary to Borealis' current innovative plastic solutions. This acquisition underpins Borealis' commitment to its Value Creation through Innovation strategy, as Borealis believes there is significant potential in DEXPlastomers' technology.

Solid financial results in a challenging market

In Europe, the Polyolefins (PO) industry saw declining sales volumes year on year for the second year in a row. The polyethylene volumes declined 5% year-on-year, while polypropylene volumes dropped by 4%. Despite this decline in the total European market, Borealis was able to increase its sales of Polyolefins by 3% year-on-year. Following the acquisition of PEC-Rhin the fertilizer volumes increased significantly compared to 2011 (43%). The successful integration has contributed positively to the overall Borealis result.

Due to excess capacity in the market place, price trends in the Polyolefin business segment did not follow the underlying feedstock market. Margins came under pressure in the second half of the year and the Polyolefins business segment saw a significant reduction in profit contribution compared to last year.

Despite the volatile market environment Borealis reports a net profit of MEUR 480 in 2012 compared to MEUR 507 in 2011. Return on capital employed after tax declined to 11%, from 13% in 2011. While the Polyolefins business segment delivered lower profits in 2012 compared to 2011, the Base Chemicals business segment had a strong year with the Fertilizer business improving its performance significantly. The business segment Phenol saw its best performance since 2004.

Borouge had another solid year and contributed, together with other associated companies, EUR 391 million to the net profit of Borealis. The Borouge 3 expansion project is progressing according to plan.

Borealis continued to utilise its strong balance sheet position and credit profile to obtain long term funding in 2012. Strategic financing initiatives of 2012 were supplemented by a successful placement of a 2nd public corporate bond. In addition, the company's core syndicated bank revolving credit facility and its receivables securitisation programme were renewed. A 2nd US private placement as well as a German Schuldschein transaction where also executed in 2012. Borealis benefits from a well-diversified financing and maturity profile following these transactions. The company has a well-established access to capital markets, bank funding as well as private placements for future growth.

Our most valuable asset: People

In 2012 the 5th bi-annual people survey which provides employees an opportunity to have their say was conducted. A record 87% of employees responded to the survey which is an exceptionally high response rate when benchmarked externally. Compared to the previous survey the results showed an improvement in all 9 assessment categories. Follow up actions are currently being defined across the organisation based on the feedback received to build an even better work environment. The Corporate Cooperation Council (CCC), a forum established to exchange information between employees, top management and owners, continued to actively share information and discuss important topics through its quarterly meetings throughout 2012.

Volatility to continue in 2013

Given its long standing strategy and conservative financial position, Borealis is well positioned to manage the current market challenges. Management expects 2013 to be another year of volatility and economic challenges, but is confident that the company will deliver a solid performance. With its new acquisitions Borealis is even better positioned to deliver on its mission to be the leading provider of chemical and innovative plastics solutions that create value for society.

Review of results

Sales

European polyolefins industry experienced in 2012 a further decrease in sales volumes, with polyethylene and polypropylene sales volumes decreasing 5% and 4% respectively, compared to 2011. Borealis sold over 3.3 million tonnes of polyolefins in 2012 (+3% vs. 2011). Fertiliser sales grew significantly compared to 2011, and amounted to 2.3 million tonnes (1.6 million tonnes), mainly as a result of the acquisition of the French fertilizer producer PEC-Rhin in 2012. Melamine sales volumes increased from 140 kt in 2011 to 151 kt in 2012.

Cost development

As a result of higher feedstock costs and volumes sold, production costs increased by approx. 10% versus 2011. Sales and distribution costs increased by 2% following the increase of sales volume, administration costs of EUR 180 million reduced year-on-year by EUR 5 million. Research and development costs amounted to EUR 96 million, where the increase compared to EUR 91 million in 2011 is attributable mainly to personnel costs increases. The number of full-time equivalent employees (FTE) for 2012 was 5,339, an increase of 179 compared to last year, mainly as a result of acquisition of PEC-Rhin.

Operating profit

Operating profit amounted to EUR 158 million compared to EUR 285 million in 2011.

Return on capital employed

The return on capital employed after tax decreased to 11%, compared to 13% in 2011, mainly as a result of weaker financial performance of European operations.

Financial income and expenses

Net financial expenses amounted to EUR 61 million, staying at the same level as in 2011.

Taxes

The provision for income taxes was reduced to EUR 8 million, compared to EUR 51 million in 2011, partially driven by a lower corporate income tax rate in Sweden and partially due to the development of the profitability in the European operations. Borealis paid income taxes

in the amount of EUR 27 million in 2012, compared with EUR 74 million in 2011.

Net profit and distribution of dividend

The net profit for the year amounted to EUR 480 million, compared to a net profit of EUR 507 million in 2011. During 2012, Borealis distributed a dividend of EUR 110 million. Borealis management proposes a dividend of EUR 60 million to be paid from the results of 2012.

Financial position

Total assets/capital employed

At the year-end, total assets and capital employed stood at EUR 6,956 and EUR 5,237 million, respectively, compared to EUR 6,128 and EUR 4,524 million at year-end 2011.

The solvency ratio was 53% at year end 2012, same as at year-end 2011. The gearing ratio increased to 43% at year-end 2012, compared to 35% in 2011, where the increase of debt was driven by capital expenditures, the acquisition of PEC-Rhin and dividends paid which exceeded the corresponding increase in equity.

Cash flows and liquidity reserves

Cash flow from operations was EUR 214 million, driven by operating profitability and partially offset by increased working capital. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,095 million at year-end 2012, compared to EUR 1,204 million at year-end 2011.

Net interest-bearing debt increased to EUR 1,545 million at year-end, up from EUR 1,142 million at the end of 2011. The change in net interest-bearing debt is analysed in the following table.

EUR million	2012	2011
Change of net interest-bearing debt		
Cash flow provided by operating activities	214	242
Capital expenditure	-346	-282
Capital contributions to associated companies	-69	0
Repayment of capital contributions by associated companies	0	69
Acquisition of new companies	-94	0
Other (mainly relating to foreign exchange differences)	2	-13
Dividend paid	-110	-100
Total decrease/increase	-403	-84

Capital expenditure

Investments in tangible fixed assets amounted to EUR 312 million in 2012, compared to EUR 242 million in 2011. The largest portion of the total investment was related to the new catalyst plant being built in Linz, Austria, the turnaround of the cracker and polyolefin plants in Porvoo, Finland, and an ongoing Licence to operate project in Linz, Austria. HSE capital expenditure amounted to EUR 37 million (EUR 17 million in 2011). Depreciation and amortisation amounted to EUR 274 million, compared to EUR 284 million in 2011.

Shareholders' equity

The shareholders' equity at year-end 2012 was EUR 3,617 million.

EUR million	2012	2011
Equity development		
Net result attributable to the parent	479	506
Exchange and fair value adjustment (net)	-28	-17
Gross increase/decrease	451	489
Dividend paid	-110	-100
Contribution by shareholders	0	0
Net increase/decrease	341	389
Opening equity	3,276	2,887
Ending equity	3,617	3,276

Risk

Borealis has a documented risk management process that ensures that all parts of the Group routinely identify and assess their risks and develop and implement appropriate mitigation actions. The company's overall risk landscape is periodically consolidated, reported and reviewed. Borealis distinguishes between strategic and operational risks.

Strategic risks are risks that may severely impact Borealis' strategy or reputation. In most cases, strategic risks are related to unfavourable long-term developments, such as market or industry developments, a change in the competitive environment, or a threat to the reputation of the Group.

Operational risks usually refer to unfavourable and unexpected short-term or mid-term developments, and include all risks that may have a direct impact on the Group's daily business operations. All operating risk are assessed according to documented guidelines and procedures that are administered by the respective business functions. The list below reflects some of the company's operational risks, but is not exhaustive:

Financial risks can be associated with liquidity, interest rate, foreign exchange rate, credit, commodity price, and insurance. The assessment of financial risk is described in detail in Borealis' Finance Procedure. The Director, Treasury and Funding shall be responsible for reporting and for coordinating the management of all financial risks.

Health Safety and Environment risks are assessed according to the procedures and framework described in the Borealis' Risk-Based Inspection Manual. The Vice President HSE shall be responsible for managing all HSE-related risks and shall report Borealis' HSE risk landscape periodically to the Executive Board.

Project related risks are assessed in the Borealis' project approval process. All key risks related to an individual project, including financial, market, technical, legal, patent infringement, strategic, operational, country risk, and political factors, are assessed. The risk assessment shall also reflect the probability that the project will be completed within the estimated time frame and

with the estimated resource requirements as well as the probability that the key project objectives will be achieved. Project-related risks shall be managed by the Project Manager and reported to the Project Steering Committee.

Information security risk relates to confidentiality, integrity and availability of critical company information. The Head of IT and the General Counsel support line managers with the assessment of information security risk and the development and implementation of risk mitigation actions.

The Executive Board periodically reviews the Group's key risks, defines the Group's risk tolerance levels, monitors the implementation of mitigation actions and reports the key risks and mitigation steps to the Supervisory Board. The Executive Board owns the Group's Risk Landscape and safeguards the integration of the risk assessment into the strategic planning.

The Supervisory Board is responsible for reviewing the effectiveness of Borealis' risk management practices and processes, the risk tolerance levels, the risk exposure of the Group, and the effectiveness of mitigation actions. The Supervisory Board delegates some of these responsibilities to the Audit Committee, which is a subcommittee of the Supervisory Board.

All Borealis employees shall be responsible for managing risk, within their authority, in their field of work to ensure that risk management is properly embedded in the organisation and is reflected in the day-to-day decision-making process.

		2012	2011	2010	2009
Safety, Health and Environment					
Total Recordable Injuries	number/million work hours	1.5	1.6	1.0	0.7
Sick leave	% of total hours worked	3.2	3.4	3.4	3.4
EU ETS CO ₂ emissions	kilotonnes	1,480	1,530	1,600	1,310
Primary energy consumption	GWh	20,300	22,500	22,300	19,300
Volatile organic compounds emissions	tonne	2,940	3,250	3,762	3,440
Waste generation	tonne	18,100	18,200	16,140	16,100
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Number of employees (Full-time equivalent)		5,339	5,160	5,075	5,215
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Income and profitability					
Net sales	EUR million	7,545	7,096	6,269	4,714
Operating profit	EUR million	158	285	349	24
Operating profit as percentage of net sales	%	2	4	6	1
Net profit	EUR million	480	507	333	38
Return on capital employed, net after tax	%	11	13	10	2
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Cash flow and investments					
Cash flow from operating activities	EUR million	214	242	268	395
Investments in tangible assets	EUR million	312	242	97	308
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Financial position					
Net interest-bearing debt	EUR million	1,545	1,142	1,058	1,031
Equity attributable to owners of the parent	EUR million	3,617	3,276	2,887	2,387
Gearing	%	43	35	37	43

Definitions

Capital employed	Total assets less non-interest-bearing debt
Return on capital employed	Operating profit, profit and loss from sale of operations, net result in associated companies plus interest income, after imputed tax, divided by average capital employed
Solvency ratio	Total equity + goodwill divided by total assets
Gearing	Interest-bearing debt, including subordinated loans, less cash and cash equivalents divided by total equity
Energy	Electrical, steam and fuels
Waste	Non-hazardous and hazardous

Vienna, February 14, 2013

Executive Board:



Mark Garrett
Chief Executive



Daniel Shook
Chief Financial Officer



Markku Korvenranta



Herbert Willerth



Alfred Stern

AUDITOR'S REPORT*

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of Borealis AG, Vienna, for the fiscal year from January 1, 2012 to December 31, 2012. These financial statements comprise the balance sheet as of December 31, 2012, the income statement for the fiscal year ended December 31, 2012, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2012 and of its financial performance for the fiscal year from January 1, 2012 to December 31, 2012 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the consolidated Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a (2) UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a (2) UGB (Austrian Commercial Code) are appropriate.

Vienna, February 14, 2013

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.



Mag. Erich Lehner
Certified Auditor



Mag. Walter Krainz
Certified Auditor

* This report is a translation of the original report in German, which is solely valid. Publication of the financial statements together with our auditor's opinion may only be made if the financial statements and the management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

**Statement of the Executive Board according to
§ 82 (4) Z3 Vienna Stock Exchange Act**

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report

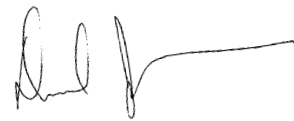
gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

February 14, 2013

Executive Board:



Mark Garrett
Chief Executive



Daniel Shook
Chief Financial Officer



Markku Korvenranta



Herbert Willerth



Alfred Stern

Borealis AG

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