
Borealis AG

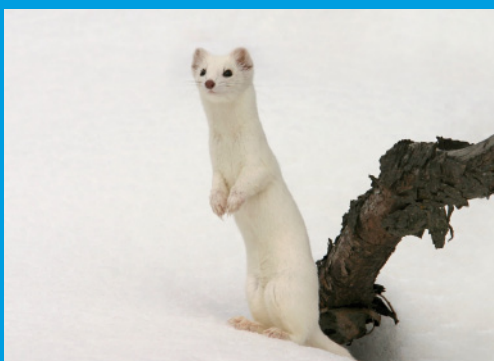
Financial Report 2013

Financial Statements Standalone

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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

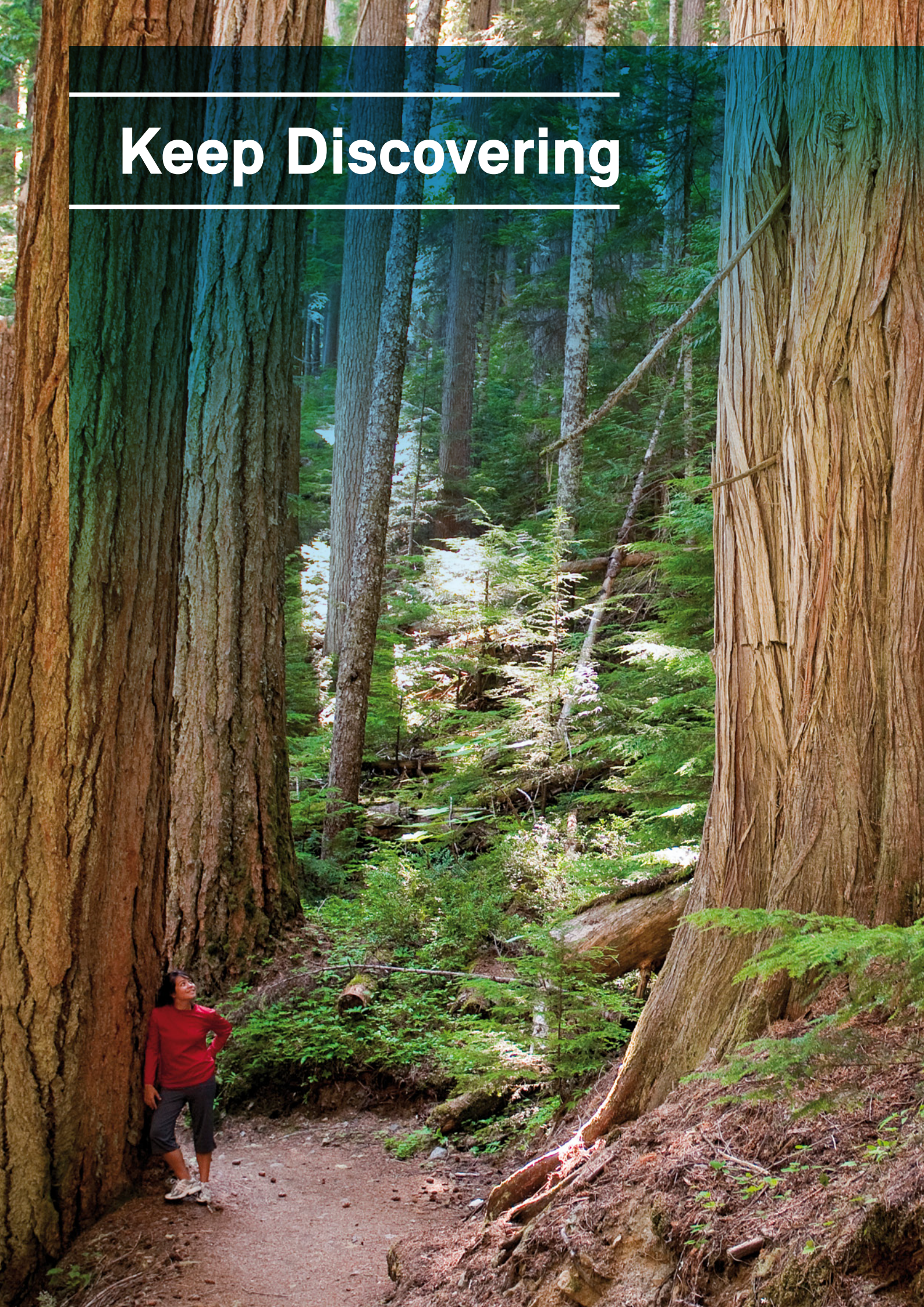
Nimblicity™

We are fit, fast and flexible

We create and capture opportunities

We seek the smart and simple solutions

Keep Discovering



Our Business

Polyolefins

Borealis Polyolefins are indispensable in our daily lives:

The polyolefins manufactured by Borealis form the basis of many plastics products which have become indispensable in our daily lives. Borealis works closely with its customers and industry partners to provide innovative and value-creating plastics solutions that make end products safer, lighter, more affordable and adaptable. The areas of application are broad and diverse. At Borealis, these application segments are called Engineering Applications, Energy & Infrastructure, and Advanced Packaging & Fibre. In addition in New Business Development, Borealis explores the future potential of novel polyolefin products and applications.

Energy & Infrastructure

Borealis is the leading provider of polyolefin compounds for the global **wire and cable** industry, delivering 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. As a trusted and experienced partner to the **pipe and fittings** industry, Borealis supplies materials for advanced polyolefin pipe systems used in water and gas distribution, waste water and sewage disposal, irrigation, chemical and industrial pipelines, in-house plumbing and heating as well as pipe coating solutions for oil and gas exploration and transportation.

Engineering Applications

As a leading supplier of innovative polyolefin plastics for engineering applications in the **automotive industry** and for **household appliances**, Borealis delivers ideal replacement solutions for traditional materials such as metal and rubber. In vehicles, Borealis' leading-edge polyolefin plastics are used in a wide range of exterior, interior, and under-the-bonnet applications. These include bumpers, body panels, trims, dashboards, door cladding, climate control and cooling systems, air intake manifolds and battery cases.

Advanced polypropylene solutions are used to make household appliances like washing machines, refrigerators and air-conditioning units more robust yet lighter, more energy efficient yet visually appealing.

Advanced Packaging & Fibre

Thanks to their superior properties and excellent flexibility, Borealis polyolefins are the advanced packaging



material of choice for applications in **healthcare**, such as medical pouches, bottles, overwraps, sachets and other medical devices, as well as in **fibres**, where advanced polyolefins are used to create non-woven technical fibres and other innovative products. Superior and proprietary Borealis technologies make advanced applications in both **flexible and rigid packaging** possible, from shrink film, geomembranes and frozen food packaging to caps and closures, bottles, thin wall packaging and transport packaging.

Borealis Base Chemicals

Borealis Base Chemicals provide a solid foundation to build upon: Borealis produces a wide range of base chemicals such as melamine, phenol, acetone, ethylene and propylene for use in numerous and diverse industries, as well as fertilizers and technical nitrogen products. Fully committed to our international Base Chemicals activities

as the solid foundation of our overall business, Borealis will continue to develop this profitable area with our unique feedstock capabilities, logistics and integration strengths. The redesign of the Borealis Base Chemicals business group into three separate units, Hydrocarbons & Energy, Fertilizers, and Melamine, took effect at the end of 2013.

Hydrocarbons & Energy

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 either sourced from its owners or joint venture partners, or purchased from the markets. A range of co-products from the steam cracking process, including pygas and butadiene, are also sold to international markets. 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. In the Nordic and Baltic regions, Borealis is the leading producer of phenol, which is used in adhesives, construction materials, carpets, CDs, DVDs, mobile phones and household appliances. Acetone is commonly used in solvents for paints, acrylics, fibres and pharmaceuticals. Benzene and cumene are feedstocks for other chemical processes.

Fertilizers

A number of megatrends are making the efficient and effective use of fertilizers more essential than ever. For one, the world population is expected to rise from today's 6.7 billion to over 9 billion by 2050, and an increasing number of people will live in densely-populated urban areas. And as incomes in emerging nations rise, more meat is consumed and thus more grain to feed livestock must be produced. Bio-fuels are also generating demand for increased yields. With limited space for expansion and heightened environmental awareness, low-carbon footprint fertilizers are becoming increasingly attractive in Europe.

As the leading fertilizer company in Central and Eastern Europe, Borealis is helping make farming more efficient in order to help feed more people and livestock. Borealis supplies over 5 million tonnes of fertilizers and technical nitrogen products each year via its Borealis L.A.T distribution network. Borealis L.A.T – formerly known as Linzer Agro Trade – has 50 warehouses across Europe and an inventory capacity of over 500 kilotonnes. Borealis L.A.T boasts a broad fertilizer portfolio, including "N" (nitrogen), "NP" (nitrogen-phosphorous) and "NPK" (nitrogen-phosphorous-potassium) fertilizers, which are often referred to as "complete fertilizers," as well as technical products, from ammonia and ammonium nitrates to nitric acid and urea solutions.

Melamine

As the second-largest producer of high-quality melamine in Europe, Borealis produces melamine at its plant in Linz, Austria and at Borealis facilities in Piesteritz, Germany. Melamine is converted from the raw material natural gas and has itself become an essential raw material for the global production of synthetic resins. Around 80% of Borealis melamine production is destined for the wood-based panel industry, for example for use as decorative surface coatings of wood-based materials. In the manufacture of everyday objects used in the kitchen or around the house, melamine also plays an important role, for example as one component used to make handles for pots and pans.



Financial Statements

Management Report

Operational Review

In 2013, the feedstock markets were relatively stable compared to previous years resulting in lower volatility in the polyolefins' market. While the polyolefins sales in Europe declined slightly from 2012 to 2013, Borealis was able to increase its sales volume year-on-year. At the same time, the margins in polyolefins slightly improved vs. 2012, but remain depressed due to the overall weak European economy and the competitive environment.

Brent Oil prices fluctuated within a narrow bandwidth of 103 to 116 USD/bbl throughout the year, averaging at 109 USD/bbl. Pricing of Naphtha, the most significant raw material for Borealis for the production of olefins, decreased to an annual average of 903 USD/t from the year 2012 average of 936 USD/t. Average market prices for ethylene and propylene were at 1,054 EUR/t and 1,057 EUR/t, respectively.

Margins of the polyolefins business remained relatively low throughout the year, however with less volatility compared to the year 2012. Borealis introduced several initiatives to further optimise its customer relationships, many of which have started yielding results.

Due to the optimisation of the business model and as a result of the relatively stable feedstock prices the business results of the polyolefins business improved significantly as compared to 2012.

The performance of the segment "Feedstock, Olefins & Energy" continued to improve in 2013, both due to higher volumes as well as through increased margins.

The segment "Phenol" continued to deliver solid results, although it did not reach the record results of 2012.

Overall, Borealis AG generated a net profit amounting to EUR 75.6 million compared to a net loss of EUR -183.4 million in 2012.

Operating result improved from a loss in 2012 of EUR -214.7 million to a loss of EUR -1.7 million in 2013. The primary factor for the improvement of the results was the improved market pricing of olefins and the

corresponding business results of the related business unit. The customer demand for polyolefins, however, was still suffering from the weak economy.

The financial result was driven by dividend payments amounting to EUR 164.1 million (2012: EUR 206.8 million).

Reduced foreign exchange losses contributed to a reduction of interest and similar expenses of EUR 29.6 million to EUR 129.3, compared to the previous year's interest expenses of EUR 158.9 million.

In 2013, the company continued to work on strengthening its strategic position, both from the product range as well as the geography point of view, namely by acquiring:

- A controlling interest of 77.47% in Rosier, S.A., Belgium, from Elf Aquitaine Fertilisants S.A., France, and the stock market
- 100% (via Borealis Plastomers BV, in Heerlen, The Netherlands, a 100% subsidiary of Borealis AG, Vienna, Austria) of the shares of DSM Plastomers B.V. and Exxon Chemical Holland Ventures B.V., each holding a 50 % interest in DEX Plastomers V.O.F. in Heerlen, The Netherlands, from DSM Nederland B.V. and ExxonMobil Benelux Holdings B.V., 100% of Dex Plastomers
- 100% (via Borealis France S.A.S., in Nanterre, France, a 100% subsidiary of Borealis AG, Vienna, Austria) of shares of GPN S.A., Nanterre, France, from Elf Aquitaine Fertilisants S.A., Nanterre, France

Borealis AG, together with First Energy Bank of Bahrain, have formed a joint venture in Bulgaria called FEBORAN AD. On December 21, 2013, FEBORAN purchased 20.3% of the shares of Neochim AD, a company listed on the Sofia stock exchange. The funding effort in 2013 was focused on the arrangement of financing for the acquisitions as well as on the financing of Research & Development activities.

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 the capital markets as well as to private placements which serve as additional sources of financing. Overall, the

company has sufficient liquidity headroom which offers extensive flexibility and can support further potential corporate growth.

Borealis AG has representations in Abu Dhabi, Moscow, Saint Petersburg, 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. Average workforce numbers (in terms of full-time equivalents) increased within the year by 4 FTEs to 179 at the end of 2013.

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 characterised by a clearly defined operational and organisational 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 a standardised 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 securitisation programme 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 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 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.

In 2013 the projects were focused both on further developments of existing technologies, as well as targeted solutions of customer needs. The innovation activity was more intensively integrated with the business processes, both hierarchically as well as content-wise, to support the clustering of activities and priorities setting. The Partnership with the Innovation Centre of Abu Dhabi Polymers Company Ltd was performing well and developed a strong pipeline of joint projects in 2013.

Outlook for 2014

Management of Borealis AG expects the year 2014 to remain challenging for the company with only very early indications of economic recovery in Europe. With further optimisation of the customer service, streamlining of the organisational structures, continuing focus on safety and striving for excellence in every business area we are confident to achieve solid results in 2014, 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.

Group Management Report

(The following information is based on the consolidated financial statements of Borealis AG from December 31, 2013, prepared in accordance with IFRS and accepted by the EU.)

Strong safety performance

In 2013 Borealis' safety performance remained world class. The number of Total Recordable Injuries (TRI) remained at 1.5, the same level as in 2012. A result below 2.0 is considered world class. While keeping a strong safety record Borealis continues to work for an accident free environment. Employees and contractors are engaged on a daily basis to keep safety as the number one priority for the company.

Market remained subdued

The markets remained relatively more stable in 2013 compared to 2012. The volatility in feedstock prices experienced in 2012 was absent and the Brent crude oil traded in a relatively narrow range. The average Brent crude oil price decreased by 3 USD/bbl from 2012 to 2013 to average 109 USD/bbl. The Polyolefin industry margin improved over 2012, but remains below historical levels. Feedstock prices declined towards the summer months before recovering towards the end of the year. In the fertilizer segment ample global supply put pressure on prices resulting in lower margins compared to 2012.

Major acquisitions and a license sale

2013 was a transitional year for Borealis with a number of major acquisitions. In March, Borealis completed the acquisition of DEXPlastomers VOF, a 50/50 joint venture owned by Royal DSM and ExxonMobil Chemical Company. The products of DEX Plastomers, now renamed Borealis Plastomers, are specialities, complimentary to Borealis' current innovative plastic solutions. The acquisition underpins Borealis' commitment to its Value Creation through Innovation strategy.

On 28 June, 2013 Borealis completed the acquisition of GPN SA, France's largest nitrogen fertilizer manufacturer, from

the TOTAL Group as well as TOTAL's majority interest in the mineral fertilizer manufacturer Rosier S.A. listed on NYSE Euronext Brussels. GPN SA has been renamed to Borealis Chimie S.A.S. The acquisitions of Borealis Chimie S.A.S. and Rosier S.A. are in line with Borealis' strategy to grow the fertilizer business and become a leading producer in Europe.

In October, Borealis announced the sale of its proprietary Melamine high pressure process technology and its newly developed super high pressure process technology and all related intellectual property rights to Urea Casale SA, Switzerland. The sale of the technology was made as part of Borealis' strategy to focus on the Melamine business and production, and to exit the Melamine licensing activity.

At the end of the year, on 23 December, 2013, Borealis announced, together with First Energy Bank of Bahrain, that they have formed a joint venture in Bulgaria called FEBORAN AD. On 21 December, 2013, FEBORAN purchased 20.3% of the shares of Neochim AD, a Bulgarian fertilizer producer listed on the Sofia stock exchange. The investment was made to further strengthen Borealis' leading fertilizer position in Central and Eastern Europe.

Financial performance exceeds expectations

Borealis was able to increase its Polyolefins (PO) total sales volume year-on-year despite a declining sales volume for the European industry as a whole. Borealis saw its Polyolefins volumes increase by 4% year-on-year, excluding the additional volumes from Borealis Plastomers, compared to the total European Polyolefins market which slightly declined. Fertilizer sales volumes increased significantly following the acquisitions made during the year, up 50% from 2012. While depressed, the Polyolefins margins improved in 2013 compared to 2012. The improvement was primarily due to lower volatility in the underlying feedstock market and a slightly more optimistic economic outlook. The Polyolefins business segment

therefore delivered an improved profit contribution compared to last year. In the Fertilizer business unit margins were under pressure due to excess global supply. This impacted the Fertilizer business unit's profit contribution compared to 2012.

Borealis reports a net profit of EUR 423 million in 2013 compared to EUR 480 million in 2012. The lower net profit is due to a lower contribution from Borouge which had a turnaround in the first quarter of 2013 and which incurred costs during the year relating to the initial start-up of Borouge 3. Return on capital employed (ROCE) after tax declined to 9% from 11% in 2012. The decline in ROCE reflects Borealis ongoing investments, particularly Borouge 3. Both the Polyolefins and Base Chemicals business segments saw an improved performance compared to 2012, despite the Fertilizer business unit delivering lower profits in 2013.

Despite a turnaround in the first quarter of 2013 and costs incurred in preparation for the start-up of Borouge 3, Borouge delivered another solid contribution together with associated companies. The contribution from associated companies was EUR 351 million with the Borouge 3 project on track to start-up its expanded Olefins/Polyolefins plants during 2014.

In 2013 Borealis concluded a number of strategic financing initiatives to fund its acquisition and Research and Development (R&D) activities. With the Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) Borealis concluded three acquisition financings to fund the acquisitions of Borealis Ottmarsheim, Borealis Plastomers and Borealis Chimie. With the European Investment Bank (EIB) Borealis completed an inaugural Risk Sharing Finance Facility (RSFF) with direct EIB risk taking for Borealis' R&D operating expenses in Austria, Finland and Sweden.

Borealis also successfully concluded a funding programme with TEKES of Finland for the Borstar 3G development in

Porvoo. Finally, Borealis concluded its 3rd US private placement. Borealis benefits from a well-diversified financing and maturity profile following these transactions. The company will look to maintain access to a wide range of funding options including capital markets, bank funding as well as private placement.

From people survey to actions

Following the people survey conducted in 2012, where a record 87% of employees responded, actions and initiatives have been implemented across Borealis based on the feedback. The actions were defined together with the employees and another people survey, the 6th bi-annual, is scheduled for the fall of 2014 to again provide a platform for the employees of Borealis to contribute to making Borealis a great place to work. The Corporate Cooperation Council (CCC) continued its active information sharing and discussion on key topics in its quarterly meetings in 2013. Top management and owners participate in this unique and important collaboration platform.

2014 – a year of consolidation

Management expects 2014 to be a year of consolidation for Borealis. Borouge 3 will start up which will more than double the production capacity of Borouge. The acquisitions made during 2013 will be fully integrated and there is some expectation for the market sentiment to become more positive in Europe. Against this backdrop Borealis is well positioned to improve on its performance and management is confident that Borealis will deliver another solid result in 2014. Furthermore, given its long standing strategy and conservative financial position, Borealis is well positioned to manage volatility and economic challenges. Borealis stays committed to being the leading provider of chemical and innovative plastic solutions that create value for society.

Review of results

Sales

In 2013, the European polyolefins industry experienced a further, but this time a minor decrease in the sales volumes of 1% compared to 2012. Borealis sold over 3.5 million tonnes of polyolefins in 2013 (+7% vs. 2012), mainly as a result of the acquisition of DEX Plastomers in the Netherlands. Fertilizer sales continued to grow significantly compared to 2012, and amounted to 3.2 million tonnes (2.3 million tonnes), mainly as a result of the acquisition of the French fertilizer producer Borealis Chimie S.A.S. and of Belgian fertilizer producer Rosier S.A. in 2013. Melamine sales volumes decreased by 5% to 143kt in 2013 from 151kt in 2012.

Cost development

As a result of higher volumes sold and the acquisitions, the production costs increased in absolute terms by approx. 6% versus 2012. Sales and distribution increased by 8% following the increase of sales volume, administration costs of EUR 207 million increased from EUR 181 million, mainly due to the fact that last years' cost base benefited from a release of a litigation provision after a court decision in Borealis' favour. Research and development costs amounted to EUR 109 million, where the increase compared to EUR 96 million in 2012 is attributable mainly to write-off of development costs of several projects which did not prove viable. The number of full-time equivalent employees (FTE) as per year end 2013 was 6,227, an increase of 888 compared to last year, mainly because of the acquisitions of Borealis Chimie S.A.S., Rosier S.A. and DEX Plastomers.

Operating profit

Operating profit amounted to EUR 195 million compared to EUR 158 million in 2012.

Return on capital employed

The return on capital employed after tax decreased to 9%, compared to 11% in 2012, mainly as a result of ongoing investments in future growth.

Financial income and expenses

Net financial expenses amounted to EUR 70 million, an increase from EUR 60 million in 2012, mainly as a result of interest costs due to financing of the above mentioned acquisitions.

Taxes

The provision for income taxes amounted to EUR 54 million, up from EUR 8 million in 2012. The overall tax charge in 2012 was positively impacted by a reduction of the corporate income tax rate in Sweden, whereas the impact of the corporate tax reduction in Finland in 2013 was approximately only half of the one in Sweden. In addition, not all of the tax losses incurred in 2013 were capitalised, which further contributed to higher tax charges in 2013. Borealis paid income taxes in the amount of EUR 61 million in 2013, compared with EUR 27 million in 2012.

Net profit and distribution of dividend

The net profit for the year amounted to EUR 423 million, compared to a net profit of EUR 480 million in 2012. During 2013, Borealis distributed a dividend of EUR 60 million.

Financial position

Total assets/capital employed

At the year-end, total assets and capital employed stood at EUR 7,703 and EUR 5,733 million, respectively, compared to EUR 6,957 and EUR 5,237 million at year-end 2012. The solvency ratio was 49% at year-end 2013, compared to 51% at year-end 2012. The gearing ratio increased to 45% at year-end 2013, compared to 43% in 2012, where the increase of debt was driven by capital expenditures, the acquisitions of Plastomer and Fertilizer businesses and dividends paid, which exceeded the corresponding increase in equity.

Cash flows and liquidity reserves

Cash flow from operations was EUR 482 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 1,163 million at year-end 2013, compared to EUR 1,095 million at year-end 2012.

Net interest-bearing debt increased to EUR 1,770 million at year-end, up from EUR 1,545 million at the end of 2012. The change in net interest-bearing debt is analysed in the following table.

EUR million	2013	2012
Change of net interest-bearing debt		
Cash flow provided by operating activities	482	214
Capital expenditure	-318	-346
Capital contribution to associated companies	0	-69
Repayment of capital contribution by associated companies	0	0
Acquisition of new companies (incl. net debt acquired)	-344	-94
Other (mainly relating to foreign exchange differences)	15	2
Dividend paid	-60	-110
Total decrease/increase	-225	-403

Capital expenditure

Investments in tangible fixed assets amounted to EUR 264 million in 2013, compared to EUR 312 million in 2012.

The largest portion of the total investment was related to the ongoing Licence-to-operate project in Linz, Austria, the turnaround project of Borealis Plastomers plant and the expansion project in Brazil. HSE capital expenditure

amounted to EUR 17 million (EUR 37 million in 2012). Depreciation and amortisation amounted to EUR 322 million, compared to EUR 274 million in 2012.

Shareholders' equity

The shareholders' equity at year-end 2013 was EUR 3,882 million.

EUR million	2013	2012
Equity development		
Net result attributable to the parent	422	479
Exchange and fair value adjustment (net)	-97	-28
Gross increase/decrease	325	451
Dividend paid	-60	-110
Contribution by shareholders	0	0
Net increase/decrease	265	341
Opening equity	3,617	3,276
Ending equity	3,882	3,617

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 risks 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 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 Director 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 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 Director 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 sub-committee 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.

		2013	2012	2011	2010
Safety, Health and Environment					
Total Recordable Injuries	number/million work hours	1.5	1.5	1.6	1.0
Sick leave	% of total hours worked	3.2	3.2	3.4	3.4
EU ETS CO ₂ emissions	kilotonnes	1,480	1,480	1,530	1,600
Primary energy consumption	GWh	20,300	20,300	22,500	22,300
Volatile organic compounds emissions	tonne	2,940	2,940	3,250	3,762
Waste generation	tonne	18,100	18,100	18,200	16,140
Number of employees (Full-time equivalent)		6,227	5,339	5,160	5,075
Income and profitability					
Net sales	EUR million	8,144	7,545	7,096	6,269
Operating profit	EUR million	195	158	285	349
Operating profit as percentage of net sales	%	2	2	4	6
Net profit	EUR million	423	480	507	333
Return on capital employed, net after tax	%	9	11	13	10
Cash flow and investments					
Cash flow from operating activities	EUR million	482	214	242	268
Investments in tangible assets	EUR million	264	312	242	97
Financial position					
Net interest-bearing debt	EUR million	1,770	1,545	1,142	1,058
Equity attributable to owners of the parent	EUR million	3,882	3,617	3,276	2,887
Gearing	%	45	43	35	37

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 less 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, 11 February, 2014

Management:



Mark Garrett
Chief Executive



Daniel Shook
Chief Financial Officer



Markku Korvenranta



Martijn van Koten



Herbert Willerth



Alfred Stern

Balance Sheet as at December 31, 2013

Assets

	31/12/2013, EUR	31/12/2012, TEUR
A. Fixed assets		
I. Intangible assets		
1. Licenses	4,912,644.79	5,727
II. Tangible assets		
1. Furniture and fixtures	965,189.51	794
2. Vehicles	0.00	37
3. Assets under construction	134,339.88	10
	1,099,529.39	841
III. Financial assets		
1. Investments in affiliated companies	2,042,466,676.97	1,965,193
2. Loans to affiliated companies	107,000,000.00	107,000
3. Investments in associated companies	720,800,273.92	662,017
4. Securities	943,317.90	0
	2,871,210,268.79	2,734,210
	2,877,222,442.97	2,740,778
B. Current assets		
I. Inventories		
1. Raw materials and supplies	286,955,907.76	305,361
2. Finished goods and merchandise	555,060,326.67	551,420
	842,016,234.43	856,781
II. Accounts receivable and other assets		
1. Trade accounts receivable	437,137,310.26	431,597
2. Accounts receivable from affiliated companies	1,034,395,221.78	749,522
3. Accounts receivable from associated companies	68,839,413.09	77,860
4. Other receivables and assets	150,532,740.70	191,442
	1,690,904,685.83	1,450,421
III. Cash at banks	14,235,355.98	12,055
	2,547,156,276.24	2,319,257
C. Prepaid expenses	12,291,447.22	12,912
	5,436,670,166.43	5,072,947

Shareholders' Equity and Liabilities

	31/12/2013, EUR	31/12/2012, TEUR
A. Shareholders' Equity		
I. Share capital	300,000.00	300
II. Capital reserves		
1. Appropriated	101,604,460.00	101,605
2. Unappropriated	1,539,783,410.00	1,559,783
	1,641,387,870.00	1,661,388
III. Revenue reserves		
1. Legal reserve	30,000.00	30
IV. Retained earnings	110,871,001.00	75,276
thereof profit carried forward EUR 15,276,133.90; 2012: TEUR 78,687		
	1,752,588,871.00	1,736,994
B. Provisions		
1. Provisions for pensions	7,127,461.00	8,355
2. Other provisions	146,603,252.97	159,606
	153,730,713.97	167,961
C. Liabilities		
1. Bonds	325,000,000.00	325,000
2. Bank loans and overdrafts	1,446,988,419.24	1,155,734
3. Trade accounts payable	552,518,177.00	487,308
4. Accounts payable to affiliated companies	1,169,250,206.61	1,167,562
5. Accounts payable to associated companies	24,019,899.59	18,552
6. Other liabilities	12,573,879.02	13,836
thereof taxes EUR 10,291,992.69; 2012: TEUR 1.837		
thereof social security EUR 0.00; 2012: TEUR 0		
	3,530,350,581.46	3,167,992
Total equity and liabilities	5,436,670,166.43	5,072,947
Contingent liabilities	24,470,588.24	28,235

Income Statement for the Year 2013

	2013, EUR	2012, TEUR
1. Sales	7,216,376,377.15	6,723,033
2. Increase or decrease in inventories	3,640,557.29	79,632
3. Other operating income		
a) Other income	106,650,040.90	132,141
4. Cost of materials and purchased services		
a) Cost of materials	-5,657,094,562.97	-5,753,648
b) Cost of purchased services	-1,077,595,535.78	-792,143
	-6,734,690,098.75	-6,545,791
5. Personnel expenses		
a) Salaries	-40,185,943.61	-44,839
b) Expenses for severance payments and corporate staff and self-employment fund contributions	-528,013.70	-250
c) Pension fund contributions	-924,538.22	-4,796
d) Expenses for statutory social security and payroll related taxes and contributions	-4,488,577.67	-4,470
e) Other social benefits	-5,162,500.75	-4,803
	-51,289,573.95	-59,158
6. Amortization and depreciation of intangible and tangible assets	-1,054,822.83	-1,193
7. Other operating expenses		
a) Taxes, other than those reported in line item 18	-878,993.17	-1,260
b) Other expenses	-540,456,477.30	-542,102
	-541,335,470.47	-543,362
8. Subtotal from line 1 to 7 (Operating result)	-1,702,990.66	-214,698
9. Income from investments thereof affiliated companies EUR 112,242,808.27; 2012: TEUR 206,795	164,058,938.44	206,795
10. Interest income from loans to affiliated companies thereof affiliated companies EUR 2,904,539.65; 2012: TEUR 3,410	2,904,539.65	3,410
11. Other interest and similar income thereof affiliated companies EUR 23,288,502.50; 2011: TEUR 25,271	35,069,052.79	52,965
12. Gains on disposal of investments	0.00	30
13. Expenses arising from financial assets write-down of financial assets EUR 3,713.85; 2012: TEUR 114,700	-245,513.31	-114,700
14. Interest and similar expenses thereof affiliated companies EUR 12,455,264.47; 2012: TEUR 16,908	-129,308,574.15	-158,910
15. Subtotal from line 9 to 14 (Financial result)	72,478,443.42	-10,410
16. Results on ordinary activities	70,775,452.76	-225,108

17. Extraordinary income	0.00	18,246
18. Taxes on income	4,819,414.34	23,451
19. Net income/loss for the year	75,594,867.10	-183,411
20. Release of capital reserves	20,000,000.00	180,000
21. Profit carried forward from previous years	15,276,133.90	78,687
22. Retained earnings	110,871,001.00	75,276

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 recognised as write-downs in case impairment is deemed to be sustainable. No impairments have been recognised during the financial year.

Financial assets are carried at cost. In case of sustained and material impairment lower fair value is recognised. During the financial year, the applied write-down due to impairment on securities amounted to EUR 3,713.85 (2012: impairment on investments in affiliated companies TEUR 114,700).

Raw materials and supplies are capitalised 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 recognisable 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 3.50% (2012: 3.25%) and follows the regulations of Aktuarvereinigung AVÖ 2008-P. Additionally, the earliest date possible for retirement 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 3.50% (2012: 3.25%).

At balance sheet date all risks recognisable 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 EUR (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 recognised asset or liability or unrecognised 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 recognised 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 16,461 (2012: TEUR 10,000) have not been capitalised.

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 2013 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 (2012:

TEUR 13,453). Amortisation/Depreciation is calculated on a straight-line basis over expected useful lives of three to fifteen years.

Tangible assets

Amortisation/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, United Kingdom	100.00	1	0
Borealis Agrolinz Melamine GmbH, Linz, Austria	100.00	157	38
Borealis Italia S.p.A., Monza, Italy	100.00	9	1
Borealis Polyolefine GmbH, Schwechat, Austria	99.99	202	14
Borealis Compounds Inc., Rockport, USA	100.00	61	2
Borealis Polymers OY, Porvoo, Finland	100.00	361	24
Borealis Sverige AB, Stengungsund, Sweden	100.00	336	38
Borealis Technology OY, Porvoo, Finland	100.00	115	7
Borealis France S.A.S., Suessnes, France	100.00	106	0
Poliiolefinas Borealis Espana S.A., Barcelona, Spain	100.00	2	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	57	4
Borealis Polymere GmbH, Burghausen, Germany	100.00	59	4
Borealis Plasticos SA, Mexico City, Mexico	99.99	0	0
Borealis Brasil SA, Itatiba, Brazil	80.00	41	2
Borealis Poliolefinas da América do Sul Ltda, Campinas, Brazil	99.99	0	0
Borealis Funding Company Ltd, Ramsey, Isle of Man, UK	100.00	0	0
Borealis Financial Services N.V., Mechelen, Belgium	99.99	165	9
Borealis Polymers N.V., Mechelen, Belgium	99.99	562	17
Borealis Plastomers B.V., Heerlen, Netherlands	100.00	37	-4
Finphenol OY, Povoo, Finland	100.00	0	0
Rosier S.A., Moustier, Belgium	77.47	39	0
Borealis L.A.T GmbH, Linz, Austria (formerly known as Linz Agro Trade GmbH)	100.00	54	22
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Sirketi, Istanbul, Turkey	100.00	0	0
Investments in associated companies			
Abu Dhabi Polymers Company Ltd, Abu Dhabi	40.00	1,960	318
Borouge Pte, Singapore	50.00	36	13
FEBORAN AD, Bulgaria	40.00	7	0

Loans to affiliated companies totalling EUR 107,000,000.00 (2012: TEUR 107,000) will mature with an amount of EUR 32,000,000.00 (2012: TEUR 0) within one year, with an amount of EUR 0.00 (2012: TEUR 32,000) in two years and an amount of EUR 75,000,000.00 (2012: TEUR 75,000) in more than five years.

Securities serve to fulfil coverage requirements for pension provisions and are measured at fair value at balance sheet date, which led to a write-down amounting to EUR 3,713.85.

B. Inventories

EUR thousand	2013	2012
Raw materials and supplies	286,956	305,361
Finished goods and merchandise	555,060	551,420
	842,016	856,781

C. Accounts receivable and other assets

Accounts receivable from affiliated companies totalling EUR 1,034,395,221.78 (2012: TEUR 749,522) are broken down into trade receivables of EUR 129,740,245.49 (2012: TEUR 19,034) and other receivables of EUR 904,654,976.29 (2012: TEUR 730,488). Receivables from affiliated companies with maturities of more than one year amounted to EUR 0.00 (2012: TEUR 0).

Accounts receivable from associated companies totalling EUR 68,839,413.09 (2012: TEUR 77,860) are broken down into trade receivables of EUR 68,839,413.09 (2012: TEUR 77,780) and other receivables of EUR 0.00 (2012: TEUR 80). All receivables from associated companies are due within one year, same as for 2012.

All trade accounts receivable are due within one year, same as for 2012. 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 22 May, 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 20 June, 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 6 August, 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 5 December, 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.

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, 2012 and 2013, EUR 100,000,000.00, EUR 180,000,000.00 and EUR 20,000,000.00, respectively, of capital reserves were released through profit and loss.

B. Provisions

EUR thousand	2013	2012
Other provisions		
Customer rebates and bonuses	52,915	47,293
Long-term incentive scheme	3,817	7,711
Impending losses from uncompleted transactions	202	8,474
Outstanding invoices	42,344	46,380
Employee bonuses	5,613	6,127
Commissions	1,132	1,902
Unconsumed leave	1,398	1,289
Accrued interest	18,124	18,595
Other	21,058	21,835
	146,603	159,606

Other Provisions include a provision for employee jubilee payments amounting to TEUR 804 (2012: TEUR 740).

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
2012:	0.00	200,000,000.00	125,000,000.00	325,000,000.00
Bank loans and overdrafts	126,470,700.97	689,556,288.37	630,961,429.90	1,446,988,419.24
2012:	270,022,123.04	389,493,378.29	496,218,468.45	1,155,733,969.78
Trade accounts payable	552,518,177.00	0.00	0.00	552,518,177.00
2012:	487,307,837.02	0.00	0.00	487,307,837.02
Accounts payable to affiliated companies	1,148,544,324.25	15,058,823.52	5,647,058.84	1,169,250,206.61
2012:	1,143,091,488.38	15,058,823.52	9,411,764.72	1,167,562,076.62
Accounts payable to associated companies	24,019,899.59	0.00	0.00	24,019,899.59
2012:	18,551,419.96	0.00	0.00	18,551,419.96
Other liabilities	12,573,879.02	0.00	0.00	12,573,879.02
2012:	13,836,336.12	0.00	0.00	13,836,336.12
Total	1,864,126,980.83	904,615,111.89	761,608,488.74	3,530,350,581.46
2012:	1,932,809,204.52	604,552,201.81	630,630,233.17	3,167,991,639.50
Contingent liabilities	3,764,705.88	15,058,823.52	5,647,058.84	24,470,588.24
2012:	3,764,705.88	15,058,823.52	9,411,764.72	28,235,294.12
thereof affiliated companies	3,764,705.88	15,058,823.52	5,647,058.84	24,470,588.24
2012:	3,764,705.88	15,058,823.52	9,411,764.72	28,235,294.12

Accounts payable to affiliated companies totalling EUR 1,169,250,206.61 (2012: TEUR 1,167,562) consist of financial payables of EUR 868,884,522.34 (2012: TEUR 898,475) and trade payables of EUR 300,365,684.27 (2012: TEUR 269,087).

Accounts payable to associated companies amounting to EUR 24,019,899.59 (2012: TEUR 18,552) 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 4.000%.

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)

EUR thousand	expenses for the next year	expenses for the next five years
Obligations from lease agreements	511	716
Obligations from rental agreements	2,364	7,876
	2,875	8,592

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. Therefore, Borealis AG uses interest rate swaps, forward exchange transactions, foreign exchange derivative contracts and commodity futures.

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:

	nominal value	unit	fair value		carrying value	balance sheet item
			positive	negative		
Derivatives 2013			TEUR	TEUR	TEUR	
Forward Exchange Transactions	566,219	TEUR	12,467	-2,587	-	
thereof valuation unit with hedged transaction	566,219	TEUR	12,467	-2,587	-	
Interest Rate Swaps	85,000	TEUR	-	-908	-	
thereof valuation unit with hedged transaction	85,000	TEUR	-	-908	-	
Foreign Exchange Derivative Contracts	48,714	TUSD	285	-	-	
thereof valuation unit with hedged transaction	-		-	-	-	
Commodity Futures	376	kt	6,691	-3,612	-202	Other Provisions
	5,883	GWh	8,027	-40,722	-	
thereof valuation unit with hedged transaction	293	kt	5,739	-3,410	-	
	5,883	GWh	8,027	-40,722	-	

	nominal value	unit	fair value		carrying value	balance sheet item
			positive	negative		
Derivatives 2012			TEUR	TEUR	TEUR	
Forward Exchange Transactions	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	-	
	30,000	TUSD	-	-582	-	
thereof valuation unit with hedged transaction	141,000	TEUR	-	-3,937	-	
	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
	6,299	GWh	3,995	-37,214	-	
thereof valuation unit with hedged transaction	390	kt	11,846	-8,194	-	
	6,299	GWh	3,995	-37,214	-	

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 202 (2012: TEUR 532) 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 2016 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 2016.

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 capitalised. Interest rate swaps for interest bearing loans are not capitalised 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 24,471 (2012: TEUR 28,235) 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		2013		
EUR thousand	Polyolefins	Base chemicals	Other	Total
EU countries	3,611,541	2,049,203	162,523	5,823,267
non-EU countries	781,894	28,083	0	809,977
Total Europe	4,393,435	2,077,286	162,523	6,633,244
North America	40,674	729	0	41,403
South America	52,306	0	0	52,306
Middle East (excl. UAE)	41,974	0	0	41,974
United Arab Emirates	68,747	0	55,051	123,798
Asia	219,741	17,938	0	237,679
Australia, New Zealand	3,388	0	0	3,388
Africa	82,585	0	0	82,585
Total	4,902,849	2,095,954	217,574	7,216,376

Sales by market and business areas		2012		
EUR thousand	Polyolefins	Base chemicals	Other	Total
EU countries	3,478,057	1,866,389	41,125	5,385,871
non-EU countries	713,921	56,630	874	771,425
Total Europe	4,191,978	1,923,019	41,999	6,156,996
North America	30,141	23,855	0	53,996
South America	65,443	0	0	65,443
Middle East (excl. UAE)	43,631	14,087	0	57,718
United Arab Emirates	62,204	0	18,848	81,052
Asia	206,357	4,918	0	211,275
Australia, New Zealand	6,350	0	0	6,350
Africa	90,203	0	0	90,203
Total	4,696,307	1,965,879	60,847	6,723,033

2. Personnel expenses

The average number of employees was 179 (2012: 175) as at 31 December, 2013.

Severance payments, pension fund as well as corporate staff and self-employment fund contributions are broken down as follows:

	2013, EUR	2012, TEUR
Board of Management	527,545.31	1,653
Managerial Employees	115,318.86	111
Other Employees	1,150,901.12	3,023
Total	1,793,765.29	4,787

Severance payments amounted to TEUR 27 (2012: TEUR 3,085):

	2013, EUR	2012, TEUR
Board of Management	0.00	1,129
Managerial Employees	0.00	0
Other Employees	26,819.73	1,956
Total	26,819.73	3,085

3. Other operating expenses

	2013, TEUR	2012, TEUR
Other		
Freight	273,658	270,535
Storage	13,143	13,827
Insurance	8,290	8,359
Consulting services	11,169	19,867
Charged management expenses	69,542	71,544
Commission	14,990	15,467
Rents	3,864	3,890
Travel expenses	3,080	2,532
Trainings, seminars	2,605	1,957
Royalties	96,695	97,456
Sundry	43,420	36,668
	540,456	542,102

Realised results from commodity derivatives (raw materials) amounting to TEUR 36,685 (2012: TEUR 7,561) are included in the profit and loss item "Cost of materials".

4. Audit expenses

	2013, EUR	2012, TEUR
Audits of statutory national and consolidated financial statements	275,500.00	284
Other assurance services	70,000.00	72
Other services	29,800.00	52
	375,300.00	408

5. Financial result

The financial result is broken down as follows:

	2013, TEUR	2012, TEUR
Income from investments		
Borealis Technology Oy, Finland	8,000	99,000
Borealis Sverige AB, Sweden	40,336	31,153
Borealis Agrolinz Melamine GmbH, Austria	30,000	30,000
Borealis Polymers OY, Finland	24,000	24,000
Borealis Portugal SGPS S.A., Portugal	0	16,365
Borealis Brasil S.A., Brazil	0	2,438
Borealis Polymere GmbH, Germany	4,000	2,000
Borealis France S.A.S., France	0	1,000
Borealis Italia S.p.A., Italy	612	600
Borealis Polska Sp z o.o., Poland	132	128
Borealis s.r.o., Czech Republic	163	111
Borealis L.A.T GmbH, Austria	5,000	0
Abu Dhabi Polymers Company Ltd, Abu Dhabi	51,816	0
	164,059	206,795
Interest income on loans		
Borealis Technology Oy, Finland	1,322	1,325
Borealis Polyolefine GmbH, Austria	1,583	2,085
	2,905	3,410
Income from disposal of financial investments		
IOB Holding A/S, Denmark	0	30
Other interest and similar income		
Interest and other income from interest rate swaps and foreign exchange hedges	10,348	29,222
Interest income from intercompany financing	23,288	22,272
Interest income from securitisation for forfaiting	0	580
Other	1,433	891
	35,069	52,965
Write-down of financial assets	246	114,700

	2013, TEUR	2012, TEUR
Interest and similar expenses		
Interest expense from intercompany financing	12,455	16,908
Interest expense from interest rate swaps and foreign exchange hedges	18,986	20,431
Results from foreign exchange translations	32,464	62,199
Interest from banks	53,195	46,854
Interest expense from securitization for forfaiting	3,560	3,197
Other	8,649	9,321
	129,309	158,910
Financial result	72,478	-10,410

The write-down of financial assets in 2012 related 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 1 January, 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 Borealis L.A.T 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 195,860 (2012: TEUR 210,384) have not been accrued for in 2013 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 yet been used.

Tax group members Borealis Agrolinz Melamine GmbH and Borealis L.A.T GmbH generated taxable profits during 2013 and have been charged with tax compensations payable to the tax group parent amounting to TEUR 12,828 (2012: TEUR 32,258).

7. Extraordinary Income

Extraordinary income in 2012 consisted of a gain from the cross-border merger between Borealis A/S, Denmark, and the Borealis AG dated 30 June, 2012, and amounts to TEUR 18,246. Extraordinary income is calculated as the difference between the assets added stated at fair value and the carrying value of the lost investment.

IV. Other information

Salaries of Management Board members amounted to TEUR 5,585 (2012: TEUR 5,941) along with additional payments into pension funds amounting to TEUR 528 (2012: TEUR 524). Active members of the Supervisory Board received a remuneration totalling TEUR 849 (2012: TEUR 849). 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.

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.

Management Board

Mark Garrett, Daniel Shook, Herbert Willerth, Markku Korvenranta, Alfred Stern, Martijn van Koten (since 1 November, 2013)

Supervisory Board

Khadem Abdulla Al Qubaisi (Chairman), David Charles Davies (Deputy Chairman), Mohamed A. Al-Azdi, Mohamed H. Al Mehairi, Manfred Leitner

Vienna, 11 February, 2014

Executive Board:

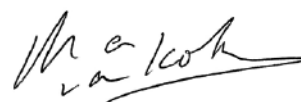
Mark Garrett
Chief Executive



Daniel Shook
Chief Financial Officer



Markku Korvenranta



Martijn van Koten



Herbert Willerth



Alfred Stern

Statement of fixed assets for the year 2013

Values in EUR	Balance as at 01 Jan., 2013	Additions	Acquisition Cost Disposals	Reclassifications	Balance as at 31 Dec., 2013	Depreciation/ Amortization accumulated	Carrying Value as at		Depreciation/ Amortization
							31 Dec., 2012	31 Dec., 2013	
Intangible assets									
Licenses	38,307,023.32	0.00	0.00	0.00	38,307,023.32	-33,394,378.53	5,726,530.47	4,912,644.79	-813,885.68
	38,307,023.32	0.00	0.00	0.00	38,307,023.32	-33,394,378.53	5,726,530.47	4,912,644.79	-813,885.68
Tangible assets									
Furniture and fixtures	3,376,585.26	394,489.71	-726,126.16	9,900.00	3,054,848.81	-2,089,659.30	793,930.88	965,189.51	-233,131.08
Vehicles	117,823.97	0.00	-117,823.97	0.00	0.00	0.00	37,593.26	0.00	-7,806.07
Assets under construction	9,900.00	134,339.88	0.00	-9,900.00	134,339.88	0.00	9,900.00	134,339.88	0.00
	3,504,309.23	528,829.59	-843,950.13	0.00	3,189,188.69	-2,089,659.30	841,424.14	1,099,529.39	-240,937.15
Financial assets									
Investments in affiliated companies	3,853,035,236.67	260,547,525.25	-183,274,104.95	0.00	3,930,308,656.97	-1,887,841,980.00	1,965,193,256.67	2,042,466,676.97	0.00
Loans to affiliated companies	107,000,000.00	0.00	0.00	0.00	107,000,000.00	0.00	107,000,000.00	107,000,000.00	0.00
Investments in associated companies	662,016,716.33	87,605,381.12	-28,821,823.53	0.00	720,800,273.92	0.00	662,016,716.33	720,800,273.92	0.00
Securities	0.00	947,031.75	0.00	0.00	947,031.75	-3,713.85	0.00	943,317.90	-3,713.85
	4,622,051,953.00	349,099,938.12	-212,095,928.48	0.00	4,759,055,962.64	-1,887,845,693.85	2,734,209,973.00	2,871,210,268.79	-3,713.85
Total fixed assets	4,663,863,285.55	349,628,767.71	-212,939,878.61	0.00	4,800,552,174.65	-1,923,329,731.68	2,740,777,927.61	2,877,222,442.97	-1,058,536.68

Report of the Auditors*

Report on the Financial Statement

We have audited the accompanying financial statements, including the accounting system, of Borealis AG, Vienna for the fiscal year from January 1, 2013 to December 31, 2013. These financial statements comprise the balance sheet as of December 31, 2013, the income statement for the fiscal year ended December 31, 2013, 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 and other legal or regulatory provisions. 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, 2013 and of its financial performance for the fiscal year from January 1, 2013 to December 31, 2013 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the 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 if the information is applicable pursuant § 243a UGB.

In our opinion, the management report is consistent with the financial statements. The information pursuant § 243a UGB is accurate.

Vienna, 11 February, 2014

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 consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements and the consolidated 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) Z 3 Vienna Stock Exchange Act

We confirm to the best of our knowledge that the Standalone financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company of the Group 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.

Vienna, 11 February, 2014

Executive Board:



Mark Garrett
Chief Executive



Daniel Shook
Chief Financial Officer



Markku Korvenranta



Martijn van Koten



Herbert Willerth



Alfred Stern

Borealis AG

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