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# Borealis AG

# Financial Report

# 2014

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Financial Statements  
Standalone



Keep Discovering

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# Milestones for the Borealis Group

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**1.** World-class safety standards maintained with a TRI (Total Recordable Injuries) frequency of 1.3

**2.** Record net profit of EUR 571 million in 2014

**3.** Borouge 3: production of commercial volumes at EU3 cracker as of July, start-up of three polyolefin plants in the second half of 2014

**4.** Contract with Antero Resources for supply of competitively-priced ethane from the US to further increase feedstock flexibility

**5.** Plant turnarounds in Burghausen, Grandpuits, Grand-Quevilly and Kallo

**6.** Acquisition of Speciality Polymers Antwerp N.V. in Zwijndrecht, Belgium

**7.** Celebration of 20 Years Borealis

**8.** European roll-out of the innovative N-Pilot® diagnostics tool

**9.** Launch of high voltage direct current (HVDC) innovation based on the Borlink™ technology platform

**10.** Investments in Itatiba, Brazil facility to help further grow presence in South America

**11.** Launch of Daplen™ portfolio of polypropylene (PP) compound solutions with post-consumer recycled content for the automotive industry

**12.** Mark Tonkens joined the Executive Board as Chief Financial Officer in November; Herbert Willerth, Deputy CEO and Executive VP Middle East & Asia, retired at end of year

# Executive Board



**Daniel Shook**

Chief Financial Officer from June 2007 – October 2014

**Herbert Willerth**

Deputy Chief Executive Officer, Executive Vice President Middle East & Asia

**Mark Garrett**

Chief Executive

**Markku Korvenranta**

Executive Vice President, Base Chemicals

**Alfred Stern**

Alfred Stern, Executive Vice President, Polyolefins and Innovation & Technology

**Martijn Arjen van Koten**

Executive Vice President Operations, PTS & HSE

**Mark Tonkens**

Mark Tonkens joined the Borealis Executive Board as Chief Financial Officer (CFO) as of 1 November 2014. In this capacity he succeeds Daniel Shook, who served as Borealis CFO for 7 years.



“It is an honour to join the Borealis Executive Board after having been a part of Borealis since 2009. I am looking forward to contributing to the continued success of the company in all its endeavours.”

**Mark Tonkens,**  
Chief Financial Officer  
as of 1 November 2014

# Strategy



## Our strategy is clear

**To be the leading provider of chemical and innovative plastics solutions that create value for society.  
We will ...**

### Continue

to drive productivity in Base Chemicals with a focus on growth in Fertilizers and strengthening the cracker asset base and business.

### Exceed

in serving our customers with a focus on quality and reliable execution.

### Explore

growth opportunities in other geographies/related businesses.

### Strengthen

our European base and ensure cost competitiveness from feedstocks to customers.

### Pursue

operational excellence, considering safety at all times.

### Achieve

a step change in innovation.

### Expand

Borouge to supply growth in the Middle East and Asia and leverage into Europe.

### Continue

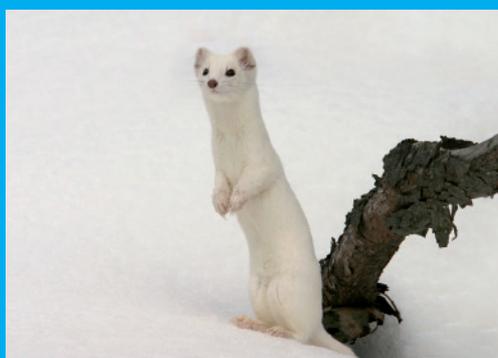
to develop our cross-cultural organisational capability and learning organisation.

## Borealis Group: outperform financially

**11%+** average return on capital employed (ROCE) after tax,

**40 – 60%** debt to equity ratio.

# 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

## The Borealis Group: 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 an intrinsic part of daily life. 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**. **New Business Development** 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, rainwater management, 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 **automotive** 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 claddings, 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

Borealis is the leading supplier of superior polyolefin plastics for advanced packaging and fibre solutions. The profound understanding of customer needs and market demands gained in over 50 years experience in the industry enables Borealis to provide a large portfolio of innovative products and services which create real value for clients and partners. Superior and proprietary Borealis technologies make advanced applications

### Innovation Centres

The beating heart of innovation at Borealis is best felt at its Innovation Headquarters (IHQ) in Linz, Austria, or at one of the three satellite Innovation Centres in Sweden, Finland and the UAE. At the IHQ Linz research facilities, newly-developed products are tested by and with international experts on so-called application machines. The main R&D focus lies on polymer design and compound research for polymer applications in the infrastructure, automotive, advanced packaging and healthcare segments.

Another research focus at IHQ Linz is the surface aesthetics of plastics. Plastic surfaces free of flow marks, so-called "tiger stripes", as well as primerless paint systems for exterior plastic applications are among the latest innovations developed for the automotive industry. The "Driving Tomorrow" initiative aims to reduce overall fuel consumption thanks to the use of lighter weight components in vehicles. In the Innovation Centre in Sweden, focus is on polymer design, scientific services and R&D in the area of energy and infrastructure industry solutions.

With catalyst scale-up facilities and fully integrated Borstar® PE and PP pilot plant lines, the Borealis Innovation Centre in Finland is the site of advanced catalyst and process research, collaborating closely with both Finnish and international universities and research institutes. The Borouge Innovation Centre in Abu Dhabi cooperates closely with its European partners to explore enhanced infrastructure, automotive and advanced packaging application solutions. What the IHQ Linz and Borouge Innovation Centres have in common is the shared pursuit of innovative solutions that provide added value for customers and end users.

possible in flexible packaging (shrink film, geomembranes, frozen food packaging) as well as in rigid packaging (caps and closures, bottles, thin wall packaging, and transport packaging).

### **New Business Development**

Borealis' impressive track record in value creation through innovation and its close cooperation with customers enables it to develop innovative products and solutions in the areas of **healthcare, plastomers, foam and HMS**. In **healthcare**, the ever-growing Borealis portfolio of polyolefins offers superior technical performance for medical devices, pharmaceuticals, and diagnostic packaging. As a global supplier, Borealis can ensure the security of supply and provide technical support tailored to the specific and stringent requirements of the market. In **plastomers**, Borealis continues to expand its wide range of attractive plastomers solutions to meet or even surpass the most demanding requirements in sealing, flexibility, compatibility and processability. Best-in-class sealing performance in multilayer advanced flexible packaging and sound-deadening panels for the automotive industry are just two recent examples of Borealis' plastomers expertise. In **foam and HMS**, Borealis' PP-based foamed products fulfil the varying and sophisticated needs of both converters and consumers in the packaging industry.

### **Base Chemicals**

**Borealis' Base Chemicals provide a solid foundation to build upon:** Borealis produces a wide range of base chemicals such as ethylene, propylene, melamine, phenol, and acetone for use in numerous and diverse industries, as well as fertilizers and technical nitrogen products. Fully committed to its Base Chemicals activities, Borealis will continue to develop this profitable area through its unique feedstock capabilities, logistics and integration strengths. The redesign of the Borealis Base Chemicals business group into separate units – Hydrocarbons & Energy, Fertilizers, and Melamine – took effect at the end of 2013.

### **Hydrocarbons & Energy**

Borealis sources basic feedstock such as naphtha, butane, propane and ethane from the international oil and gas markets and converts these into ethylene, propylene and cracker co-products through its hydrocarbon 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. A range of co-products from the steam cracking process, including aromatic pygas and C4s (butadiene and raffinate 2), are also sold to local and international markets.

Phenol, benzene and cumene as well as acetone are produced in Finland and sold mainly to the adhesive, fibre, epoxy resin and polycarbonate industries in Northern and Eastern 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, while benzene and cumene are feedstock for other chemical processes.

### **Melamine**

As the second-largest producer of high-quality melamine in Europe, Borealis produces melamine at its plants in Linz, Austria, and in Piesteritz, Germany. Gained through conversion from urea, melamine is an essential 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 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.

### **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 7.2 billion to over 9 billion by 2050, and an increasing number of people will live in densely-populated urban areas. As incomes in emerging nations rise, more meat is consumed and thus more grain to feed livestock must be produced. Biofuels 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 one of the leading fertilizer producers in 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. With 60 warehouses across Europe and an inventory capacity of over 700,000 tonnes, Borealis L.A.T promotes a broad fertilizer portfolio: nitrogen-based straight fertilizer; complex fertilizer – a combination of nitrogen (N), phosphate (P) and potassium (K); and a range of other technical nitrogen products, from ammonia and ammonium nitrates to nitric acid and urea solutions. The roll-out of the N-Pilot®, an innovative new diagnostic tool to help optimise nitrogen fertilizer application, has begun across Europe, having first been launched in France in September this year.

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# Financial Statements

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# 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 1 January 2014 to 31 December, 2014. These financial statements comprise the balance sheet as of 31 December 2014, the income statement for the fiscal year ended 31 December 2014, 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 31 December 2014 and of its financial performance for the fiscal year from 1 January 2014 to 31 December 2014 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, 12 February 2015

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.



**Mag. Erich Lehner**  
Certified Auditor



**Mag. Walter Krainz**  
Certified Auditor

\* Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

# Management Report as of 31 December 2014

## Operational Review

The global markets where Borealis AG operates in improved in 2014 compared to 2013. The first half year of 2014 was a relatively stable period in terms of market prices, however the second half year experienced a steep price fall of crude oil, which impacted the Olefin and Polyolefin prices. Despite the price fall in autumn, the average oil price in 2014 was only 10 USD/bbl below the 2013 average of 109 USD/bbl. The overall sales of Borealis products were slightly below the level of 2013.

Brent Oil prices were fluctuating in a narrow range of 103 to 112 USD/bbl in the period January to August 2014 before falling rapidly from August to December ending the year at 57 USD/bbl. The price of Naphtha, the most significant raw material for Borealis used in the production of olefins, followed the Brent oil price and decreased to an average of 836 USD/t in 2014 from an average of 903 USD/t in 2013. Average spot market prices for ethylene and propylene were at 955 EUR/t and 1,079 EUR/t, respectively.

The Polyolefin clean sales margin per tonne improved in 2014 by 26% compared to the previous year, reflecting a combination of a relatively stable price environment in the first half of 2014, improved market sentiment and a focus on premium product sales.

Borealis continues to improve both internal processes as well as key customer relationships, many of which start yielding results in the form of higher profitability.

The performance of the Hydrocarbons & Energy business continued to improve in 2014, mainly due to the increasing margins. However, the total olefin production decreased by 4% compared to 2013 following unplanned stops at some of Borealis' olefin units.

Overall, Borealis AG generated a net income amounting to EUR 200.5 million compared to a net income of EUR 75.6 million in 2013.

The operating result improved from a loss in 2013 of EUR -1.7 million to a profit of EUR 84.7 million in 2014.

The primary drivers for the improved result are the improved market prices of polyolefins and a stable performance of the Hydrocarbons & Energy business.

The financial result was further supported by dividend payments amounting to EUR 229.3 million (2013: EUR 164.1 million).

A higher amount of foreign exchange loss following the strengthening of the US dollar contributed to an increase of overall financial expenses, as expressed under the line "Interest and similar expenses" by EUR 36.6 million to EUR 165.9 million, compared to the last year's "Interest and similar expenses" of EUR 129.3 million.

In 2014, the company continued to work on strengthening its strategic position mainly from the product range perspective by acquiring (via Borealis Polymers N.V., Belgium) the remaining 67% of the shares of Speciality Polymers Antwerp N.V., Belgium, where it indirectly already held 33% of the shares. Acrylate copolymers, which are part of a broader portfolio of speciality polymers produced at Speciality Polymers Antwerp N.V., are an important building block for the company's value-added products sold into the core Energy & Infrastructure market of Borealis AG.

Speciality Polymers Antwerp N.V. delivers its products to Borealis AG under a contract manufacturing agreement.

The funding effort in 2014 was focused on securing financing for Borealis AG's Research & Development activities, as well as on refinancing of the revolving credit facility, which provides flexible liquidity headroom until 2019, with an additional extension option of 2 years.

Borealis AG benefits from its 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 AG has representations in Abu Dhabi, Moscow, Saint Petersburg and Romania.

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 14 FTEs to 193 at the end of 2014.

### Management Board

Effective 1 November 2014, the Supervisory Board of Borealis AG announced the appointment of Mark J. S. Tonkens as Chief Financial Officer (CFO) and member of the Executive Board. He succeeds Daniel J. Shook.

At the end of December 2014, the Supervisory Board of Borealis AG announced that Herbert Willerth, Borealis Deputy Chief Executive Officer and Executive Vice President, Middle East & Asia, retired. No successor will be named to the Borealis Executive Board at present, as Herbert Willerth will continue to be active as a Senior Advisor on behalf of the company.

### 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 the 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 AG.

### 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 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 2014, the projects focused both on further developments of existing technologies, as well as targeted solutions for customer needs. The innovation activity was more intensively integrated with the business processes, both hierarchically as well as content-wise, to support the Differentiated Business Model clustering and priorities setting. The Innovation Centre in Abu Dhabi continues to perform well and developed a strong pipeline of joint projects in 2014.

### Outlook for 2015

The management of Borealis AG expects growth in Europe to continue at a modest pace, not exceeding 1.8%, in 2015. A substantially lower price environment, a worsening geopolitical situation as well as the uncertainty associated with electoral results is expected to reduce the growth prospects.

With this background, it is expected that the integrated PO margin in Europe will deteriorate somewhat compared to 2014.

### 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 31 December 2014, prepared in accordance with IFRS and accepted by the EU.)

## Worldclass safety performance

Borealis' world-class safety performance improved further in 2014. The number of Total Recordable Injuries (TRI) decreased to 1.3, an improvement over the 1.5 achieved in both 2013 and 2012. A TRI frequency of 1.3 is amongst the lowest frequencies in Borealis' history. The improved result in 2014 came on the back of several focused initiatives in key areas of employee and contractor safety. These initiatives ensure that employees and contractors remain engaged on a daily basis to keep safety as the number one priority at all times. Borealis' commitment to safety aims for an accident-free work environment, and the company will continuously work towards this goal.

## Improved market conditions

The markets saw a modest improvement in 2014 compared to 2013, with the second half of the year presenting significant challenges, but also some opportunities due to rapidly falling feedstock prices. The Brent Crude oil price traded within a relatively narrow band in the first half of the year before peaking in June. In the second half of the year, the Brent Crude oil price fell by nearly 50%, causing feedstock prices to follow the downward trend. Despite the volatility in the second half of 2014, the average Brent Crude oil price for 2014 was only 10 USD/bbl lower, at 99 USD/bbl, compared to an average of 109 USD/bbl in 2013. Feedstock prices followed the oil price and decreased significantly in the second half of the year, but supply constraints in Europe have softened the fall in feedstock prices. The olefin and polyolefin clean industry margins improved in comparison to 2013 partially as a result of the falling price environment. In the Fertilizer business, margins have remained fairly stable throughout the year, supported by low natural gas prices which have resulted in higher margins compared to 2013.

## 2014 – a year of consolidation and transition

The year 2014 was one of consolidation. Having made several major acquisitions in 2012 and 2013, the focus in 2014 was on consolidating these acquisitions into the Borealis Group. This included implementing Borealis' governance, management, systems, and tools to ensure full compliance with the Borealis' standard of operations.

In addition, further streamlining of the operations was concluded with Borealis Chimie's divestments of the Le Havre urea production plant and related ammonia storage facility at Gonfreville l'Orcher, France, and the divestment of its Biosuper business, also located in France.

Borouge reached a major milestone in June 2014 with the start-up of a new ethane cracker, part of the Borouge 3 expansion project. This was followed by the start-up of two polyethylene (PE) plants and one polypropylene (PP) plant before the end of the year. The remaining PP, low density polyethylene (LDPE) and crosslinked polyethylene (XLPE) plants will start up in succession in 2015, concluding the Borouge 3 project. With Borouge 3 fully operational, the production capacity of Borouge is more than doubled and ensures Borouge and Borealis' transition to a major global polyolefins group.

## Securing the future, positioned to grow

In August, Borealis announced the signing of a ten-year agreement with US-listed Antero Resources to supply, on an annual basis, 240,000 tonnes of ethane from the United States for its flexible steam cracker in Stenungsund, Sweden, starting in Q4 2016. To enable the additional light feed cracking, Borealis will invest EUR 120 million at its Stenungsund location. The investment includes a cracker upgrade and a purpose-built, fully refrigerated ethane tank. A related long-term shipping agreement was signed with Navigator Holdings. This US-listed company will build a new 35,000 cbm, state-of-the-art ethane vessel to ensure cost effective, safe and reliable transport of ethane to Stenungsund. This investment will ensure the continued competitiveness of the Stenungsund location through increased feedstock flexibility.

At the end of 2014, Borealis announced that a EUR 45 million investment project in its Itatiba production facilities located near Sao Paulo had been successfully completed. The investment entailed an additional production building, state-of-the-art PP compounding extruders, blending and raw material silos, warehouse facilities, and a bagging line. The investment will allow Borealis to better capitalise on long-term growth opportunities in Brazil and the South American market by transferring production to the newly upgraded and expanded Itatiba location from its second plant in Triunfo, which is scheduled to be closed.

## Solidifying its leadership position in Energy & Infrastructure

On 1 September, Borealis announced that it had completed the acquisition of DuPont Holding Netherland B.V.'s shares of Speciality Polymers Antwerp N.V., located in Zwijndrecht, Belgium. Prior to Borealis acquiring DuPont's shares, Speciality Polymers Antwerp N.V. had been a common shareholding between DuPont Holding Netherlands B.V. (67%), Borealis Polymers N.V. and Borealis Kallo N.V. (together 33%). The acquisition is in line with Borealis' strategy to grow its Polyolefins business, and in particular acrylate copolymers, which is an important building block the Borealis' value-added products sold into the core Energy & Infrastructure market.

## Keep Discovering – Borealis celebrates 20 years

In March, Borealis celebrated its twentieth anniversary. Borealis has changed considerably over the years, developing from its early Nordic roots as a European plastic manufacturer to the global provider of chemical and plastics solutions it is today. Over the past 20 years, Borealis has built a solid foundation consisting of its three profit centres Polyolefins, Base Chemicals, and Borouge. In conjunction with this anniversary, Borealis introduced the tagline "Keep Discovering" to emphasise the company's entrepreneurial vision of nurturing and capturing opportunities wherever they may arise.

## Record financial performance

Borealis was able to increase its Polyolefins margins in 2014, despite a lower total sales volume year-on-year. Borealis saw its Polyolefins volumes decrease by 2% year-on-year, compared to the total European polyolefins market, which increased slightly, by 1%. The volume drop was triggered mainly by supply constraints due to turnarounds as well as a focus on optimising sales of high-margin products. Fertilizer sales volumes increased significantly following the acquisitions made in 2013, with volumes up by 40% in 2014.

The polyolefins industry is currently experiencing a structural change in Western Europe that will not result in a typical recovery from the current economic downturn, thus leading to a prolongation of relatively low margins. Despite this subdued environment, Polyolefins margins improved in 2014 compared

to 2013. The improvement was primarily due to lower volatility in the underlying feedstock market in the first half of the year as well as higher margins in the second half due to increased competitiveness of European polyolefin producers in the falling price environment. The Polyolefins business segment therefore delivered a significantly improved profit contribution compared to last year. In the Fertilizer business, the European fertilizer market and margins were better than anticipated in 2014. The low natural gas price in particular contributed favourably to the Fertilizer result, but the ammonia price and nitrate premium were also at healthy levels throughout the year. While the Fertilizer business achieved a significantly improved result over 2014, the performance was below expectations due to some disappointing plant performances, reliability and an extended turnaround.

Borealis reported a record net profit of EUR 571 million in 2014 compared to EUR 423 million in 2013. The previous record for the company dates back to 2007, when a profit of EUR 533 million (including a one-off divestment of EUR 112 million) was achieved. The improved net profit is due to a higher contribution from Borouge following the start-up of Borouge 3 in June 2014 and the overall improved performance of Borealis in Europe. Return on capital employed (ROCE) after tax increased to 10% from 9% in 2013. The increase in ROCE reflects the improved business performance, while the ongoing investments, particularly Borouge 3, will bring further upside to the ROCE in the years to come. All Borealis business segments saw an improved performance compared to 2013.

With the start-up of the Borouge 3 cracker in June and subsequent external sales of ethylene, Borouge delivered an improved contribution to Borealis' result for 2014 together with other associated companies. The contribution from associated companies reached EUR 408 million, an increase of EUR 57 million over 2013.

In 2014, Borealis' funding activities were focused on securing financing for Research and Development (R&D) activities as well as refinancing the EUR one billion Syndicated Revolving Credit Facility, thus providing flexible liquidity headroom. Borealis benefits from a well-diversified financing portfolio and a balanced maturity profile. The company will look to maintain access to a wide range of funding options, including capital markets and bank funding as well as private placements. The EUR one billion Syndicated Revolving Credit Facility was refinanced in September. The new facility replaces the existing

2012 financing and extends the maturity to 2019, with an additional extension option of up to two years. In October, Borealis received a EUR 75 million term loan from the KfW IPEX-Bank for polymers R&D. The KfW IPEX-Bank loan will run in parallel with the EUR 150 million European Investment Bank (EIB) financing package.

### **Finnish tax re-assessment to be appealed**

At the end of December 2014, Borealis received a re-assessment decision from the Finnish tax authorities for its Finnish subsidiary, Borealis Technology Oy, in regard to the year 2008. The authorities are requesting Borealis to pay an additional EUR 281.7 million in total, an amount comprising taxes, late payment interest and penalties. Borealis believes the re-assessment to be unjustified and will appeal by filing a claim for adjustment with the Finnish tax authorities' Board of Adjustment.

### **Commitment to R&D**

Borealis' commitment to innovation is firm. With three state-of-the-art Innovation Centres located in Linz, Porvoo and Stenungsund, Borealis has over 500 employees in the R&D organisation supporting innovations for all business groups. Innovation projects are conducted in close collaboration with key customers as well as with the Borouge Innovation Centre in Abu Dhabi.

In August 2014, the true step-change high voltage direct current (HVDC) innovation based on the Borlink™ technology platform was announced. Developed in partnership with Borealis' customer ABB, this major HVDC innovation will support the further integration of renewable energies into the grid and the establishment of more interconnections among countries in major infrastructure projects around the world. The new grade, Borlink LS4258DCE, has successfully completed tests up to 525 kV, a step change from the 325 kV-400 kV currently on offer in the market.

Borealis L.A.T launched the N-Pilot®, an innovative new diagnostic tool to help optimise the application of nitrogen fertilizer. A hand-held device used in the field, Borealis L.A.T's N-Pilot® allows farmers to identify the current nitrogen requirements of crops quickly and conveniently. It provides specific analyses and recommendations that are used to fine-tune the fertilizer application during the growing season. The N-Pilot® will help farmers apply the right amount of nitrogen at the right time to optimise yield quantity and quality, improving profitability whilst at the same time minimising environmental impact.

### **Improving energy effectiveness**

Borealis is committed to reducing its environmental footprint by lowering CO<sub>2</sub> emissions and increasing energy efficiency, both of which are key deliverables on the road towards sustainability excellence. Borealis has announced a number of investments to help achieve these goals. In Finland, Borealis is intending to participate in a joint project for the construction of an energy-efficient power generation unit. The new unit will replace infrastructure dating back to 1971 and thus nearing the end of its operating life. The joint project, which would be co-owned by Neste Oil (40%), Veolia (40%) and Borealis (20%), involves the implementation of a modernisation programme between 2015 and 2017. The result will be new power-generating facilities comprising three steam boilers which are in compliance with the most current environmental regulations, including the European Commission's Industrial Emissions Directive (IED). Another investment in Finland is the replacement of an ageing hot oil heater at Borealis' phenol complex in Porvoo. The investment project is scheduled to be completed in 2015 at a cost of EUR 25 million and is a key step in improving efficiency and site integration. The new unit will reduce maintenance requirements and CO<sub>2</sub> emissions whilst securing safe, continuous, reliable and cost-competitive operations.

In December, Borealis received special recognition from the Austrian climate protection initiative "klimaaktiv" which honours outstanding examples of energy efficiency in the Austrian industry. Amongst the 25 nominees, Borealis Linz was recognised for its submission related to optimisation of CO<sub>2</sub> washing in ammonia production which resulted in a 13.3 GWh reduction in annual energy consumption. The energy savings realised are equivalent to the consumption of over 1,000 households.

### **People Survey 2014**

The eleventh People Survey was concluded in October. With a total of 5,178 employees responding, the 82% response rate is an excellent result, lower than the record of 87% achieved in 2012 yet in line with the projected response rate target given the increased number of staff as a result of the acquisitions since the previous People Survey. Following the completion of the survey, management and employees are identifying actions for key focus areas for improvement. These actions will be closely monitored until the next People Survey, scheduled for the fall of 2016, and will help make Borealis an even better place to work. The Corporate Cooperation Council

(CCC) continued its active information sharing and discussion on key topics at its quarterly meetings in 2014. Top management and owners participate in this unique and important collaboration platform.

## 2015 – the year of resilience

The past few years have presented challenging market conditions. Despite this uncertainty, Borealis has seen its performance improve, with a record net profit realised in 2014. This is testimony to the ability of the three profit centres of the company Polyolefins, Base Chemicals, and Borouge, to provide the resilience needed to remain profitable in uncertain times. The consolidations completed in 2014 make the company even more robust for the future. In 2015, Borealis stands ready to harvest the benefits from these 2014 consolidations as well as the expanded output from Borouge 3 once it becomes fully operational. While a solid profit is expected to be realised in 2015, falling market prices will result in a lower profitability compared to 2014. On the other hand, the lower oil price environment increases the competitiveness of European polyolefins producers and can lead to a higher rate of demand recovery in Europe.

Borealis is well positioned for the future thanks to the steps taken in 2014 and the committed investments made to increase feedstock flexibility and thus further strengthen its core businesses. Combined with the start-up of Borouge 3, these investments will keep Borealis competitive and resilient in the long run, delivering solid results. Borealis stays committed to being the leading provider of chemical and innovative plastic solutions that create value for society.

## Review of results

### Sales

The European polyolefins industry saw a slight increase in total sales volumes of 1% in 2014, compared to a 1% decrease in 2013. Borealis sold over 3.4 million tonnes of polyolefins in 2014 (-2% vs. 2013), the decrease compared to 2013 was mainly due to supply constraints following turnarounds as well as a focus to optimise high margin products. Fertilizer sales reached 4.6 million tonnes (3.2 million tonnes), a significant increase from 2013 as 2014 was the first full year of ownership of the French fertilizer producer Borealis Chimie S.A.S. and of Belgian fertilizer producer Rosier S.A. Melamine sales volumes decreased by 6% to 134 kt in 2014 from 143 kt in 2013.

### Cost development

Despite a higher sales volume and full year consideration of the companies acquired in the course of 2013 (Borealis Chimie S.A.S., Rosier S.A. and Borealis Plastomers B.V.), the production costs were unchanged compared to 2013 due to the falling prices seen in the second half of the year. Sales and distribution costs increased by 12% following the increase of sales volume, administration costs of EUR 231 million increased from EUR 207 million in 2013, mainly due to the full year cost base of above mentioned companies acquired in the course of 2013. Research and development costs amounted to EUR 129 million, where the increase compared to EUR 109 million in 2013 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 2014 was 6,290, an increase of 63 compared to last year, mainly due to the acquisitions of Speciality Polymers Antwerp N.V.

### Operating profit

Operating profit amounted to EUR 280 million compared to EUR 195 million in 2013. Both the Polyolefins and the Base Chemicals business segments had improved results in 2014.

### Return on capital employed

The return on capital employed after tax increased to 10%, compared to 9% in 2013, mainly as a result of the improved business performance.

### Financial income and expenses

Net financial expenses amounted to EUR 71 million, an increase from EUR 70 million in 2013, mainly as a result of higher interest costs incurred due to an average higher net debt in 2014 to finance working capital needs during the year.

### Taxes

Income taxes amounted to EUR 47 million, a decrease from EUR 54 million in 2013. The overall tax charge in 2014 was positively impacted by an improved profitability of previously loss making companies, where the tax losses incurred in 2013 were not capitalised, hence leading to a higher effective tax charge in 2013. The overall amount of such non-capitalised tax losses decreased substantially in 2014. Borealis paid income taxes in the amount of EUR 57 million in 2014, compared to EUR 61 million in 2013.

### Net profit and distribution of dividend

The net profit for the year amounted to EUR 571 million, compared to a net profit of EUR 423 million in 2013. During 2014, Borealis distributed a dividend of EUR 70 million.

## Financial position

### Total assets/capital employed

At the year-end, total assets and capital employed stood at EUR 8,353 and EUR 6,372 million, respectively, compared to EUR 7,712 and EUR 5,733 million at year-end 2013.

The solvency ratio was 53% at year-end 2014, compared to 49% at year-end 2013. The gearing ratio decreased to 40% at year-end 2014, compared to 45% at year-end 2013, as there was only a minor increase in debt significantly below the increase in equity.

### Cash flows and liquidity reserves

Cash flow from operations was EUR 428 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 1,208 million at year-end 2014, compared to EUR 1,163 million at year-end 2013.

Net interest-bearing debt increased to EUR 1,798 million at year-end, up from EUR 1,770 million at the end of 2013. The change in net interest-bearing debt is analysed in the following table.

EUR million	2014	2013
<b>Change of net interest-bearing debt</b>		
Cash flow provided by operating activities	428	482
Capital expenditure	-417	-318
Capital contribution to associated companies	-59	-52
Dividends/repayment of capital contribution by associated companies	130	52
Acquisition of new companies (incl. net debt acquired)	-3	-344
Other (mainly relating to foreign exchange differences)	-37	15
Dividend paid	-70	-60
<b>Total decrease/increase</b>	<b>-28</b>	<b>-225</b>

### Capital expenditure

Investments in tangible fixed assets amounted to EUR 370 million in 2014, compared to EUR 264 million in 2013. The largest portion of the total investment was related to the turnaround projects of Borealis Chimie, Burghausen and Kallo, the light feed modification to the cracker in Stenungsund and the upgrade of the Porvoo PE2 plant to Borstar 3G. HSE

capital expenditure amounted to EUR 20 million (EUR 17 million in 2013). Depreciation and amortisation amounted to EUR 361 million, compared to EUR 322 million in 2013.

### Shareholders' equity

The shareholders' equity at year-end 2014 was EUR 4,511 million.

EUR million	2014	2013
<b>Equity development</b>		
Net result attributable to the parent	570	422
Exchange and fair value adjustments (net)	129	-97
Gross increase/decrease	699	325
Dividend paid	-70	-60
Contribution by shareholders	0	0
Net increase/decrease	629	265
Opening equity	3,882	3,617
<b>Ending equity</b>	<b>4,511</b>	<b>3,882</b>

## **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 management is described in detail in note 16 of the consolidated financial statement. 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.

**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.

		2014	2013	2012	2011
<b>Health, Safety and Environment (HSE) <sup>1)</sup></b>					
Total Recordable Injuries	number/million work hours	1.3	1.5	1.5	1.6
Sick leave	% of total hours worked	3.1	3.5	3.2	3.4
EU ETS CO <sub>2</sub> emissions	kilotonnes	4,250	2,480	1,480	1,530
Primary energy consumption	GWh	31,400	22,100	21,700	20,200
Volatile organic compounds emissions	tonne	3,250	3,660	2,940	3,250
Waste generation	tonne	44,600	19,000	17,900	18,200
Number of employees (Full-time equivalent)		6,290	6,227	5,339	5,160
<b>Income and profitability</b>					
Net sales	EUR million	8,330	8,106	7,545	7,096
Operating profit	EUR million	280	195	158	285
Operating profit as percentage of net sales	%	3	2	2	4
Net profit	EUR million	571	423	480	507
Return on capital employed, net after tax	%	10	9	11	13
<b>Cash flow and investments</b>					
Cash flow from operating activities	EUR million	428	482	214	242
Investments in tangible assets	EUR million	370	264	312	242
<b>Financial position</b>					
Net interest-bearing debt	EUR million	1,798	1,770	1,545	1,142
Equity attributable to owners of the parent	EUR million	4,511	3,882	3,617	3,276
Gearing	%	40	45	43	35

1) As of 2014 newly acquired companies are included and a more harmonised group-wide approach was applied for reporting of HSE data.

<b>Definitions</b>	
<b>Capital employed</b>	= Total assets less non-interest-bearing debt
<b>Return on capital employed</b>	= 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
<b>Solvency ratio</b>	= Total equity less goodwill divided by total assets
<b>Gearing</b>	= Interest-bearing debt, including subordinated loans, less cash and cash equivalents divided by total equity
<b>Energy</b>	= Electrical, steam and fuels
<b>Waste</b>	= Non-hazardous and hazardous

Vienna, 12 February 2015

**Executive Board:**



**Mark Garrett**  
Chief Executive



**Mark Tonkens**  
Chief Financial Officer



**Markku Korvenranta**



**Martijn Arjen van Koten**



**Alfred Stern**

## Balance Sheet as of 31 December 2014

### Assets

	31.12.2014, EUR	31.12.2013, TEUR
<b>A. Fixed assets</b>		
I. Intangible assets		
1. Licenses	15,329,612.57	4,913
II. Tangible assets		
1. Furniture and fixtures	1,492,724.41	965
2. Construction in progress	103,000.00	134
	1,595,724.41	1,099
III. Financial assets		
1. Investments in affiliated companies	2,041,332,837.21	2,042,467
2. Loans to affiliated companies	75,000,000.00	107,000
3. Investments in associated companies	671,949,671.47	720,800
4. Securities	1,062,193.75	943
	2,789,344,702.43	2,871,210
	<b>2,806,270,039.41</b>	<b>2,877,222</b>
<b>B. Current assets</b>		
I. Inventories		
1. Raw materials and supplies	305,652,237.88	286,956
2. Finished goods and merchandise	514,358,268.37	555,060
	820,010,506.25	842,016
II. Receivables and other assets		
1. Trade receivables	330,452,339.33	437,137
2. Receivables from affiliated companies	1,041,275,747.97	1,034,395
3. Receivables from associated companies	81,071,156.92	68,840
4. Other receivables and other assets	187,989,435.64	150,533
	1,640,788,679.86	1,690,905
III. Cash and cash equivalents	18,317,306.92	14,235
	<b>2,479,116,493.03</b>	<b>2,547,156</b>
<b>C. Prepaid Expenses</b>	<b>20,539,460.40</b>	<b>12,292</b>
<b>Total assets</b>	<b>5,305,925,992.84</b>	<b>5,436,670</b>

## Shareholders' Equity and Liabilities

	31.12.2014, EUR	31.12.2013, TEUR
<b>A. Shareholders' Equity</b>		
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	1,539,783
	1,641,387,870.00	1,641,388
III. Revenue reserves		
1. Legal reserve	30,000.00	30
IV. Retained earnings	241,355,561.22	110,871
thereof profit carried forward EUR 40,871,001.00; 2013: TEUR 15,276		
	<b>1,883,073,431.22</b>	<b>1,752,589</b>
<b>B. Investment grants to fixed assets</b>	<b>565,000.00</b>	<b>0</b>
<b>C. Provisions</b>		
1. Provisions for pensions	8,553,465.00	7,128
2. Other provisions	119,443,965.55	146,603
	<b>127,997,430.55</b>	<b>153,731</b>
<b>D. Liabilities</b>		
1. Bonds	325,000,000.00	325,000
2. Bank loans and overdrafts	1,484,146,315.57	1,446,988
3. Trade payables	397,806,284.76	552,518
4. Payables to affiliated companies	1,034,382,110.79	1,169,250
5. Payables to associated companies	16,573,159.69	24,020
6. Other liabilities	36,382,260.26	12,574
thereof taxes: EUR 5,580,930.83; 2013: TEUR 10,292		
thereof social security: EUR 0.00; 2013: TEUR 0		
	<b>3,294,290,131.07</b>	<b>3,530,350</b>
<b>Total equity and liabilities</b>	<b>5,305,925,992.84</b>	<b>5,436,670</b>
Contingent liabilities	20,705,882.36	24,471

## Income Statement for the Year 2014

	2014, EUR	2013, TEUR
1. Sales	7,072,023,230.37	7,216,376
2. Increase or decrease in inventories	-40,702,058.30	3,641
3. Other operating income		
a) Other income	79,990,007.22	106,650
4. Cost of materials and purchased services		
a) Cost of materials	-5,415,962,200.29	-5,657,095
b) Cost of purchased services	-1,052,048,572.95	-1,077,595
	-6,468,010,773.24	-6,734,690
5. Personnel expenses		
a) Salaries	-46,010,627.01	-40,186
b) Expenses for severance payments and corporate staff and self-employment fund contributions	-547,088.11	-528
c) Pension fund contributions	-4,652,875.55	-925
d) Expenses for statutory social security and payroll related taxes and contributions	-4,783,286.82	-4,489
e) Other social benefits	-4,496,180.40	-5,162
	-60,490,057.89	-51,290
6. Amortization and depreciation of intangible and tangible assets	-6,034,184.29	-1,055
7. Other operating expenses		
a) Taxes, other than those reported in line item 17	-1,409,133.81	-879
b) Other expenses	-490,625,698.74	-540,456
	-492,034,832.55	-541,335
<b>8. Subtotal from line 1 to 7 (Operating result)</b>	<b>84,741,331.32</b>	<b>-1,703</b>
9. Income from investments hereof affiliated companies EUR 207,494,335.37; 2013: TEUR 112,243	229,349,074.21	164,059
10. Interest income from loans to affiliated companies hereof affiliated companies EUR 2,654,840.53; 2013: TEUR 2,905	2,654,840.53	2,905
11. Other interest and similar income hereof affiliated companies EUR 20,878,181.83; 2013: TEUR 23,289	33,605,316.07	35,069
12. Gains on reversal of write-down to financial assets	3,713.85	0
13. Expenses arising from financial assets Write-down of financial assets EUR 800,000.00; 2013: TEUR 4	-800,000.00	-246
14. Interest and similar expenses thereof affiliated companies EUR 7,453,699.81; 2013: TEUR 12,455	-165,887,111.53	-129,309
<b>15. Subtotal from line 9 to 14 (Financial result)</b>	<b>98,925,833.13</b>	<b>72,478</b>
<b>16. Results on ordinary activities</b>	<b>183,667,164.45</b>	<b>70,775</b>

17. Taxes on income	16,817,395.77	4,820
<b>18. Net income for the year</b>	<b>200,484,560.22</b>	<b>75,595</b>
19. Release of capital reserves	0.00	20,000
20. Profit carried forward from previous years	40,871,001.00	15,276
<b>21. Retained earnings</b>	<b>241,355,561.22</b>	<b>110,871</b>

## 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.

Financial assets are carried at cost. In case of sustained and material impairment a lower fair value is recognised. Fair value is calculated applying the discounted cash-flow model using the weighted average cost of capital of the company at the time of calculation.

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, or 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 2.00% (2013: 3.50%) 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 2.00% (2013: 3.50%).

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 or the exchange rate prevailing on balance sheet date, whereas liabilities denominated in foreign currencies are valued at the higher rate of origin or the exchange rate prevailing at balance sheet date.

Derivative financial assets are reported at the lower of acquisition cost or the 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 require 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 their 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 4,669 (2013: TEUR 4,115) have not been capitalised.

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

A new toll manufacturing contract was signed with Borealis Plastomers B.V., Netherlands, starting business on 1 January 2014.

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 the property of Borealis AG, with end products being marketed by Borealis AG itself and toll manufacturers being remunerated at market rates for their services.

## II. Notes to the balance sheet

### Assets

#### A. Fixed assets

Movement of fixed assets in 2014 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 25,531,740.18 (2013: TEUR 13,453).

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

During the financial year the impairment charges of intangible assets amounted to EUR 3,816,697.49 (2013: TEUR 0).

#### 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
<b>Investments in affiliated companies</b>			
Borealis UK Ltd, Manchester, United Kingdom	100.00	1	0
Borealis Agrolinz Melamine GmbH, Linz, Austria	100.00	165	43
Borealis Italia S.p.A., Monza, Italy	100.00	9	1
Borealis Polyolefine GmbH, Schwechat, Austria	99.99	210	13
Borealis Compounds Inc., Rockport, USA	100.00	71	3
Borealis Polymers Oy, Porvoo, Finland	100.00	348	19
Borealis Sverige AB, Stengungsund, Sweden	100.00	323	122
Borealis Technology Oy, Porvoo, Finland	100.00	117	1
Borealis France S.A.S., Suessnes, France	100.00	126	21
Poliiolefinas 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	58	1
Borealis Polymere GmbH, Burghausen, Germany	100.00	65	11
Borealis Plasticos SA, Mexico City, Mexico	99.99	0	0
Borealis Brasil SA, Itatiba, Brazil	80.00	42	1
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	171	6
Borealis Polymers N.V., Mechelen, Belgium	99.99	563	8
Borealis Plastomers B.V.Heerlen, Netherlands	100.00	-12	-50
Finphenol Oy, Povoo, Finland	100.00	0	0
Rosier S.A., Moustier, Belgium	77.47	39	2
Borealis L.A.T GmbH, Linz, Austria	100.00	62	38
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Sirketi, Istanbul, Turkey	100.00	0	0
Borealis Chile SpA, Santiago, Chile	100.00	0	0
<b>Investments in associated companies</b>			
Abu Dhabi Polymers Company Ltd, Abu Dhabi	40.00	2,587	404
Borouge Pte, Singapore	50.00	44	2
FEBORAN AD, Bulgaria	40.00	7	0

**Loans to affiliated companies** totalling EUR 75,000,000.00 (2013: TEUR 107,000) will mature with an amount of EUR 0.00 (2013: TEUR 32,000) within one year and an amount of EUR 75,000,000.00 (2013: TEUR 75,000) in more than five years.

**Securities** serve to fulfil coverage requirements for pension provisions. During 2014 write-downs amounting to EUR 3,713.85 from previous years were reversed in full up to acquisition cost (2013: write-down of securities amounting to 3,713.85).

## B. Inventories

EUR thousand	2014	2013
Raw materials and supplies	305,652	286,956
Finished goods and merchandise	514,358	555,060
<b>Total</b>	<b>820,010</b>	<b>842,016</b>

## C. Receivables and other assets

Receivables from affiliated companies totalling EUR 1,041,275,747.97 (2013: TEUR 1,034,395) are broken down into trade receivables of EUR 84,902,555.45 (2013: TEUR 129,740) and other receivables of EUR 956,373,192.52 (2013: TEUR 904,655). Receivables from affiliated companies with maturities of more than one year amounted to EUR 0.00 (2013: TEUR 0).

Receivables from associated companies totalling EUR 81,071,156.92 (2013: TEUR 68,840) are broken down into trade receivables of EUR 81,071,156.92 (2013: TEUR 68,840) and other receivables of EUR 0.00 (2013: TEUR 0). All receivables from associated companies are due within one year, same as for 2013.

All trade receivables are due within one year, same as for 2013.

Other receivables and other assets comprise CO<sub>2</sub> emission allowances amounting to EUR 26,370,540.31 (2013: TEUR 0) and are valued at acquisition cost.

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. Investment grants to fixed assets

The special item for investment grants to fixed assets comprises subsidies granted to the company in connection with investments in office equipment and furniture amounting to EUR 565,000.00 at 31 December 2014 (2013: TEUR 0). The allocation of EUR 600,000.00 took place in June 2014. The grant is recognised on a straight-line basis over a ten-year term starting with 2014. The release of this grant amounted to EUR 35,000.00 (2013: TEUR 0).

### C. Provisions

EUR thousand	2014	2013
Customer rebates and bonuses	48,743	52,915
Long-term incentive scheme	3,411	3,817
Impending losses from uncompleted transactions	5,307	202
Outstanding invoices	20,129	42,344
Employee bonuses	6,497	5,613
Commissions	941	1,132
Unconsumed leave	2,027	1,398
Accrued interest	18,529	18,124
Other	13,860	21,058
<b>Total</b>	<b>119,444</b>	<b>146,603</b>

Other provisions include a provision for employee jubilee payments amounting to TEUR 918 (2013: TEUR 804).



Accounts payable to affiliated companies totalling EUR 1,034,382,110.79 (2013: TEUR 1,169,250) consist of financial payables of EUR 803,260,604.87 (2013: TEUR 868,885) and trade payables of EUR 231,121,505.92 (2013: TEUR 300,366).

Accounts payable to associated companies amounting to EUR 16,573,159.69 (2013: TEUR 24,020) 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.

#### E. 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	507	1,083
Obligations from rental agreements	4,061	13,409
<b>Total</b>	<b>4,568</b>	<b>14,492</b>

#### F. 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 forecasted 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. Forecasted 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		Fair Value		Carrying Value	Balance Sheet Item
			positive	negative		
Derivatives 2014		unit	TEUR	TEUR	TEUR	
<b>Forward Exchange Transactions</b>	441,375	TUSD	-	-28,251	-	
	1,810,000	TSEK				
thereof valuation unit	441,375	TUSD	-	-28,251	-	
with hedged transaction	1,810,000	TSEK				
<b>Interest Rate Swaps</b>	105,000	TEUR	-	-1,770	-	
thereof valuation unit						
with hedged transaction	105,000	TEUR	-	-1,770	-	
<b>Foreign Exchange Derivative Contracts</b>	48,714	TUSD	-	-1,958	-1,958	Other Provisions
thereof valuation unit						
with hedged transaction	-	-	-	-	-	
<b>Commodity Futures</b>	1,547	kt	118,161	-124,109	-3,349	Other Provisions
	7,037	GWh	3,930	-31,579	-	
thereof valuation unit	1,273	kt	118,144	-120,760	-	
with hedged transaction	7,037	GWh	3,930	-31,579	-	

	Nominal Value		Fair Value		Carrying Value	Balance Sheet Item
			positive	negative		
Derivatives 2013		unit	TEUR	TEUR	TEUR	
<b>Forward Exchange Transactions</b>	513,140	TUSD	12,467	-2,587	-	
	1,710,000	TSEK				
thereof valuation unit	513,140	TUSD	12,467	-2,587	-	
with hedged transaction	1,710,000	TSEK				
<b>Interest Rate Swaps</b>	85,000	TEUR	-	-908	-	
thereof valuation unit						
with hedged transaction	85,000	TEUR	-	-908	-	
<b>Foreign Exchange Derivative Contracts</b>	48,714	TUSD	285	-	-	
thereof valuation unit						
with hedged transaction	-	-	-	-	-	
<b>Commodity Futures</b>	376	kt	6,691	-3,612	-202	Other Provisions
	5,883	GWh	8,027	-40,722	-	
thereof valuation unit	293	kt	5,739	-3,410	-	
with hedged transaction	5,883	GWh	8,027	-40,722	-	

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 5,307 (2013: TEUR 202) at balance sheet date.

Forward exchange transactions mature at an average of 12 months, where all contracts existing as of 31.12.2014 mature latest by the end of the year 2015. At balance sheet date Borealis AG had outstanding interest rate derivatives with maturities until 2022 as well as a foreign exchange derivative contract maturing in the year 2016. At balance sheet date Borealis AG has commodity futures transactions for hedging the price of raw materials maturing at an average of five months and for hedging the price of energy and gas maturing at an average of 18 months. Commodity futures mature up to the year 2017.

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 the profit and loss items as other operating expenses and other operating income, respectively. Equally, results from derivative instruments related to financing or financial investments are generally disclosed in the 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.

#### **G. Contingent Liabilities**

Borealis AG assumed guarantees amounting to TEUR 20,706 (2013: TEUR 24,471) 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		2014		
EUR thousand	Polyolefins	Base Chemicals	Other	Total
EU countries	3,598,170	1,930,258	101,907	5,630,336
non-EU countries	698,484	31,427	298	730,209
<b>Total Europe</b>	<b>4,296,654</b>	<b>1,961,685</b>	<b>102,205</b>	<b>6,360,544</b>
North America	43,263	19,107	0	62,370
South America	70,390	0	0	70,390
Middle East (excl. UAE)	64,976	0	45,363	110,339
United Arab Emirates	91,331	0	0	91,331
Asia	226,107	60,508	0	286,615
Australia, New Zealand	5,368	0	0	5,368
Africa	85,026	40	0	85,066
<b>Total</b>	<b>4,883,116</b>	<b>2,041,340</b>	<b>147,568</b>	<b>7,072,023</b>

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
<b>Total Europe</b>	<b>4,393,435</b>	<b>2,077,286</b>	<b>162,523</b>	<b>6,633,244</b>
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
<b>Total</b>	<b>4,902,849</b>	<b>2,095,953</b>	<b>217,574</b>	<b>7,216,376</b>

## 2. Personnel expenses

The average number of employees was 193 (2013: 179) as of 31 December 2014.

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

	2014, EUR	2013, TEUR
Board of Management	843,192.80	528
Managerial Employees	679,562.34	115
Other Employees	684,296.44	1,151
<b>Total</b>	<b>2,207,051.58</b>	<b>1,794</b>

Severance payments amounted to TEUR 0 (2013: TEUR 27):

	2014, EUR	2013, TEUR
Board of Management	0.00	0
Managerial Employees	0.00	0
Other Employees	0.00	27
<b>Total</b>	<b>0.00</b>	<b>27</b>

## 3. Other operating expenses

	2014, TEUR	2013, TEUR
<b>Other</b>		
Freight	277,228	273,658
Storage	15,336	13,143
Insurance	8,394	8,290
Consulting services	11,700	11,169
Charged management expenses	73,359	69,542
Commission	17,250	14,990
Rents	3,071	3,864
Travel expenses	2,450	3,080
Trainings, seminars	1,461	2,605
Royalties	42,164	96,695
Sundry	38,213	43,420
<b>Total</b>	<b>490,626</b>	<b>540,456</b>

Realised results from commodity derivatives (raw materials) amounting to TEUR 23,907 (2013: TEUR 36,685) are included in the profit and loss item "Cost of materials".

#### 4. Audit expenses

	2014, EUR	2013, TEUR
Audits of statutory national and consolidated financial statements	247,680.00	275
Other assurance services	60,750.00	70
Other services	12,500.00	30
<b>Total</b>	<b>320,930.00</b>	<b>375</b>

#### 5. Financial result

Financial result is broken down as follows:

	2014, TEUR	2013, TEUR
<b>Income from investments</b>		
Borealis Technology Oy, Finland	0	8,000
Borealis Sverige AB, Sweden	121,707	40,336
Borealis Agrolinz Melamine GmbH, Austria	30,000	30,000
Borealis Polymers OY, Finland	22,000	24,000
Borealis Polymere GmbH, Germany	2,000	4,000
Borealis Italia S.p.A., Italy	424	612
Borealis Polska Sp z o.o., Poland	218	132
Borealis s.r.o., Czech Republic	145	163
Borealis L.A.T GmbH, Austria	30,000	5,000
Abu Dhabi Polymers Company Ltd, Abu Dhabi	21,855	51,816
Poliiolefinas Borealis Espana S.A., Spain	1,000	0
	229,349	164,059
<b>Interest income on loans</b>		
Borealis Technology Oy, Finland	1,199	1,322
Borealis Polyolefine GmbH, Austria	1,456	1,583
	2,655	2,905
<b>Other interest and similar income</b>		
Interest and other income from interest rate swaps and foreign exchange hedges	10,439	10,348
Interest income from intercompany financing	20,878	23,288
Other	2,288	1,433
	33,605	35,069
<b>Gains on reversal of write-down to financial assets</b>	4	0
<b>Write-down of financial assets</b>	800	246

	2014, TEUR	2013, TEUR
<b>Interest and similar expenses</b>		
Interest expense from intercompany financing	7,454	12,455
Interest expense from interest rate swaps and foreign exchange hedges	10,731	18,986
Results from foreign exchange translations	72,983	32,464
Interest from banks	59,627	53,195
Interest expense from securitization for forfaiting	5,818	3,560
Other	9,274	8,649
	165,887	129,309
<b>Financial result</b>	<b>98,926</b>	<b>72,478</b>

The write-down of financial assets in 2014 was related to the partial write-down for the affiliated company Poliolefinas Borealis Espana S.A., Spain, 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 the 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 176,253 (2013: TEUR 195,860) have not been accrued for in 2014 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 2014 and have been charged with tax compensations payable to the tax group parent amounting to TEUR 21,488 (2013: TEUR 12,828).

## IV. Other information

Salaries of Management Board members amounted to TEUR 7,065 (2013: TEUR 5,585) along with additional payments into pension funds amounting to TEUR 735 (2013: TEUR 528). Active members of the Supervisory Board received a remuneration totalling TEUR 856 (2013: 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.

### **Executive Board**

Mark Garrett, Mark Tonkens (since 1 November 2014), Daniel James Shook (until 31 October 2014), Herbert Willerth (until 31 December 2014), Markku Korvenranta, Alfred Stern, Martijn Arjen van Koten

### **Supervisory Board**

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

Vienna, 12 February 2015

#### **Executive Board:**



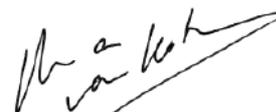
**Mark Garrett**  
Chief Executive



**Mark Tonkens**  
Chief Financial Officer



**Markku Korvenranta**



**Martijn Arjen van Koten**



**Alfred Stern**

## Statement of fixed assets for the year 2014

EUR	Acquisition Cost					Reversal of Depreciation/ Amortisation	Depreciation/ Amortisation Accumulated	Carrying Value		Depreciation/ Amortisation
	Balance as of 1 January 2014	Additions	Disposals	Reclassifications	Balance as of 31 December 2014			as of 31 December 2013	as of 31 December 2014	
<b>Intangible assets</b>										
Licenses	38,307,023.32	16,078,467.33	0.00	0.00	54,385,490.65	0.00	-39,055,878.08	4,912,644.79	15,329,612.57	-5,661,499.55
	<b>38,307,023.32</b>	<b>16,078,467.33</b>	<b>0.00</b>	<b>0.00</b>	<b>54,385,490.65</b>	<b>0.00</b>	<b>-39,055,878.08</b>	<b>4,912,644.79</b>	<b>15,329,612.57</b>	<b>-5,661,499.55</b>
<b>Tangible assets</b>										
Office equipment and furniture	3,054,848.81	765,879.76	0.00	134,339.88	3,955,068.45	0.00	-2,462,344.04	965,189.51	1,492,724.41	-372,684.74
Construction in process	134,339.88	103,000.00	0.00	-134,339.88	103,000.00	0.00	0.00	134,339.88	103,000.00	0.00
	<b>3,189,188.69</b>	<b>868,879.76</b>	<b>0.00</b>	<b>0.00</b>	<b>4,058,068.45</b>	<b>0.00</b>	<b>-2,462,344.04</b>	<b>1,099,529.39</b>	<b>1,595,724.41</b>	<b>-372,684.74</b>
<b>Financial assets</b>										
Investments in affiliated companies	3,930,308,656.97	89,756.24	-423,596.00	0.00	3,929,974,817.21	0.00	-1,888,641,980.00	2,042,466,676.97	2,041,332,837.21	-800,000.00
Loans to affiliated companies	107,000,000.00	0.00	-32,000,000.00	0.00	75,000,000.00	0.00	0.00	107,000,000.00	75,000,000.00	0.00
Investments in associated companies	720,800,273.92	59,736,286.15	-108,586,888.60	0.00	671,949,671.47	0.00	0.00	720,800,273.92	671,949,671.47	0.00
Securities	947,031.75	115,162.00	0.00	0.00	1,062,193.75	3,713.85	-3,713.85	943,317.90	1,062,193.75	0.00
	<b>4,759,055,962.64</b>	<b>59,941,204.39</b>	<b>-141,010,484.60</b>	<b>0.00</b>	<b>4,677,986,682.43</b>	<b>3,713.85</b>	<b>-1,888,645,693.85</b>	<b>2,871,210,268.79</b>	<b>2,789,344,702.43</b>	<b>-800,000.00</b>
<b>Total fixed assets</b>	<b>4,800,552,174.65</b>	<b>76,888,551.48</b>	<b>-141,010,484.60</b>	<b>0.00</b>	<b>4,736,430,241.53</b>	<b>3,713.85</b>	<b>-1,930,163,915.97</b>	<b>2,877,222,442.97</b>	<b>2,806,270,039.41</b>	<b>-6,834,184.29</b>

## 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, 12 February 2015

### Executive Board:



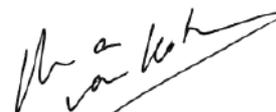
**Mark Garrett**  
Chief Executive



**Mark Tonkens**  
Chief Financial Officer



**Markku Korvenranta**



**Martijn Arjen van Koten**



**Alfred Stern**

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