Borealis ANNUAL REPORT 2012

About us

OUR STRATEGY IS CLEAR

Grow

our business in Infrastructure, Automotive and Advanced Packaging

Strengthen

our European base, ensuring cost competitiveness from feedstocks to customers

Expand

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

Drive

productivity in Base Chemicals with a focus on growth in Fertilizer and strengthening the cracker asset base and business

Pursue

operational excellence, considering safety at all times

Achieve

a step change in innovation

Exceed

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

Develop

a cross-cultural organisational capability and learning organisation

Outperform financially …

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

40–60% debt to equity ratio

OUR EXECUTIVE BOARD

Herbert Willerth
Deputy Chief Executive; Executive Vice President, Operations, Middle East and Asia

Markku Korvenranta
Executive Vice President, Base Chemicals

Mark Garrett
Chief Executive

Alfred Stern
Executive Vice President, Polyolefins

Daniel Shook
Chief Financial Officer

MILESTONES

1. Delivery of strong results in 2012 despite a volatile market environment. The Fertilizer business, a part of the Base Chemicals business segment, and the joint venture Borouge contributed significantly to Borealis' positive results for the year

2. Acquisition of the French fertilizer producer PEC-Rhin, now Borealis Ottmarsheim, in a move to further strengthen its Base Chemical business segment

3. Borouge 2 plant expansion project in Abu Dhabi is now fully on stream, increasing the plant's total manufacturing capacity of polyolefins to 2 million tonnes

4. Borouge 3 expansion project is on schedule, with the annual production capacity of the integrated olefins/polyolefins site set to rise from 2 million tonnes today to 4.5 million tonnes by mid-2014

5. Mechanical completion of the semi-commercial catalyst plant in Linz, Austria

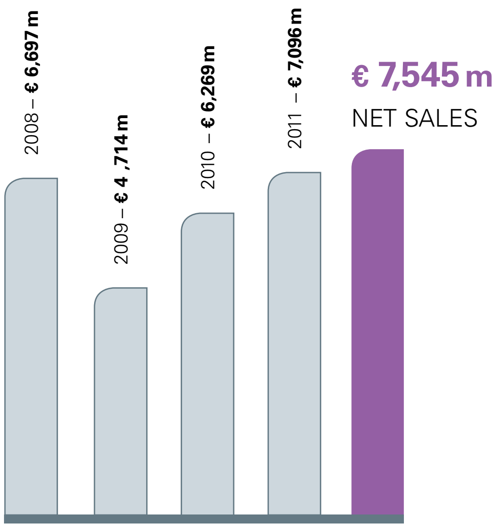
6. One of Borealis' leading scientists, Peter Denifl received the prestigious Giulio Natta award

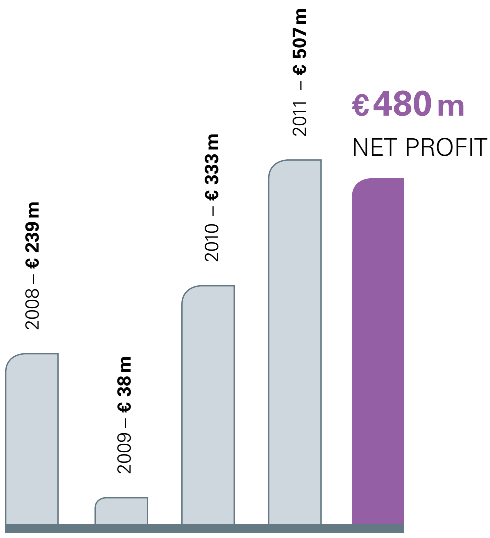
7. Celebrating 5 Years of Water for the World™ reaching over 300.000 people through local projects to improve access to water and sanitation

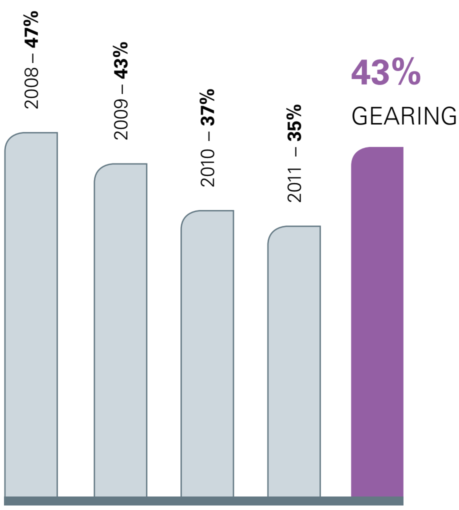
8. Record year of strategic financing activities: Within a total financing volume of more than EUR 1.8 billion, Borealis successfully refinanced its syndicated revolving credit facility, placed its second corporate bond, completed another U.S. private placement and a German Schuldschein dual currency transaction

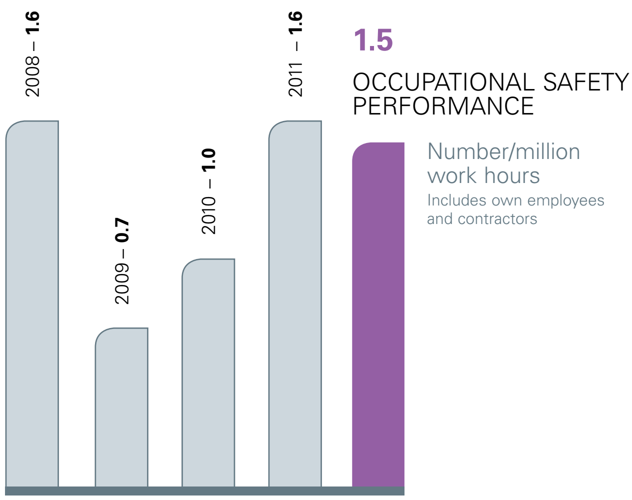
9. Introduction of Borlink™, a wire and cable industry-wide platform cross-linking the technology, products and expertise to connect networks and grids as well as people and their access to energy

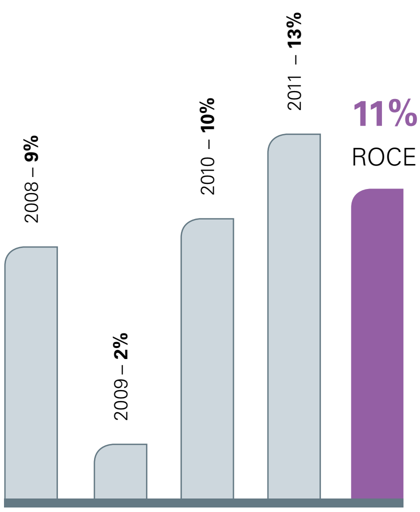
2012 AT A GLANCE











OUR VALUES

RESPONSIBLE

We are leaders in Health, Safety and the Environment

We are good neighbours wherever we operate

We do business according to high ethical standards

RESPECT

We involve people and communicate in a straightforward way

We work together – helping and developing each other

We are 'One Company' – building on diversity

EXCEED

Our customers' and owners' success is our business

We win through commitment and innovation

We deliver what we promise – and a little bit more

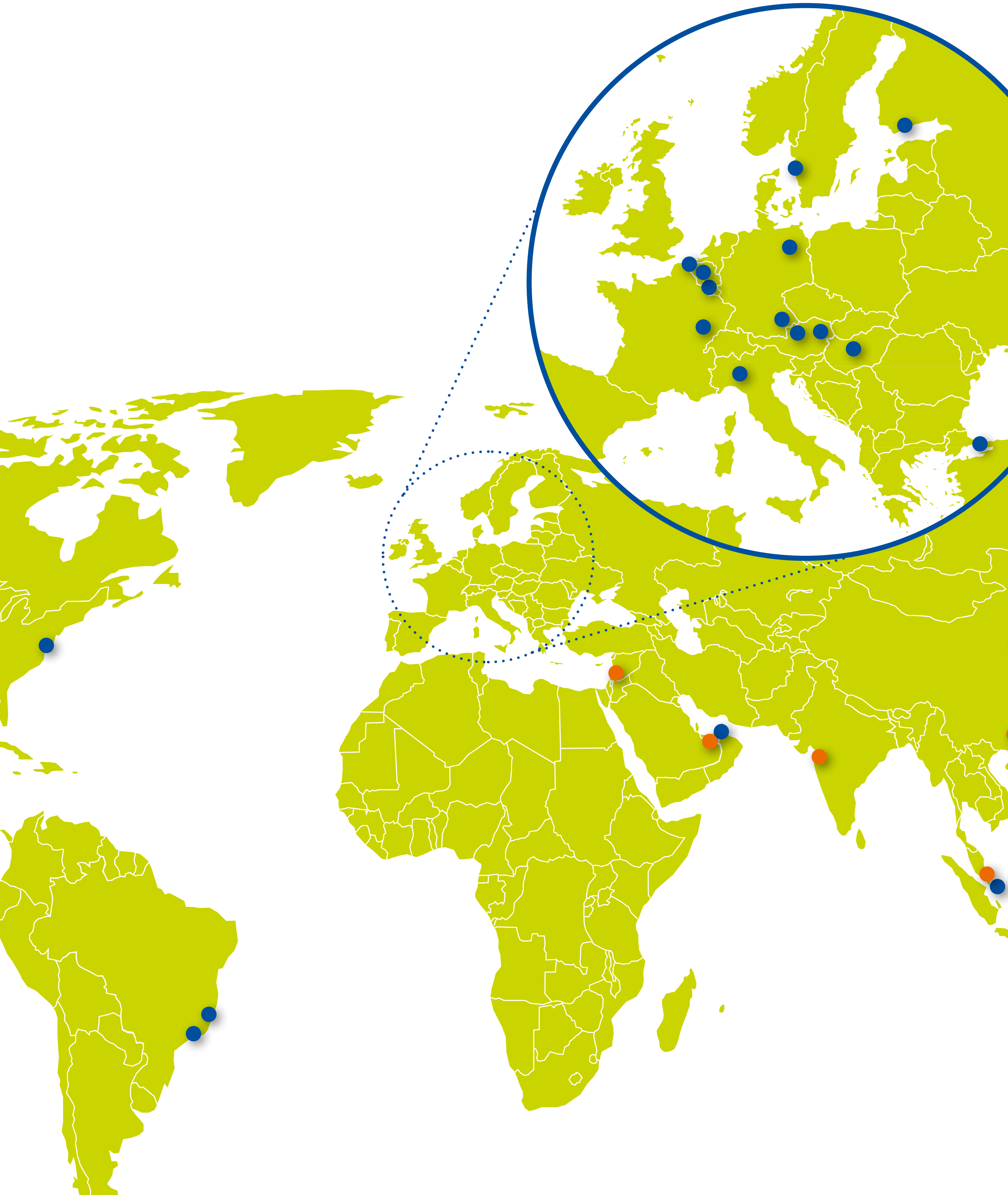
NIMBLICITY™

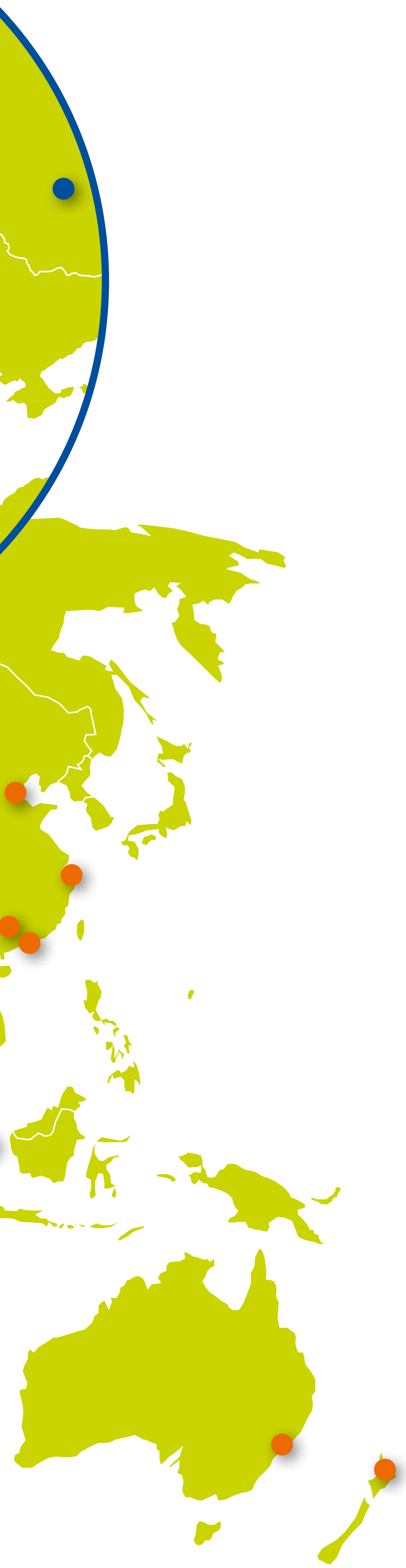
We are fit, fast and flexible

We create and capture opportunities

We seek the smart and simple solutions

OUR WORLD





Borealis Locations

Customer Service Centres/ Representative Offices
Abu Dhabi (UAE), Austria, Belgium, Finland, Hungary, Italy, Russia, Singapore, Turkey, United States

Production Plants
Austria, Belgium, Brazil, France, Finland, Germany, Italy, Sweden, United States

Innovation Centres
Austria, Finland, Sweden

Head Office
Austria

Borouge Locations

Sales Offices/Representative Offices
Abu Dhabi (UAE), Australia, China, India, Lebanon, New Zealand, Singapore

Production Plants
Ruwais, Abu Dhabi (UAE), China

Logistics Hubs
Abu Dhabi (UAE), China, Singapore

Head Offices
Abu Dhabi (UAE), Singapore

STATEMENT OF THE SUPERVISORY BOARD

Despite continued high volatility in the global economic environment and challenging industry conditions, Borealis delivered a strong result in 2012. The first half of the year saw improvements in all segments, however, the second half of the year saw a deterioration, particularly in the Polyolefins business segment. Borealis benefitted from its strategy of developing the Base Chemicals business segment and the Borouge joint venture. Both businesses contributed significantly to the overall results.

Investments and acquisitions for growth

In 2012 Borealis continued to invest for the future through organic growth and acquisitions. At the beginning of the year, Borealis completed the acquisition of the French fertilizer producer PEC-Rhin, now Borealis Ottmarsheim, in a move to further strengthen its Base Chemical business segment. The construction of the semi-commercial polyolefin catalyst plant in Linz, Austria, was completed in August 2012. The plant was started up successfully and a first batch of Borealis' Ziegler Natta polypropylene catalyst, based on its proprietary Sirius emulsion technology, was produced in December. In November, Borealis reached an agreement to acquire Dutch based DEXPlastomers from Royal DSM and ExxonMobil Chemical Company. The products of DEXPlastomers are specialties that fully complement Borealis' current innovative plastic solutions. Together with the Borouge 3 expansion project, these investments will support future growth and Borealis' mission to be the leading provider of chemical and innovative plastic solutions that create value for society.

Safety and Corporate Social responsibility top the agenda

Borealis' safety performance remained world class in 2012, with the leading indicator improving from last year. Given Borealis' commitment to be a world leader in this field the company will continue to work for an accident free working environment. Borealis' commitment to Corporate Social Responsibility remains strong and management believes in its long-term impact on the company's success. Borealis is committed to the Water for the World programme which aims to secure access to safe water and adequate sanitation around the world. The Borealis Social fund is dedicated to the support of social projects in Europe, Asia and the Middle East, and through the fund a number of significant donations were made during the year.

Khadem Al Qubaisi
Chairman

David C. Davies
Vice Chairman

Strong financial performance despite challenging market conditions

The 2012 financial result was impacted by the uncertainty facing the global economy. Despite this, Borealis reported a strong financial result, with the strategic strengthening of the Base Chemicals segment over the past years helping to improve results significantly. The Polyolefins segment contributed positively (but at a lower rate than in 2011) to the overall result of Borealis despite challenging market conditions, which resulted in lower industry margins in the second half of the year. Borouge continued its strong performance following the completion of the Borouge 2 expansion project. The contribution to the Borealis result increased significantly from last year.

Positioned to grow

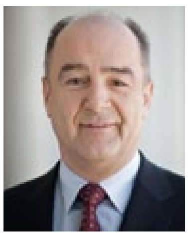
The Borouge 3 expansion project in Abu Dhabi, UAE, is progressing according to plan. The expansion is on track to increase the annual production capacity of Borouge's integrated olefins/polyolefins site from the current 2 million tonnes to 4.5 million tonnes by mid-2014. In November Borealis reached an agreement to acquire DEXPlastomers, a 50/50 joint venture owned by Royal DSM and ExxonMobil Chemical Company. Borealis continues to look for suitable acquisitions and investments to further strengthen the company and position itself for growth.

Committed to be the leading provider of chemical and plastic solutions

Borealis' management and its employees are committed to be the leading provider of chemical and plastic solutions that create value for society. The success of Borealis will remain based on the four pillars of innovation, operational and commercial excellence, and safety. The Supervisory Board and Borealis' management expects the global economic challenges to continue in 2013, but is confident that Borealis will again be able to deliver solid results.

Mohammed A. Al-Azdi
Board Member

Mohamed H. Al Mehairi
Board Member



Manfred Leitner
Board Member

“I am very proud of the way we are developing.”

Mark Garrett, **Chief Executive**

When innovation is at the heart of everything we do

Borealis' long-term strategy once again proved effective in a volatile market environment. Borealis continues to invest its expertise to further develop new approaches to the market, new technologies and new applications.

Borealis performed very well in 2012, but within the good consolidated results there has also been some differences among individual businesses. How would you describe the overall performance?
Based on the foundation of our strong and committed owners, IPIC and OMV, we have been able to establish a long-term, solid and reliable approach to dealing with a volatile industry and market. In 2012, two of our three profit centres did well, whilst one struggled. Our Base Chemicals, and in particular Fertilizer, business as well as our joint venture Borouge contributed significantly to our positive result, whilst the European Polyolefins business continued to be challenging. There is no doubt that in general we did a good job in 2012, but we had to deal with a very volatile environment. We were selling into a rising price environment with satisfying results in the first quarter, but the market changed in the second quarter, bringing weaker results. European markets faced political and economic challenges as governments struggled to find solutions to the crisis; this meant demand for polyolefins was not as strong as we would have liked it to be.

GOOD RESULTS AND LEADERSHIP

"The acquisition of PEC-Rhin was a real highlight and exceeded our expectations."

As you just mentioned, good results and leadership in some of the core businesses contributed greatly to the overall performance of Borealis. What are your company highlights in 2012?
Base Chemicals made a tremendous contributions to our company this year. The performance of the Fertilizer business in particular, with the acquisition of PEC-Rhin, was a real highlight and exceeded our expectations. The deal showcased our agility and skill in identifying and exploiting the right opportunities at the right time. The integration was conducted extremely professionally, with the business contributing positively to group profits from the beginning – exceeding our original forecasts for the first year by a significant margin. This example highlights the way the face of the company has changed.

Six years ago, we were a European Polyolefin business with a small joint venture in Abu Dhabi. The Borouge 2 expansion had not even been approved. Now we have a growing business within Base Chemicals in Fertilizer next to our European Polyolefin business and in addition we have the Borouge 1 and Borouge 2 plants with two million tonnes of capacity, which we will more than double with Borouge 3 coming on stream in 2014. I am very proud of the way we are developing. This strategy gives us the necessary robustness to deal with the ongoing volatility – the 'new normal' in our business.

Safety performance was still an issue in 2012, even though the company's safety record remains world-class. What is the current status of Borealis' safety programme?
Borealis' safety performance, by any measure, is world-class. However, that does not make it good enough for us. We always have to set tough targets to continue to improve. Although 2012 in total was basically stable compared with the performance of 2011, we clearly improved the results in the specific areas we identified last year. We understand the connection between safety and good business, which is why we initiated and improved a number of measures that have led to better business performance. Since we cannot influence the past and the present, we will keep exploring new ways to improve our performance in the future. That's the key – taking a holistic approach to the matter rather than simply responding to individual incidents.

From your point of view, what role does innovation play in helping Borealis maintain its leading position?
At Borealis, we understand that innovation is at the heart of everything we do. Therefore we continue to

> "Based on the foundation of our strong and committed owners, IPIC and OMV, we have been able to establish a long-term, solid and reliable approach to dealing with a volatile industry and market."

invest not only in new materials and production sites but also in highly skilled people and unconventional thinkers – in the creation of new solutions. This is what makes us a leading innovator. Unlike many of our competitors, we prefer to measure success through patent filings and our innovation premium in the market rather than just sales volume. This shows us the overall value we create with our innovative products.

How can Borealis and its products bring value to the community and contribute to addressing global challenges?
I truly believe plastics are part of the solution, not part of the problem. Plastics suffer from a worse reputation than they deserve. If society wants to transport high voltage electricity, they need our insulating material. If society wants reliable, safe distribution of drinking water, then plastic pipes are the best solution. If society wants to reduce CO_2 output from all motorised transport, then lightweight polyolefins are the answer. If society wants to feed itself and reduce waste from the farm to the household, then our advanced packaging materials and our fertilizers are part of the solution. We need to continue to get the word out to the community that our products are highly valuable to society. In addition, as a company we aim to reduce our carbon and water footprints in our production sites and we actively interact with our local communities so they can better understand what we do.

Regarding the topic of Corporate Social Responsibility (CSR), what role do you see for the Water for the World™ programme?
Water for the World™ links our beliefs, values and business capabilities with our desire to make a difference in the lives of people in need. Providing access to fresh water and decent sanitation is one of the most challenging tasks facing the world today, and we are fully committed to helping change things for the better. That's why we contribute a portion of our net profit to our social goals, including Water for the World as our flagship CSR programme. Through Water for the World, we have managed to bring access to fresh water to approximately 300,000 people who did not have it before or had lost it due to a natural disaster.

What are the overall strengths of Borealis that will ensure success in the years to come?
Fortunately, we have Borouge as well as the Fertilizer business within Base Chemicals that remain steady. Their relative success buys us the time to re-evaluate our Polyolefin strategy, to take a new, long look at this segment of our business and tackle all the difficult decisions we have to make. We have changed the management, set up a new strategy and redesigned the organisation. The European economy was in recession in 2012, and although overall demand in our industry may improve slightly in 2013, I don't expect dramatic improvement in the results for Polyolefins. If we were only dependent on European Polyolefins, we might have reason for concern; but by having the three pillars of Polyolefins, Base Chemicals and Borouge, we are able to take our time, ensuring we make well-considered and future-oriented decisions.

To conclude, what would you say are the goals in 2013?
2013 will really be a year of setting ourselves up for future success. There are three things we need to focus on: we must set ourselves up to reach our full potential in European Polyolefins, grow Fertilizer and Base Chemicals and ensure that Borouge 3 comes online. I know that Borouge 3 is an enormous challenge, but if we succeed in bringing it online on time and on budget, and with the same success we saw with Borouge 2, it will determine whether or not we achieve a significant upswing in profits for the period 2014-16. We support the drive to even better performance with our ground breaking 'Winning through Excellence' programme.

OUR BUSINESS is strong and growing

As a leading provider of innovative chemicals and plastic solutions, Borealis looks back at more than 50 years of experience. But with tomorrow in focus, the two business groups Polyolefins and Base Chemicals will continue to excel in quality and reliability whilst offering products that enhance society in general and address global challenges in particular.

POLYOLEFINS

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

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

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

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

BOREALIS AND BOROUGE

Driving change and leading the way – Borealis and Borouge, its joint venture with the Abu Dhabi National Oil Company (ADNOC), make life more comfortable in many ways, from everyday products to next-generation technological advancements.

OUR BUSINESS

CUTTING-EDGE TECHNOLOGIES: BORSTAR® AND BORLINK™

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

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

BASE CHEMICALS

Feedstocks and olefins

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

Phenol and aromatics

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

Fertilizer and melamine

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

“Challenges and opportunities go hand in hand.”

Daniel Shook, **Chief Financial Officer**

When encountering a challenge means finding a new opportunity

Challenges and opportunities go hand in hand. Borealis' portfolio supports profitability and sustainability through periods of market difficulty. It allows Borealis to mitigate risks and weather cyclical downturns which, in turn, provides the company with opportunities others may not have.

From a company perspective, what are your highlights in 2012?
In 2012, like the previous year, we achieved net profits of close to EUR 500 million. The ramp-up of the Borouge 2 project was a clear highlight in this regard. The Borouge organisation, with support from both Borealis and ADNOC, has been remarkable and represents an excellent example of cross-functional cooperation – from construction and operation of plants, to innovation, to joint marketing and sales activities. When looking at Europe, Base Chemicals had a very good year, highlighted by the acquisition of fertilizer producer PEC-Rhin, now Borealis Ottmarsheim. This has proven to be an excellent financial contributor in its first year and further strengthens Borealis' overall position within the fertilizer market through the addition of a second production location. These solid results help offset the lower performance within our European Polyolefins business, where the market environment has been very challenging, particularly in the second half of the year.

LOOKING AHEAD

"For me, maintaining our leading position is what is most important and what the team and I really look forward to supporting."

As always, however, our value approach to the market means we can better weather these tough economic periods, which we see through a consistently higher capacity utilisation compared with the competition, as well as our premium margin position.

What were your personal highlights in 2012?
I am very pleased with the success we have had in advancing our specific Finance and Information Technology (IT) agendas in 2012. A number of new IT tools were launched in the year, and we had a record year in terms of funding activity. We also advanced our people development processes in both areas, which means we now better link our development activities with the critical skills and competences for success. This all ties in very well with Borealis' broader 'Winning through Excellence' continuos improvement programme, which really took shape and started driving results in 2012. The fact-based projects are showing concrete deliverables. On the behavioural side, we are starting to see the organisation exhibit an even greater passion to Connect, Learn and Implement. I am a big believer in 'Winning through Excellence', as our ability to succeed in the long run will be a function of how well the organisation continues to embed the spirit of Connect, Learn and Implement.

You mentioned a record year for funding – what were the most successful funding activities in 2012?
2012 was an extremely successful year with regard to our funding programme. Most notably, we refinanced and renewed our core bank facility that we use to provide short and medium-term liquidity. We maintained the facility at EUR 1 billion and, through some changes in banks, have further strengthened our pool of relationships. We also executed a number of individual debt instruments during the year to further extend our maturity profile. We tapped the Austrian bond and the U.S. and German private placement markets successfully for the second time. This terming out of our debt, combined with an overall conservative gearing position, ensures that we can continue with our overall business strategy,

“The challenge for 2013 remains the same, namely how to optimise our businesses to get the maximum out of our existing investments.”

knowing that our liquidity position is sound. Overall, I can say it was a very full year for the treasury team and I very much appreciate the effort that was made there to deliver such a successful outcome.

Looking ahead – what do you think are the main challenges and opportunities in the coming year?
It is clear that challenges and opportunities go hand in hand. Borealis has a strong foundation within all of our markets given our reputation, our value-driven solutions and the diversity of our business. The challenge for 2013 remains the same, namely how to optimise our businesses to get the maximum out of existing investments. In Polyolefins, it means reaching our full potential in volumes and margins in what will likely be a persistently difficult market environment in Europe. For Base Chemicals, we have growth ambitions and will look to deliver those both organically and inorganically. With Borouge, it is clear that supporting the Borouge 3 project to ensure it is delivered on time and on budget must be, after safe execution, our top priority. Improving our performance through focused and disciplined efforts to drive growth in our European business while tapping into new markets will set us another step ahead. For me, maintaining our leading position is what is most important and what the team and I really look forward to supporting.

And for the longer term, how do you view Borealis’ positioning?
I do not expect the overall economic conditions within Europe to improve dramatically any time soon. While we might get a positive surprise, we must be prepared for a European economy with no or very low growth for some time. We are very fortunate that we have our business portfolio of Polyolefins, Base Chemicals and Borouge, which supports and diversifies our bottom-line profitability. It is clear to us that there is more we can get out of our existing investments and businesses, so we will continue finding ways to improve efficiency throughout our organisation. This also ensures that we maintain our strong balance sheet position, which allows us to go after valuable growth opportunities as they arise. Our resilience as an organisation is strong – this was demonstrated in late 2008 and early 2009 when the markets really collapsed. That year, every single employee in Borealis engaged in our efficiency efforts, and it resulted in delivering a positive profit in Europe when most competitors were losing money. We will continue to tap this resilience in the coming years to deliver on our growth and performance objectives. What I like, and what's great about working for Borealis, is the pride everyone has in our company, which you see every day. It is what makes me personally proud to be part of Borealis.

"We deliver innovative, value-creating solutions."

Alfred Stern, **Executive Vice President, Polyolefins**

When contributing to society means turning great ideas into new solutions

Polyolefins continues to deliver innovative solutions that help selected markets meet the global challenges of climate change, communication, energy access, food safety, healthcare as well as water and sanitation. By adding value for customers throughout the value chain, Borealis makes a significant contribution to society whilst at the same time underpinning its international growth potential.

Looking back at 2012, what would you say were the highlights for Polyolefins from a company perspective?
Even though Polyolefins faced a challenging market environment in 2012, we continued to focus on our 'Value Creation through Innovation' mission and worked very hard on developing new products. For example, we developed an innovative polypropylene (PP) solution for caps and closures. Building on our Borealis Nucleation Technology (BNT), this solution achieves significant reduction in wall thickness coupled with improvement in cycle time whilst maintaining performance. We have also developed a new PP solution for data cable insulation that enables tighter twisting of cables, as well as reducing cross-talk and interference in the data transmission. This allows the communication industry to put more cables into a single installation, which ultimately allows for increased data transmission through the same cable thickness. This is a necessity for the establishment of broader and faster data highways. These are just two of our success stories and they not only provide cost benefits to our customers but also reduce the environmental impact of their operations. We have already launched both of these products with a variety of customers and continue to work closely with them to deliver innovative, value-creating solutions.

VALUE CREATION THROUGH INNOVATION

"Innovative polypropylene (PP) solution for caps and closures and a new PP solution for data cables are only two examples of our success stories."

How has the development of the Polyolefins' product ranges progressed?
In the area of pipe solutions, where we are already well known for our BorSafe™ and BorECO™ product ranges, we have launched a new cross-linked polyethylene BorPEX™ product. The new product is used for multi-layered composite pipes. The beauty of this BorPEX product is that it cross-links at ambient temperatures, so we can eliminate the post-treatment stage that is normally required. We have also launched Borstar® Aquility™, a new family of products intended for drip irrigation applications.

Looking into Advanced Packaging, we introduced two new peelable compounds for transparent lidding film under our Borpeel™ and Steripeel™ brands. Another example would be in the automotive business where, thanks to our Borstar® technology, we were able to deliver innovative solutions for exterior and interior applications in the Fiat Panda, Renault Twizy and Renault Dacia Lodgy. Within the newly redesigned Volkswagen Golf, we again are providing high-grade polyolefin solutions for many different applications. To me, this represents quite a nice achievement accomplished by working closely with the customer. Close collaboration is something to which we are completely committed. It is part of our philosophy, and the results speak for themselves.

I would also like to mention the launch of our Borlink™ technology. The Borlink brand represents an industry-wide platform for the wire and cable industry that encompasses our production technology, products and expertise. It underscores Borealis' commitment to the

"Our 'Value Creation through Innovation' mission sets us apart from other companies because we put tremendous focus on the entire value chain."

industry and provides an outstanding resource for meeting the challenges the industry will face in the future. We offer a wide range of different solutions that can be used in high-voltage and extra high-voltage cable insulation. This is a growing area throughout the world because of the increase in alternative energy generation, which tends to require transportation of electricity from ever more remote areas. Our Borlink technology provides exactly the right products to address these growing needs.

What does innovation mean to Borealis, and how does this philosophy distinguish the company from others?

Our 'Value Creation through Innovation' mission sets us apart from other companies because we put tremendous focus on the entire value chain. We do not just focus on making polymers, but we have the ambition to look at the entire life cycle of how these plastics are processed, deployed, used and ultimately recovered. This takes place in close collaboration with our customers who transform our plastics into final products. It requires that we have people who understand all the needs, opportunities and issues that can occur in such a value chain. It involves far more than just thinking about the chemistry of polymers – it is about understanding what our customers actually do with our products. When you visit our Innovation Centre in Linz, you will see our philosophy manifested in our people and our tools. You will find an application facility in which we can do all the polymer processing that our customers do. We can make films, we can make injection moulded parts, we can extrude pipes, we can make wire and cable insulations. This is how we understand the applications and how we continue improving our products to the benefit of our customers. But real innovation doesn't happen just by having the right equipment, it happens when the right people start a conversation. People generate ideas, and it takes a lot of ideas before the generation of one truly successful innovation. Competent experts are needed, but also people who can work together with customers, machine manufacturers or suppliers to enable this innovation work.

With regard to rewarding people for innovation, how does it work in Borealis?

We believe that good ideas should be rewarded because they represent a crucial contribution to our success. After all, it is only fair to reward someone who has put a lot of thought, time and hard work into finding a new solution to a complex problem. This is why we hold the annual Borealis Innovation Day, where we honour our employees and project teams for their efforts in improving operational excellence and developing innovative and practical solutions that create value for customers and society. We also recognise post-graduate polymer science students and potential future leaders in research and technology. Our Borealis Student Innovation Award goes to the most innovative research papers, master's degree graduates and doctorate degree graduates in the fields of polyolefins, olefins or modelling.

What's the status of the Abu Dhabi Innovation Centre?

The centre is progressing well and will be completed and operational by the end of 2013. It has been a USD 70 million investment made possible by the joint effort of Borouge, ADNOC and Borealis. The staff will work closely with Borealis' European innovation teams as well as with local and international institutions such as the Petroleum Institute of Abu Dhabi.

What's the latest news from the catalyst plant in Linz, Austria?

We are very happy that, at the end of August 2012, we were able to celebrate the mechanical completion of the catalyst plant in Linz. With construction complete, we are now working on the commissioning and preparing for start-up. It's the first plant that is based on Borealis' proprietary Sirius™ technology, protected by more than 50 international patents, enabling the manufacture of catalysts engineered specifically for the production of functionalised polymers for Borealis and our customers. The start-up will be quite exciting for us. I would like to mention Mr Peter Denifl, the mastermind behind Borealis' groundbreaking new polyolefin catalyst technology, who is one of the top scientists within polymer catalyst R&D. Borealis was tremendously pleased when Peter, together with his team, received the highest honor in this field – the Giulio Natta Award 2012.

Sustainability is an important topic. How does Borealis cooperate with business partners to advance sustainability along the value chain?
Polyethylene and polypropylene products do not have to go through a lot of chemical transformations in production, which translates to savings not only in terms of time but also emissions. Our products are ideally suited to reduce environmental impact and able to retain their advanced properties even while using less material. Moreover, we have focused a lot of our work over the past several years on using plastic for applications that make a significant contribution to society – for example, to insulate electricity cables that are needed to enable sustainable energy or to make cars lighter and more fuel-efficient. We have also invested in producing materials with the appropriate polymer properties to make packaging and instruments for the healthcare industry. These kinds of applications allow us to work together with our customers to find ways to make a positive contribution to major global challenges at every step in the value chain.

SUSTAINABILITY IS VITAL

"Working together with our customers allows us to find ways to make a positive contribution to major global challenges at every step in the value chain."

What happens to our products when they reach the end of their life cycle?
This really depends on the application. If you look at the wire and cable or pipe industries, the lifetime of underground cables and pipes is very long. Of course, in the automotive value chain it is quite different. Car manufacturers are already focusing on how they can efficiently recycle and reuse materials. The value chains involved in producing advanced packaging materials are also rather efficient; a significant part of material goes into thermal recycling today. So instead of making energy directly out of petrochemicals, we can first produce plastic materials and later, at the end of their life cycle, turn them into energy.

Is Borealis involved in recycling plastics?
We are looking into how to support recycling activities by offering material solutions that can help upgrade the properties of recycled materials. We have already launched a tailored polymer grade that can be mixed into recycled materials in very low percentages. The result is significantly improved mechanical properties that can make recycled products applicable for use even in more demanding structural applications.

The area of sustainability is clearly wider than recycling or working with customers to reduce the environmental footprint of what they make. Borealis, as a company, adopted, some time ago, the Responsible Care® global charter of the chemical industry. We are committed to pursuing its specific goals. This means we are not just looking inside our company, but throughout the entire value chain to make sure that health, safety and environmental aspects are adequately reflected in everything that we do.

“I am very pleased to see how the Base Chemical business is developing.”

Markku Korvenranta, **Executive Vice President, Base Chemicals**

When smart investments turn challenges into successes

Base Chemicals continued to make a significant contribution to Borealis' strong performance in 2012. Highlights of the year included the successful acquisition of PEC-Rhin S.A. in February 2012, which boosted the market presence of Borealis in France and Germany.

How would you describe the performance of the Base Chemicals business in 2012?
2012 was an exciting year for Base Chemicals. All our business lines performed well under volatile market conditions – with the exception of Melamine, which faced substantial headwind due to increased supply from overseas producers and subdued demand from key customer segments. Our crackers had a good operational year overall, and 2012 was the second year of operations for the butane cavern in Stenungsund, Sweden. The price of butane over the summer was favourable, and we took advantage of this by stocking more than 100 kilotonnes of lower-priced feedstock for the crackers to use in the winter months. We approved investments in Stenungsund to provide a butane mix to a local partner. This is an investment we had been considering for a long time, and I am pleased that the circumstances were finally right. The investment upgrades a key product stream, which will further strengthen the overall chemical complex in Stenungsund.

In general, I am very pleased to see how the Base Chemical business is developing. The team has been together for two years now, and we are collaborating efficiently and taking the business forward. We have been able to take on difficult challenges and turn them into positive results. We have a very clear perspective of where we want to take the business in the years to come.

THE FUTURE OF FERTILIZER

"The agriculture industry today is facing many challenges, primarily due to the phenomenal growth in world population."

The Fertilizer business performed extremely well in the past year. What made it so successful?
We took the first significant step to grow the Fertilizer business. The successful acquisition of PEC-Rhin S.A. in Ottmarsheim, France, in February 2012 boosted our market presence in France and Germany. Most of the integration activities were concluded by June of 2012. This acquisition established us as a committed European fertilizer player with the ambition to grow the business further. Additional milestones in 2012 included the inauguration of our new warehouse hub in Giurgu, Romania, as well as the launch of the LINZER AGRO TRADE web portal in nine different languages. This web

> "2012 was an exciting year for Base Chemicals. The business is moving forward, and together with the team, we have turned difficult challenges into positive results."

portal now provides up-to-date product and application information to farmers. Overall the fertilizer market was quite positive in 2012, supported by high grain prices and good harvests in many of our target markets.

How do you see the future of the Fertilizer business?
The agriculture industry today is facing many challenges primarily due to the growth in world population, which is disproportional to the agricultural land resources that are vital to our food supplies. It is estimated that our world population is still growing at an average of 80 million people per year, leading to a reduction in available arable land. This has increased pressure on the industry to maximise its crop production whilst using smaller areas zoned for agricultural purposes. Furthermore, as highly populated regions such as Asia continue to improve their purchasing power, the consumption of luxury foods such as meat increases. This in turn intensifies the pressure placed on crop production. High demand coupled with limited food production ultimately leads to higher prices.

In the field of fertilization, precision farming is the key. As a producer of high-quality fertilizers, Borealis promotes the use of the N-tester in precision farming. The N-tester is a small device that detects the amount of nitrogen needed in wheat, barley, rye and triticale (a feed grain). Adding precise doses of fertilizer to the crops helps farmers better understand how to maximise the performance of the fertilizer, leading to a positive impact on the environment as fertilization is limited to the crops' actual needs. Our challenge in the future is to improve crop yields using an environmentally friendly approach that will meet society's expectations for inexpensive and healthy food.

How did you tackle the challenges faced by the Phenol, Acetone and Melamine businesses in the past year?
The Phenol and Acetone business was challenged with relatively high raw material costs, which effectively blocked us from export markets, combined with reduced overall demand in Europe. To compensate for this situation, we successfully targeted our efforts on developing business with our existing customer base as well as acquiring new customers. Melamine experienced a cyclical low in 2012 due to supply disruptions, but the situation improved somewhat towards the end of the year. Demand in the woodworking industry is still below the level seen prior to the financial crisis in 2008-09. We have continued to reduce costs in this segment to ensure positive returns throughout the cycle in this extremely volatile business.

"The key to success is the mutual trust, which enables us to work as one family."

Herbert Willerth, **Deputy Chief Executive**

When respecting differences enables partnerships as equals

Borouge has written an impressive success story over the past decade with average growth rates of about 50% per annum over the last five years as capacity and employees have been added. With a new Middle East & Asia (MEA) organisation set up in Abu Dhabi and Borouge 3 scheduled to go online in 2014, the growth shows no sign of slowing down.

Looking back at 2012 from a company perspective, what would you say were the highlights regarding the Middle East & Asia?
The Middle East & Asia are crucial for our company. In 2012, Borouge delivered a phenomenal growth story in which we learned a lot for future projects in terms of implementation and making things happen. Borouge also contributes tremendously to Borealis' business success. Borouge 1 started up in 2001-02 with a capacity of 420 kilotonnes. It was a small baby at the time and has now grown to become a very smart teenager. Borouge 2 started its operations nine years later and more than tripled our capacity. Today, Borouge 3 is 75% built and largely on track for start-up in 2014. All in all, this represents an average growth rate of 20% per year from 2001-14 or about 50% per annum between 2008 and 2014. Borouge has successfully recruited nearly 2,000 employees in the last five years from all over the world, whilst at the same time maintaining an exceptionally high retention rate, particularly in the highly competitive Asian environment. In 2013, Borouge will continue to prepare for the start-up of Borouge 3, which means getting ready for a lot of new people coming into the organisation. To build on the success already achieved, both Borouge and Borealis are working to create an even greater cooperation.

GROWING FAST

"Borouge has successfully recruited nearly 2,000 employees in the last five years from all over the world, whilst at the same time maintaining an exceptionally high retention rate, particularly in the highly competitive Asian environment."

How does Borealis' expertise and innovation contribute to the market and relationships in the Middle East & Asia?
Borealis significantly contributes with know-how and expertise. The main examples are our Borstar® technology, our innovation capabilities and our product differentiation strategy. Over the years, close to 1,000 Borealis employees have directly contributed to the success of Borouge 1, 2 and 3 through assignments within the Borouge organisation. We continue to work together with Borouge on a broad variety of topics. For example, in businesses such as Wire & Cable, we have to act globally and very flexibly since our customers are operating all around the world. Borealis and Borouge also exchange experience through our 'expertise networks.' For example, our long-term and very successful collaboration in procurement, which includes OMV and NOVA Chemicals, allows us to pool certain contracts to leverage our combined scale. But to make things happen, it is crucial to build and maintain relationships and trust with our partners and colleagues. This does not happen overnight. It requires commitment, time and the willingness to learn from each other – and that perfectly ties into our 'Winning through Excellence' programme targets.

What did Borealis do in 2012 to strengthen its partnerships?
We successfully built and implemented a new MEA organisation and set up an office in the Borouge Tower in Abu Dhabi in 2010-11 as the first point of contact for our partners in the UAE. This format was more or

“The Middle East & Asia are crucial for our company. In 2012, Borouge delivered a phenomenal growth story in which we learned a lot for future projects.”

less defined and implemented in 2010 and it is now playing a crucial role for major mutual projects. We are also fully committed to supporting the Emiratisation efforts of our partners in Abu Dhabi, which are part of the economic development of the UAE: many Emiratis have been on assignments and trainings to our Vienna Head Office, Linz Innovation Headquarters and production sites in Stenungsund, Porvoo and Burghausen. In order to actively support the strong ambitions of the UAE, we look forward to welcoming many more Emirati talents in the future. From my point of view, the key to success is the mutual trust, which enables us to work as one ‘family’ whilst also respecting the differences in culture and policies. The Middle East & Asia represent our high-growth vehicle in high-growth economies. We are in close proximity to our global customers in the automotive and wire & cable industries and can support their growth as well. Having a strategic presence in the Middle East & Asia allows us to leverage our key technology developments globally over a much larger asset/business base and gives us access to some of the most advantageous feedstock in the petrochemical sector. In addition, Borouge will outgrow Borealis by 2014 with the best asset fleet in the world. This will no doubt contribute very significantly to Borealis’ overall profit.

What were some other milestones in 2012?
We successfully commercialised Borouge 2. This included bringing volumes profitably to the market, hiring new people in both our production and marketing organisations as well as developing and implementing new processes. The main challenge, due to a very large and complex sales market territory, was in logistics and sales. Compared to Europe, distribution from the production location to the market is extremely challenging in this huge region. We had great success in increasing our volume in 2012 and also in improving the efficiency of our customer logistics chain. After the start-up of Borouge 2, nearly all the new plants achieved their set targets for 2012 with respect to operational performance and introduction of the product mix. In September 2012, the number of Borealis employees and their dependents in the Middle East & Asia reached 374, representing over 20 different nationalities. This number will further increase during the final phase of Borouge 3.

From your personal perspective, which company-related activity meant the most to you?
After working more than 12 years as a Borealis executive, and more than 25 years in the industry, I personally see the Borouge 3 expansion as the biggest challenge in which I have ever been involved.

We are building the world’s biggest cracker and five polyolefins plants that will add another 2.5 million tonnes of capacity with the first low density Wire & Cable cross-linkable PE plant in the region. Mastering the learning curve and transferring experiences between the Borouge 2 and 3 projects was an extremely complex task. The challenge was to transfer what had been learned from a project that was just launched to a project that was already running – a big challenge and a never-ending story.

"Winning through Excellence infuses everything Borealis does."

Claus Haar, **Senior Vice President, Human Resources**

When `Winning through Excellence´ means continually finding new ways to enhance the individual contribution of every employee

'Winning through Excellence' infuses everything Borealis does. The programme began impacting Borealis in a comprehensive way in 2012 and is now expanding throughout the organisation. Under the motto of 'My contribution makes a difference,' it encourages employees to develop personally and excel professionally – living up to the ideal of 'Connect, Learn and Implement.'

Looking back at 2012, what would you say were the highlights of the year?
The 'Winning through Excellence' programme really began gaining momentum in 2012 and started delivering specific results. The initiative has been underway since late 2010, but in the past year has started impacting the organisation in a much bigger way.

'Winning through Excellence' is our umbrella programme that consolidates all the company's continuous improvement initiatives. Within the programme are projects focused on individual functions, like Research & Development (R&D) Excellence, which looks at improving our innovative and research capabilities; Operational Excellence (OPEX), which focuses on improving our reliability and production capabilities; and Commercial Excellence that is aimed at improving our commercial capabilities towards our customers. Alongside these projects, we also have a number of projects focused on improving our cross-functional processes. These include the sales and operations planning process, the supply chain process and the Innovation Excellence programme. This last programme is different from R&D excellence as R&D excellence looks at the Innovation and Technology organisation as such and how they perform and deliver results. Innovation Excellence looks at how we can get our innovations to the customer and the market faster by better connecting Marketing and Sales, R&D and the Operations organisation.

How will the organisation translate all these initiatives into actual improvement? How do we move from tracking and monitoring to actually improving performance?
Tieing all this together is a Behavioural Excellence stream that examines specific behavioural elements in our organisation – some that we are happy with and others that we think need improvement. We are convinced that Behavioural Excellence underpins all the other processes and acts as an enabler, enhancing performance and ultimately achieving better results throughout the organisation. The team responsible for this initiative used a wide variety of sources – including people survey results, focus groups, leadership interviews and, of course, the Work Council representatives. Out of this variety of sources, we concluded that the three main behavioural themes on which we should focus are 'Connect, Learn and Implement.' There are elements of connection in the organisation – between individuals, between units, between functions – which beg for improvement. Then there are areas in the learning environment where we are not sharing enough best practice examples with each other. When it comes to implementation, we can improve our focus and discipline and more effectively turn ideas and designs into reality. If we focus on these three aspects successfully, we will effect real change towards becoming a more excellent organisation.

What's the next step in that process?
The task will now be to take Behavioural Excellence into and across the entire organisation to the individual units where employees will have to make it relevant to themselves and their tasks. Each team will assess which aspects are most important for their unit and will be free to decide on which ones they want to focus. Ideally, we will show improvement in all three areas. We believe that by taking this step and focusing on behavioural aspects, we will achieve greater performance for the organisation as a whole. The overall objective of 'Winning through Excellence' is to continually improve a little every day, every week, every month – as individuals, as teams and as an organisation. If we do this, we will outperform our competitors. Excellence is a never-ending goal, something worth continuously striving for.

What contributions is HR specifically making to 'Winning through Excellence'?
One specific area that has been identified where HR is taking the lead is Performance Management Excellence. The intention is to take our well-established Borealis Performance Management System, improve on it, add elements that were not evident in the previous process and then get the entire organisation to fully utilise the system during performance and development dialogues.

"Our 'Behavioural Excellence' initiative builds on our core values and will improve our performance in the long term. It's both amazing and inspiring to see how our employees make it their own."

Kerstin Meckler
Communications Director

EXCELLENCE

"The overall objective of 'Winning through Excellence' is to continually improve a little every day, every week, every month – as individuals, as teams and as an organisation. If we do this, we will outperform our competitors."

Obviously, it is hard to quanitfy, but we believe that Performance Management Excellence will ultimately have a positive overall effect on the organisation's capabilities and skills. It's the cumulative effect that kicks in when all of our employees are focused on their own performance and development as well as on the development of their teams.

Borealis has a long tradition of commitment to listening to its employees. What can you tell us about the 2012 employee survey?
I have worked in many organisations, and this is the first one I have seen that is so serious about feedback from employees. We take a 'people survey' every two years. In 2012, we conducted our fifth survey in its present format. As the Senior Vice President of Human Resources, it makes me proud that we have shown such consistency in pursuing this type of exercise. Over the past ten years, Borealis has consistently had a response rate of better than 80%. In 2012, we achieved our highest response rate ever at 87%. It's the large majority of employees that are telling us how they feel and, based on their responses, we can develop meaningful actions. In summary, the survey is an excellent and valuable tool when it comes to acquiring more qualitative feedback.

The survey also gives us an excellent platform to continue developing 'Winning through Excellence.' The 2012 results have given us an employee engagement score of 85%, again the highest ever achieved. In essence this means that most of our employees are keen to work for Borealis and want to be here. They are interested and motivated. So we are working from a base where our people are really committed to helping us achieve our goals. The survey again confirmed that one of the elements that gives us this high engagement factor are our Borealis Values: Responsible, Respect, Exceed and Nimblicity™. These values are also the component that has scored the highest as an engagement driver. Our values are important to us as leaders and employees. If we nurture them further and act in accordance with them, we are confident that we can meet the challenges of the future in a constructive and positive way.

Ultimately I think it's all about company culture – and from my perspective it's really only about company culture – that makes us attractive as an employer and differentiates us from other companies.

CARING FOR THE ENVIRONMENT

Borealis' approach to sustainability is rooted in the company's core values, vision and mission and is made manifest in its commitment to Responsible Care®, the company's Ethics Policy and its Social Engagement.

Our foundation of CARE

"At Borealis we believe that businesses can only grow sustainably in a healthy environment and in a stable society. That is why sustainable development and corporate responsibility play an integral role in our business strategy, defining how we address global challenges and create value through our innovative plastic solutions."

Mark Garrett, Chief Executive

HEALTH AND SAFETY:

World class safety record with TRI frequency of 1.5.

PRODUCT SAFETY:

New organisational set-up and software tools resulting in increased efficiency and traceability.

FLARING:

Awareness campaigns and improved monitoring tool implemented.

ENERGY:

Energy Management Certification ISO 5001 achieved in Piesteritz, Germany, and Stenungsund, Sweden.

SOCIAL ENGAGEMENT:

Celebrating five years of Water for the World™ and directly impacting more than 300,000 around the world.

What were the year's Health, Safety and Environment (HSE) highlights?

Before I get into specifics, I would like to stress that Borealis has a strong safety culture. We never compromise when it comes to safety. We have set ambitious goals and targets to drive our safety performance towards zero incidents, and our safety approach goes far beyond operations. We also focus on safety issues in the normal office environment and have run campaigns about safety at home and when travelling. This emphasis on safety is part of our company culture and is evident throughout the organisation. 'Leading by example' is one of our company watchwords. And while there is always room for improvement, our employees take responsibility for safety both for themselves and for one another. In addition to having the right systems in place, it is vital to instil a safety mindset in our employees and contractors. And this is something we have been quite successful at for many years. Our HSE management is aligned with Responsible Care®, an initiative of the global chemical industry that was launched in 1985. It sets high standards for HSE, including guidelines for the safe use and handling of products along the entire value chain, and serves as the framework for our own HSE management programme.

Our TRI frequency (number of total recordable injuries per million working hours including contractors) has declined continuously over the years, and this gives us confidence that we are on the right track. In 2012, we reported a TRI of 1.5 – a slight improvement over the previous year and the third best ever in Borealis' history.

Furthermore, we have reduced the number of disturbances and interruptions within our operations steadily, thanks in part to the Operational Excellence (OPEX) project within our 'Winning through Excellence' programme. Interruptions, which can disturb our neighbours and cause damage to our equipment or hurt our people, have been reduced by over 40% in the past two years. And while cost reduction was not a primary goal of the OPEX programme, total baseline maintenance costs for the year were nearly EUR 5 million better than target.

Our total investments in Health, Safety and Environment improvements in 2012 were some EUR 31 million. This is a clear indication of the importance we place on the topic.

What other achievements you would like to mention?

A focus in 2012 was managing safety during a major turnaround in Porvoo, Finland. At peak periods, we had as many as 1,500 external contractors working at our site. They come from many different countries and speak many different languages, so ensuring safe behaviour is a huge effort. We conducted more than

"We have set ambitious goals and targets to drive our safety performance towards zero incidents, and our safety approach goes far beyond operations."

1,000 days of training – equivalent to about four man-years – and trained more than 2,000 contractors in safety procedures. We also published a safety training booklet in seven languages.

Additionally, we completed the integration of our new production site in Ottmarsheim, France, into our HSE management process. It went very smoothly, and the local organisation is now structurally integrated – although it will still take time to fully ramp up the implementation.

I would also like to stress some important achievements in the area of environmental protection. In 2012, we put a big focus on improving our flaring performance. We installed a membrane separator in Schwechat, Austria, which will dramatically reduce flaring and Volatile Organic Compound (VOC) emissions, introduced an improved monitoring tool and conducted a campaign focused on flaring. Although the overall flaring level in 2012 is a disappointment for us, mainly due to higher-than-planned flaring related to the Porvoo turnaround, we are confident that the measurements implemented during this year will result in improved performance in the coming years.

Borealis has also two internal HSE awards. Who did the 2012 awards go to?

The internal Borealis HSE awards are our way of further motivating and encouraging employees to remain focused on Health, Safety and Environment. There are two HSE award categories, and we select a winner and two runners-up for each. The winner of the Chief Executive HSE Award was the Burghausen, Germany, location for its long-term safety performance – four years of operations without a single TRI and the employee sick rate has also been consistently below 3% since 2004. The HSE Innovation award went to the Beringen Plant Availability & Engineering (PA&E) and Compounding teams in Belgium for their high engagement leading to several good proposals to improve workplace safety and work efficiency.

RESPONSIBLE CARE 2012 KEY PERFORMANCE INDICATORS

Issue	Definition	2012	2011	2010	2009	2008	2007	2006
Occupational Safety								
Total Recordable Injuries	number/million work hours	1.5	1.6	1.0	0.7	1.6	1.7	1.7
Response rate on HSE incidents	% of approved and closed cases	98	99	98	98	95	93	90
Occupational Health								
Sick leave	% of total hours worked	3.2	3.4	3.4	3.4	3.1	2.9	2.9
Process Safety								
Response rate on process safety incidents	% actions timely completed	96	99	99	97	98	95	100
Emissions to air								
Flaring losses	tonnes	57,900	52,200	50,800	46,000	51,000	57,600	59,600
Direct carbon dioxide emissions	kilotonnes	*	*	*	*	1,480	1,540	1,600
EU ETS emissions	kilotonnes	1,480	1,530	1,600	1,310	1,360	390	450
VOC emissions	tonnes	2,940	3,250	3,762	3,440	3,250	3,800	4,160
NOx emissions	tonnes	1,675	1,710	1,740	1,500	1,230	1,330	1,580
N_2O emissions	tonnes	169	152	198	530	n.a.	n.a.	n.a.
Resources								
Primary energy consumption	GWh	20,300	20,500	22,300	19,300	15,100	15,500	16,200
Water consumption	m³ (million)	185	187	188	183	16.8	18.7	15.9
Waste generation	tonnes	18,100	18,200	16,140	16,100	15,010	15,560	15,140

Note: Following the completion of the HSE management and systems integration, the performance indicators of Borealis Agrolinz Melamine operations (formerly AMI) are incorporated into Borealis' reported indicators as of 2009. Historic performance reported from 2004 to 2008 does not include Agrolinz Melamine operations.

Definitions

Total Recordable Injuries (TRI)
Accidents resulting in absence from work, the need to do a different type of work or any other case in which medical treatment is required. The frequency is calculated as the number of accidents per million working hours. Borealis employees and contractors working on company premises are included in the calculation.

Response rate of HSE incidents
Major or minor HSE incidents, near misses, unsafe acts and unsafe conditions that lead to, or can lead to, an accident of any kind are recorded, and decisions on actions for follow-up are made, establishing an approved case. Incident cases are closed once actions have been implemented. The response rate of HSE incidents is measured as the ratio (%) of approved and closed incident cases.

Sick leave rate
The sick leave rate indicates the amount of time employees stayed away from work due to sickness or injury. The overall sick leave rate is calculated as a percentage of the total number of planned working days in 2011.

Response rate of process safety incidents
Process safety incidents of a certain severity or risk potential are recorded and investigated through root cause analysis. Corrective actions are defined to prevent re-occurrence. The response rate of process safety incidents is measured as the ratio (%) of corrective actions completed within a defined time period.

Flaring losses
All streams sent to the flare, except streams that assure a constant flame (e.g. fuel gases to pilot burners, fuel gas purges to flare lines for safety reasons, steam, nitrogen).

*** Direct carbon dioxide CO_2 emissions**
CO_2 emissions from stationary sources on company premises, including emissions from fuel consumption, combustion of other hydrocarbon streams as well as flaring (as of 2009 this indicator is replaced by the reporting of CO_2e emissions under EU ETS).

EU Emission Trading Scheme (ETS) CO_2 emissions
All greenhouse gases emissions (GHG) under the scope of the European ETS expressed in CO_2 equivalents (as of 2009 this indicator replaces the reporting of direct carbon dioxide emissions).

Volatile Organic Compound (VOC) emissions
Emission of all organic compounds (from C1 to Cn) with a vapour pressure of 0.01 kPa or more at either room temperature or at actual temperature when processed. The quantification is based on measurements and estimates.

Nitrogen Oxide (NOx) emissions
Emissions of all nitrogen oxides from all relevant sources, including flares. The emissions are quantified as NO_2. When NOx measurements are not done, emission factors correlated to the fuel type and heating value are used.

Nitrous Oxide (N_2O) emissions
Emissions of N_2O (also known as laughing gas) are generated by the production of nitric acid in the fertilizer plants. N_2O is a GHG with a global warming potential (GWP) 310 times higher than CO_2.

Primary energy consumption
Consumption of all energy vectors (i.e. fuels, electricity and steam). Electricity and steam are converted into primary energy with standard conversion factors of 40% (electricity) and 90% (steam).

Water consumption
Total amount of fresh water withdrawn from surface or groundwater sources for any type of usage (e.g. cooling, steam generation, cleaning, sanitary use).

Waste generation
Generation of all waste at company locations during normal operation as well as during special projects. Any substance or object that is to be discarded is included in the definition of waste. Exceptions are atmospheric emissions, liquid effluents and by-products with commercial value.

HEALTH & SAFETY: RESPONSIBILITY WITH FORESIGHT

Occupational Safety

As chemicals operations involve highly flammable and dangerous substances, Borealis strives for a zero accident environment to prevent injuries. Borealis acknowledges its responsibility to provide a safe, well-designed working environment with effective safety management systems in place.

The Responsible Care® global charter sets the framework for ensuring excellence in the area of occupational health and personal safety at Borealis. The company's approach to safety goes far beyond operations to include safety issues in the office environment and beyond, such as awareness campaigns on travel safety and safety at home. Borealis' standing goal of achieving zero accidents is encapsulated in the motto, "If we can't do it safely, we don't do it at all."

Proactive prevention of accidents is achieved through observation, awareness campaigns, safety training, regular audits and continuous, systematic learning. Borealis reports not only Total Recordable Incidents (TRIs) – requiring medical treatment, restricted work or resulting in lost time – but near-misses as well, both for its own as well as contractor activities.

After observing an increase in incidents among its contractors, Borealis initiated the COMA (Contractor Management) programme in 2012, which focuses specifically on improving their safety performance. The first results were positive with a small decrease in contractor TRIs. More than 2,800 Borealis employees and contractors attended a safety training programme to ensure safe and secure handling of the 2012 turnaround at the Porvoo plant.

In 2012, more than 15,000 observation tours were performed throughout the company's departments and 98% of all recorded HSE incidents were investigated, the results approved and the investigation closed.

The company reports a TRI frequency of 1.5 in 2012. Although a TRI below 2 is considered to be world-class in the industry, Borealis has set an ambitious target of a TRI frequency of 1.1 and will continue to work towards zero injuries.

Occupational Health

Borealis actively promotes healthy behaviour. For example, a company-wide workplace health survey is conducted every five years and measures enacted based on the results. The company's efforts to keep employees healthy include addressing issues such as back pain, blood pressure and weight management. Employees can receive on site flu vaccinations, learn about stress prevention, find help to quit smoking, and consult a company psychologist. The company also encourages healthy eating habits by providing fresh fruit and healthy snacks in many locations.

Borealis targets a sick leave rate of 3.2% or lower. This rate is generally below the average industry rate in the countries where Borealis operates. After several years in a row with a sick leave rate of 3.4%, Borealis was able to return to the set target level of 3.2% in 2012.

A particular highlight of 2012 was the 'Take care – speak up!' training campaign to improve line managers' skills in dealing with any personnel problems that may arise. Based on the feedback of the Borealis people survey and workplace survey, the award-winning programme was developed by the Employee Well-Being Group in collaboration with an external training partner. It is currently being conducted in Porvoo, Finland. Since the programme's introduction in late 2011, nearly half of the line managers have been trained in the fundamentals of constructive interaction and conflict reconciliation. Sessions involve both theory and practical exercises and will be completed for all line managers by the end of 2013.

Process Safety

Borealis' petrochemical operations handle large amounts of flammable materials under elevated pressure and temperatures. Therefore process safety is of prime importance to ensure the health and safety of Borealis' employees, neighbouring communities and the environment. Leaks, fires and explosions can have a major impact on the company's stakeholders. Borealis therefore regards it as a moral duty to invest in the prevention of process safety incidents and ensure that the plants are properly designed, maintained and operated to avoid accidents.

Borealis is a member of the European Process Safety Centre and actively supports industry-wide efforts to enhance process safety. A dedicated Process Safety department has developed special tools that enhance risk identification. It also conducts process safety training and courses in safety management. Safety audits known as 'Borealis Blue Audits' are being rolled out in the area of operations, plant availability and engineering and health and safety. In 2012, four such audits were carried out at the Stenungsund, Zwijndrecht, Beringen and Ottmarsheim sites. The audits, which focus on Process Safety, ensure that each location is following the Borealis Management System.

The amount of medium severity cases stayed at the same level compared to 2011, however the company did record one high-severity Process Safety incident in Stenungsund, Sweden, at the end of 2012. The process

safety response rate of 96% in 2012 did not meet the company's target and is a setback compared to a 99% response rate in 2011. 2013 will therefore be a year of intense efforts to improve performance again in this area and ensure that an additional focus is set on action follow-up.

Product Stewardship

Product Stewardship involves ensuring that the company's products do not pose any risks to the consumer nor the environment at any stage along the entire value chain. Borealis is committed to Responsible Care® and places a high priority on ensuring the safe use and handling of its raw materials and products by all employees, customers, suppliers and contractors.

Borealis is in full compliance with the Global Product Strategy initiative and European Community Regulation on Chemicals (REACH). The company's performance in this area is exemplary. It has a specific REACH implementation team in place and fulfils a leadership role at REACH conferences where Borealis experts share their experience and assist small and medium-sized companies in meeting their own REACH obligations. In Belgium, for example, experts from Borealis serve as mentors for other companies, assisting them on-site every two to three months under the auspices of a government programme called Vlaams Reach Implementation Plan (VLARIP).

Strict Product Stewardship standards are applied along the entire value chain. A dedicated, cross-functional team conducts a minimum of five product stewardship training programmes each year to raise awareness and ensure employees understand and are up to date on chemical issues and policy regulations. A quarterly, internal newsletter called 'The Chemical Review' supports these awareness efforts.

Borealis was also one of the first chemical companies to publish a 'Black and Grey list' of banned or restricted substances. The list is regularly updated in light of more recent risk assessments or re-classification of chemicals. The Grey list includes hazardous chemical substances still in use but in the process of being phased out and replaced by less hazardous alternatives. Available on the company website, the list includes more than 90 substances or groups of substances such as potential endocrine disruptors, phthalates and brominated flame-retardants. In 2012, a new Raw Material Owner organisation was installed with dedicated raw material owners for each of the company's products to increase efficiency and improve the communication and information streams between Borealis and its suppliers.

ENERGY & ENVIRONMENT: WORKING TOWARDS REDUCING OUR ENVIRONMENTAL FOOTPRINT

Borealis recognises its responsibility to address global climate change. As an energy-intensive company with operations in several countries, Borealis is exposed to business risks associated with climate change including rising energy costs and the increasing demands of stakeholders, regulatory agencies and the general public. Borealis sees business opportunities in lowering operational costs and providing product solutions that reduce emissions and save energy.

Plastics are an energy saving solution. More energy is saved during the use and through the recovery of plastics than is required to produce them. Without plastics and particularly polyolefins in packaging or automotives, we would use around 57% more energy and emit about 61% more carbon emissions[1] for the products and goods we daily manufacture and use.

Borealis' energy consumption accounts for about 70% of Borealis' greenhouse gas emissions. Therefore improving energy efficiency is the most effective way to reduce the company's direct carbon footprint. Besides implementing new, energy-efficient technologies, Borealis has put in place a comprehensive environmental management plan and is striving for a group-wide 20% improvement in energy efficiency by 2020 compared to 1990 with an annual improvement trend line of 1.4%. Borealis' direct investments in energy efficiency reached EUR 10.4 million in 2012.

The company's main manufacturing units are certified according to ISO 9001 and ISO 14001. All locations have dedicated environmental and energy experts as well as an energy management system integrated into the existing ISO 14001 environmental management systems. Plants that focus on raw materials for the automotive industry are additionally certified and regularly audited according to ISO/TS 16949. In 2012, operations in Piesteritz and Stenungsund were certified according to ISO 50001. Borealis monitors numerous environmental parameters such as air emissions, energy efficiency and water consumption in all of the company's operations and reports them within the framework of the Responsible Care® programme.

Emissions to air

Borealis emissions are related to the production processes across the businesses as well as emissions from combustion for energy generation. The major emissions to air produced by Borealis are:

- CO_2 emissions from fuel combustion to produce heat
- CO_2 emissions from reactors, cracker furnaces and ammonia production plants

[1] PlasticsEurope 2010

- CO_2 emissions from flaring that occurs in PO plants and crackers
- Indirect CO_2 emissions related to energy streams bought from external suppliers
- N_2O emissions from nitric acid production plants
- NOx emissions emanating from emissions created by the burners in steam boilers and cracker furnaces
- Fugitive emissions of hydrocarbons (volatile organic compounds [VOC])
- Dust emissions from handling of solid material in fertilizer plants

Flaring
Flaring, a necessary safety measure involving the burning of excess gas during operational issues, affects surrounding communities through noise and air emissions and causes a financial loss for the company. Borealis therefore continuously strives to reduce the need for flaring.

In 2012, flaring losses increased from 52,200 tonnes in 2011 to 57,900 tonnes in 2012, not meeting the internally set target of 48,800 tonnes. This disappointing result is mainly due to flaring during the stop and start-up of the cracker for the periodical maintenance and inspection turnaround in Porvoo, Finland. A number of measures have been implemented to improve performance in the coming year. A day-to-day focus on minimising flaring from operational or planned and/or unplanned maintenance activities is crucial.

Borealis rolled out a company-wide campaign in 2012 to raise awareness of flaring, analyse the causes and draw operational conclusions. The campaign also included an improved monthly flaring performance tool allowing Borealis operations to monitor and analyse the flaring performance plant by plant more closely as well as on more aggregated levels. An additional effort to reduce flaring volumes has been realised through a flare gas recovery project in Schwechat, Austria, that is expected to deliver significant reductions from 2013 onwards.

Direct carbon dioxide (EU ETS CO_2) emissions
In 2012, Borealis operations emitted 1,480 kilotonnes of CO_2 equivalents as defined by the EU ETS, compared to 1,530 kilotonnes in the previous year. Reasons for the decrease are multi-fold, but include lower emissions at the company's Porvoo, Finland facility due to a turnaround that occurred during the year.

Volatile Organic Compound (VOC) emissions
VOC emissions have remained fairly stable over the past several years and show a further decrease in 2012 with 2,940 tonnes compared to 3,250 in 2011. This is a result of the company's continuous effort to detect and repair potential leaking points in our production processes. The gas recovery project in Schwechat, Austria, is estimated to achieve a 50% reduction in total emissions at the site and will also significantly reduce total VOC emissions in the coming year.

Nitrogen oxides (NOx) emissions
NOx emissions in 2012 were at a level of 1,675 tonnes compared to 1,710 tonnes in 2011, a slight decrease resulting from a number of improvement actions – mainly the update of technical equipment, for example, the use of low-NOx burners installed in one of the Stenungsund steam boilers.

Nitrous oxide (N_2O) emissions
N_2O emissions from nitric acid plants increased from 152 tonnes in 2011 to 169 tonnes in 2012. This increase reflects normal production degradations that are inherent in the life cycle of the catalyst used in the process.

Resources

Energy
In 2012, Borealis' primary energy consumption decreased to 20,300 GWh from 20,500 GWh in 2011. The reduction is in line with the company's long term target for a group-wide 20% improvement in energy efficiency by 2020 when compared to 1990 levels.

Water
In addition to a secure energy supply, Borealis also requires industrial water for cooling and steam generation as well as for product handling, sanitary water for consumption and cleaning, and service water for sanitary, cleaning and fire fighting purposes. At some locations, groundwater (partly from company-owned wells) is a main source while for other locations surface water is primarily used.

All Borealis locations are connected to wastewater treatment installations comprised of different technologies – either internal treatment units, external plants, or both. Wastewater flows and contaminants are closely monitored to ensure all parameters are within permitted levels.

Having assessed the company's operational water footprint and having done a pioneering analysis on the water footprint of plastics in the years 2008-2010, Borealis started in 2011 to map the environmental impact of water withdrawal and discharge of wastewater for its main production locations. The company continued this effort in 2012. Four criteria were chosen for this assessment: quality (impact on chemical/biological quality), biodiversity, water availability and water consumption. Borealis' water consumption in 2012 was 185 million cubic metres, staying within range of the 187 million cubic metres used in 2011.

Operational waste
Borealis strives for waste management that minimises the impact on the natural environment and is compatible with its stakeholders needs. Some of the company waste is production related, but waste is also generated during plant turnarounds. Where waste prevention is not possible, Borealis fosters reuse, e.g. re-usable packaging with efficient return systems as well as material and energy recovery from waste (this includes the development of partnerships with waste companies). Borealis resorts to disposal only when there is no other feasible option.

Borealis monitors both the absolute and relative waste generation per location. It then puts waste management plans in place for each location, coordinated by the local environmental specialists. Around 42% of the waste that ultimately needs to be discarded is hazardous waste, typically consisting of waste oils and other substances. This waste often has a high energy content that can be utilised but needs to be handled by approved contractors. All waste is classified according to the European waste catalogue (unless contradicted by local law) and waste transportation and disposal is executed by properly licensed companies.

In 2012, the company reports a total waste volume of 18,100 tonnes, a similar level as in 2011 (18,200 tonnes) but fairly higher than previous years. This is the result of major turnarounds in both 2011 and 2012. These activities lead to higher waste generation.

Plastic waste and littering
Plastics are too precious to throw away – they are made from valuable resources that must be used efficiently and responsibly given the world's limited resources and growing demand. Plastic waste can have a 'second life' – either as material or as an energy source. Therefore plastics should be reused, recycled and recovered for energy rather than discarded or sent to landfills.

Borealis develops solutions that help reduce or prevent littering, such as new products that reduce the amount of waste or better fit recycling needs. The latest generation of polyethylene, for example, allows a reduction of up to 25% of material use, which leads to less waste for packaging applications.

The company is an active member of the Packaging and Packaging Waste taskforce of Plastics Europe, the European Plastics Industry Federation, and has joined the Plastics Europe Marine Litter Task Force. It is also a partner of Waste-Free Ocean (WFO) – an industry-led initiative bringing innovative solutions and advancing education to clean up Europe's coastlines and waters.

Resin pellets releases into the environment are an important environmental issue throughout the world. These plastic granules released unintentionally during manufacturing and transport can end up in streams, rivers and ultimately the ocean. Borealis strives to prevent the risk of resin pellet loss in and around its operations. In 2012, Borealis piloted an initiative in its Porvoo loca-

tion to address this issue. The project started with a comprehensive analysis of existing scientific material, a broad stakeholder dialogue in which the company openly discussed issues and identified stakeholder expectations, in-depth analysis to identify risks and needs for improvement and an awareness campaign towards employees, customers and transportation companies. The company expects that this initiative will result in the minimisation of any pellet release.

Logistics & transportation

Borealis aims to minimise the environmental impact of operations along the entire value chain, this also includes transportation. The company includes the evaluation of the environmental performance of suppliers in the hauler tender process for example, only allowing the use of more efficient Euro Class 5 vehicles. It also strives to have 80% of its transport volume handled by CEFIC–SQAS accredited suppliers. In 2012, nearly half of all polyolefins production was shipped off-road using inter-modal transport (35%), while 1/3 of fertilizer sales were transported via barges. Borealis also applies the strictest HSE requirements for transportation by ship such as compliance with the Emission Control Area (ECA) and Sulphur Emissions Control Area (SECA) zones in the Baltic and North Sea.

Feedstock

Plastics production only uses a fraction – around 4% – of the world's oil resources (approximately 45% is used for transport). As feedstock for its polyolefins production, Borealis uses both oil and gas that otherwise would be burned off as a side product of the oil refining process.

Polyolefins can be produced from renewable feedstock such as bio-ethanol. However, the currently available feedstock in Borealis' key geographic business regions and the required processing steps for polyolefin production would not lead to any significant improvement in the sustainability of the products. The existing routes from renewable feedstock can also raise some fundamental issues regarding economic, social and environmental stability, for example when industrial water and land use competes with food production.

However, whilst Borealis is focused on continuously improving energy and resource efficiency and reducing emission levels, both at its own facilities and along the entire value chain, the company also takes an active role in analysing and supporting the development of new feedstock sources and technologies.

BOREALIS' ETHICS POLICY: DOING BUSINESS ACCORDING TO THE HIGHEST ETHICAL STANDARDS

Borealis commitment to ethical business conduct is firmly rooted in the company's core values. Borealis' Ethics Policy lays the foundation for maintaining the highest standards of integrity, which is essential for securing the trust of customers, business associates and the general public and in turn is a stabilising factor that brings security for the company and its employees. The company's zero-tolerance policy for corruption therefore allows no exceptions, and infractions result in disciplinary measures or dismissal of compromised employees and the termination of contracts with tainted suppliers.

The Borealis Ethics Policy covers a wide range of topics including human rights standards, how to deal with conflicts of interest and how to avoid bribery, as well as general principles on how the company competes. The guidelines are available in 12 languages and are easily accessible on Borealis' corporate website. They provide anyone acting on behalf of Borealis – employees, contractors and suppliers alike – with practical tools to help them take the right decision whenever they face ethical questions.

To help employees apply these policies and guidelines and to support them when they are unsure of what to do, Borealis has established a network of ethics ambassadors across all countries, hierarchies and functions. These ambassadors run ethics training courses for all Borealis employees. Next to general training courses, the company conducts training sessions focusing on specific high-risk functions or particular countries. In addition, each new employee is provided with information about ethics and Borealis practices during his or her

"I am very proud that compliance with our high ethical standards is something inherent in the Borealis culture, and lived by all our employees regardless of their location or background in their daily business life."

Katja Tautscher
Vice President General Legal Counsel

BOREALIS' COMMITMENT TO ETHICS GOES EVEN FURTHER.

All Borealis agents, suppliers and distributors are also obliged to comply with the company's ethical principles; their contracts include an ethics clause. Ethics assessment is part of large and medium-size projects, and an annual evaluation highlights the areas that need further guidance and additional support.

first weeks on the job. The 'QuestionLine' hotline provides an opportunity for employees to report unethical behaviour and raise concerns with full confidentiality. All alerts received are registered, evaluated, documented and investigated, and appropriate actions are taken.

But Borealis' commitment to ethics goes beyond its own employees. All Borealis agents, suppliers and distributors are also obliged to comply with the company's ethical principles; their contracts include an ethics clause. Ethics assessment is part of large and medium-size projects, and an annual evaluation highlights the areas that need further guidance and additional support. In 2012, ethics and governance reviews started in 2011 continued in Slovakia, the Czech Republic and Bulgaria. In addition, special ethics campaigns were carried out at various Borealis locations and divisions.

Another important topic in 2012 – and one that will continue to occupy the company in 2013 – involved the UK Bribery Act that took effect in 2011. Described as one of the "toughest anti-corruption laws in the world," it directs companies to review their policies and practices for their full compliance with the law. A comprehensive training programme took place in 2012 designed to help Borealis recognise and avoid any internal and external risks involved in the business. Preparations for the new Austrian anti-corruption law that took effect on 1 January 2013 have also been initiated.

Borealis' employees appreciate the importance of ethical behaviour and are proud to work for a company with such a strong foundation. The Company's approach is seen by the wider corporate community and opinion leaders as an example for best practice – a benchmark for the efficient and effective implementation of ethical corporate behaviour.

BOREALIS' SOCIAL ENGAGEMENT: EVERY INVESTMENT THAT BENEFITS SOCIETY AS A WHOLE IS ALSO A SMART BUSINESS INVESTMENT

For Borealis, Corporate Social Responsibility means not only investing in business, but in society as a whole. In 2007, Borealis launched Water for the World™, a joint Borealis and Borouge initiative, to advance solutions to the global water challenge and further extended its Social Engagement with the launch of the Borealis Social Fund in 2008.

Water for the World™: contributing to the global water and sanitation challenge

Around the world, 1.8 billion people have no access to clean water, and 2.5 billion lack proper sanitation. The causes and consequences of this global crisis are diverse, but one thing is clear: solving it will require the collaboration of the business community with civil society, governments and academia. In 2007, Borealis and Borouge launched Water for the World™, a joint initiative that goes beyond the company's core business and seeks to advance solutions, expertise and know-how to address society's need for secure and safe access to water and sanitation.

Borealis' response to the global water and sanitation challenge includes many activities at global and regional levels and involves cross-sector cooperation with scientific institutions, non-governmental organisations (NGOs), industry partners as well as local communities. By focusing its efforts on initiatives that are closely linked with the company's core business, Borealis ensures that its contributions are sustainable for both society and business.

Water for the World focuses on three areas: improving access to water and sanitation for the poor and victims of natural disasters, promoting sustainable water management practises to preserve water resources, and raising awareness in communities and across the value chain. In the five years since its inception, Water for the World has provided direct access to water for an estimated 300,000 people and indirectly reached one million.

Promoting sustainable water management practices

About 70% of the world's water resources are needed for food production. Therefore promoting sustainable water management practices in agriculture and industry is a special focus of Water for the World. Together with a number of other renowned companies, Borealis has cooperated on a cost-benefit analysis to evaluate the effects of a water-saving strategy in Italian agriculture. The study concluded that an overhaul of irrigation systems could save EUR 17 billion in Italy alone over the next 30 years. In August 2012, Borealis launched Borstar Aquility™, a new range of plastic materials for drip irrigation pipes that substantially improves efficiency of irrigation systems and increases crop yields. At the 2012 World Water Week in Stockholm as well as at the XVI International Plastic Pipes Conference in Barcelona, Borealis and Borouge presented papers on how modern irrigation systems can improve water efficiency and generate wealth for farming communities.

Improving access to water and sanitation

In 2012, Borealis continued to support the development and piloting of 'x-runner,' a new business model responding to the need for alternative sanitation solutions where conventional sewer systems are not feasible. It consists of a plastic toilet that needs no water, so

it does not require connection to a piped sewage system. It can be easily installed and comes with a weekly pick-up and disposal service. Human waste can then be recycled and turned into energy or fertilizer.
Borouge's engagement in northern Pakistan also continued in 2012 with a project providing new water supplies to four additional villages in the Neelum Valley, which had lost most of their infrastructure in the devastating floods of July 2010.

Water for the World™ – a partnership approach

The World Business Council for Sustainable Development (WBCSD) is an organisation of 200 forward-thinking companies in 35 countries and 20 industrial sectors, all of whom are dedicated to creating a sustainable future for business, society and the environment. In its commitment to drive water sustainability within the industry, Borealis is co-chairing the organisation's Water Group and in 2012 took the lead of the Water Group's pathway 'Business action for access to water and sanitation.'

Since the launch of Water for the World, Borealis and Borouge have joined Water and Sanitation for the Urban Poor (WSUP), a partnership that brings together skills and expertise from the private sector, civil society and academia. Borealis and Borouge are members of the WSUP Board and contribute by providing strategic direction, defining WSUP's mission, ensuring effective strategic planning and maintaining WSUP's legal, ethical and financial integrity and accountability.
In 2012, training was provided to the water engineers of Lusaka Water and Sewage Company in Zambia, where WSUP are undertaking a programme that involves an extension to the existing water pipe network and the construction of twenty water kiosks, with the aim of increasing the number of people with regular access to safe, potable water by 30,000. Since its establishment, WSUP has so far brought access to water, sanitation as well as hygiene education to more than one million people in Africa and Bangladesh. Their efforts have been recognised by the award of a EUR 2.5 million grant from the Bill and Melinda Gates Fund in 2012 to further support their efforts in improving sanitation services.

Borealis is proud of its achievements over the past five years, but recognizes that there is still much to be done. The company will continue its commitment, especially in 2013, which the United Nations has designated as the International Year of Water Cooperation. Through the collaboration with partners and NGOs, Water for the World helps to better understand consumer and market needs so the company can develop new opportunities for the benefit of both business and society.

BOREALIS SOCIAL FUND: CONTRIBUTING TO SOCIAL DEVELOPMENT AND WELFARE

In recognition of the fact that the prosperity of Borealis' business is closely aligned to the progress of the communities in which it operates, the company established the Borealis Social Fund (BSF) in 2008 and contributes a portion of the company's net profit to the fund each year. The BSF is currently supporting projects in the Middle East, Asia, and Europe, focussing on programmes designed to nurture interest in chemistry and science and to support the local communities where they need it most. Here are some examples:

Borealis Scholarship Programme

This Borealis Scholarship Programme has been established and is targeted to students in the fields of chemistry and plastics engineering with the aim of nurturing a continuous stream of engaged and talented innovators that will serve society in finding innovative solutions for a sustainable future.

The company has signed five-year cooperation contracts with Johannes Kepler University in Linz and the TGM School of Technology in Vienna. The Borealis Scholarship Programme will enable talented young people to successfully complete their education at these institutes, thereby helping ensure a continuous stream of engaged and talented innovators who will serve society by finding solutions for a sustainable future.

Borealis Student Innovation Award

Since 2008 Borealis has sponsored the Student Innovation Award, which recognises and rewards innovative masters' and doctoral theses in the field of olefins and polyolefins research. The 2012 awards were presented to Rana Qudaih for her work on recycling cross-linked polyethylene cable materials, and Dr Said Mehdiabadi for research into new methods of polyolefin catalysis.

Science Centre in Stenungsund

The company supports the Molekylverkstan Science Centre in Stenungsund, the centre of the Swedish petrochemical industry. Founded in the early 1990s as a joint project of Borealis together with other chemical companies active in the region, this innovative science discovery centre stimulates the interest of children and young people in the natural sciences. Open all year round and with free admission, Molekylverkstan makes science accessible and inspiring to all and attracts some 50,000 visitors annually.

Community engagement in the MEA region

Borealis is committed to contributing to the welfare and enhancement of the communities in the Middle East region where the company is expanding its petrochemical operations at Borouge.

Amongst other projects, Borealis supports a water sustainability research initiative as well as schools and family organisations in the United Arab Emirates. Donation recipients include the Emirates Foundation for Philanthropy as well as the Emirates National School, the Zayed Higher Organisation for Humanitarian Care, Special Needs and the Family Development Foundation in Abu Dhabi.

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MANAGEMENT REPORT

Safety tops the agenda

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

Economic volatility continued in 2012

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

Acquisitions for growth

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

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

Solid financial results in a challenging market

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

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

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

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

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

Our most valuable asset: People

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

Volatility to continue in 2013

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

Review of results

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

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

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

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

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

Taxes
The provision for income taxes was reduced to EUR 8 million, compared to EUR 51 million in 2011, partially driven by a lower corporate income tax rate in Sweden and partially due to the development of the profitability in the European operations. Borealis paid income taxes in the amount of EUR 27 million in 2012, compared with EUR 74 million in 2011.

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

Financial position

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

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

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

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

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

Capital expenditure

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

Shareholders' equity

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

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

Risk

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

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

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

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

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

Project related risks are assessed in the Borealis' project approval process. All key risks related to an individual project, including financial, market, technical, legal, patent infringement, strategic, operational, country risk, and political factors, are assessed. The risk assessment shall also reflect the probability that the project will be completed within the estimated time frame and with the estimated resource requirements as well as the probability that the key project objectives will be achieved. Project-related risks shall be managed by the Project Manager and reported to the Project Steering Committee.

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

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

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

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

		2012	2011	2010	2009
Safety, Health and Environment					
Total Recordable Injuries	number/million work hours	1.5	1.6	1.0	0.7
Sick leave	% of total hours worked	3.2	3.4	3.4	3.4
EU ETS CO_2 emissions	kilotonnes	1,480	1,530	1,600	1,310
Primary energy consumption	GWh	20,300	22,500	22,300	19,300
Volatile organic compounds emissions	tonne	2,940	3,250	3,762	3,440
Waste generation	tonne	18,100	18,200	16,140	16,100
Number of employees (Full-time equivalent)		5,339	5,160	5,075	5,215
Income and profitability					
Net sales	EUR million	7,545	7,096	6,269	4,714
Operating profit	EUR million	158	285	349	24
Operating profit as percentage of net sales	%	2	4	6	1
Net profit	EUR million	480	507	333	38
Return on capital employed, net after tax	%	11	13	10	2
Cash flow and investments					
Cash flow from operating activities	EUR million	214	242	268	395
Investments in tangible assets	EUR million	312	242	97	308
Financial position					
Net interest-bearing debt	EUR million	1,545	1,142	1,058	1,031
Equity attributable to owners of the parent	EUR million	3,617	3,276	2,887	2,387
Gearing	%	43	35	37	43

Definitions

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

Vienna, February 14, 2013

Executive Board:

Mark Garrett
Chief Executive

Daniel Shook
Chief Financial Officer

Markku Korvenranta

Herbert Willerth

Alfred Stern

REPORT OF THE AUDITORS*

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Borealis AG, Vienna, for the fiscal year from January 1, 2012 to December 31, 2012. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2012, and the notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System
The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; 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 consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Accounting Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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 consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2012 and of its financial performance and its cash flows for the fiscal year from January 1, 2012 to December 31, 2012 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the consolidated Management Report
Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated 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 consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a (2) UGB (Austrian Commercial Code) are appropriate.
In our opinion, the consolidated management report is consistent with the consolidated financial statements.

The disclosures pursuant to Section 243a (2) UGB (Austrian Commercial Code) are appropriate.

Vienna, February 14, 2013

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner
Certified Auditor

Mag. Walter Krainz
Certified Auditor

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

REPORT OF THE SUPERVISORY BOARD

In the year under review, the Supervisory Board obtained a comprehensive overview of the activities of the Management of Borealis AG and performed its duties and exercised its powers under the law and the articles of association in six plenary sessions.

The Supervisory Board was informed regularly, in a timely fashion and comprehensively, both in writing and verbally, on relevant issues of business development as well as on the state and strategy of the company and the important group companies, including risk conditions and risk management.

The Management of Borealis AG submitted the financial statements as of December 31, 2012, including the management report and the consolidated financial statements as of December 31, 2012, including the consolidated management report to the Supervisory Board and explained it thoroughly.

The financial statements of Borealis AG were drawn up in accordance with the applicable provisions of the Enterprise Act (Unternehmensgesetzbuch) and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, issued an unqualified audit opinion (uneingeschränkter Bestätigungsvermerk) on the financial statements.

Further, the consolidated financial statements of Borealis AG were drawn up in accordance with the International Financial Reporting Standards (IFRS) and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, issued an unqualified audit opinion (uneingeschränkter Bestätigungsvermerk) on the consolidated financial statements.

The (consolidated) financial statements and the audit reports were submitted to the Audit Committee and the Supervisory Board in due time. After a thorough examination and debate by the Audit Committee and by the Supervisory Board, the Supervisory Board reached the final agreement that no material objections shall be raised, and the drawn up financial statements, the management report, the proposal for the distribution of the profits, the proposal for the appointment of the auditor for the Financial Year 2013, the consolidated financial statements, and the consolidated management report were approved/acknowledged.

February 19, 2013

Khadem Al Qubaisi
Chairman of the Supervisory Board

FINANCIAL STATEMENTS

Consolidated income statement

EUR million	2012	2011	Note
Net sales	**7,545**	**7,096**	1
Production costs	-6,557	-5,991	5, 12
Gross profit	988	1,105	
Sales and distribution costs	-554	-543	5, 12
Administration costs	-180	-186	5, 12
R&D costs	-96	-91	2, 5, 12
Operating profit	**158**	**285**	
Net results in associated companies after tax	391	333	7
Financial income	12	10	17
Financial expenses	-73	-71	17
Profit before taxation	**488**	**558**	
Taxes	-8	-51	9
Net profit for the year	**480**	**507**	
Attributable to:			
Non-controlling interest	1	1	
Equity holders of the parent	479	506	

Consolidated statement of comprehensive income

EUR million	2012	2011	Note
For the period ended December 31			
Net profit for the year	**480**	**507**	
Net gain/loss on translation of financial statements of foreign operations	-6	33	
Reclassifications during the period to the income statement	0	0	
Tax effect recognised in other comprehensive income	0	0	
Net gain/loss on long-term loans to foreign operations	8	0	18
Reclassifications during the period to the income statement	0	1	18
Tax effect recognised in other comprehensive income	-2	0	
Net gain/loss on loans and financial contracts to hedge investments in foreign operations	-1	-11	18
Reclassifications during the period to the income statement	0	0	
Tax effect recognised in other comprehensive income	0	3	
Fair value adjustment of cash flow hedges	-35	-76	18
Reclassifications during the period to the income statement	51	4	18
Tax effect recognised in other comprehensive income	-4	18	
Actuarial gains and losses	-53	15	13
Tax effect recognised in other comprehensive income	14	-5	
Net income/expense recognised in other comprehensive income	**-28**	**-18**	
Total comprehensive income	**452**	**489**	
Attributable to:			
Non-controlling interest	1	0	
Equity holders of the parent	451	489	

Consolidated balance sheet

EUR million	31.12.2012	31.12.2011	Note
Assets			
Non-current assets			
Intangible assets	273	220	2, 3
Tangible assets			4
Production plants	2,383	2,243	
Machinery and equipment	29	34	
Construction in progress	192	168	
	2,604	2,445	
Investments in associated and jointly controlled companies	1,751	1,382	7, 27
Other investments	15	16	7, 27
Other receivables and other assets	15	13	7, 27
Deferred tax assets	191	175	9
Total non-current assets	**4,849**	**4,251**	
Current assets			
Inventories	1,053	938	10
Receivables			
Trade receivables	584	352	25, 26, 27
Receivables from associated companies	95	227	27 ,29
Income taxes	10	33	9
Other receivables and other assets	300	231	20, 27
	989	**843**	
Cash and cash equivalents	65	96	
Total current assets	**2,107**	**1,877**	
Total assets	**6,956**	**6,128**	

Consolidated balance sheet

EUR million	31.12.2012	31.12.2011	Note
Total Equity and Liabilities			
Shareholders' equity			
Share capital and contributions by shareholders	1,619	1,799	11
Reserves	-62	-34	
Retained earnings	2,060	1,511	
	3,617	3,276	
Non-controlling interest	10	10	
Total equity	**3,627**	**3,286**	
Liabilities			
Non-current liabilities			
Loans and borrowings	1,236	1,016	19, 20, 27
Deferred tax	293	301	9
Employee benefits	284	224	13
Provisions	49	68	14
Government grants	23	25	15
Other liabilities	22	24	20, 27
	1,907	1,658	
Current liabilities			
Loans and borrowings	374	222	19, 20, 27
Trade payables	754	620	20, 27
Income taxes	7	11	9
Provisions	5	5	14
Other liabilities	282	326	20, 27
	1,422	1,184	
Total liabilities	**3,329**	**2,842**	
Total equity and liabilities	**6,956**	**6,128**	

Consolidated statement of changes in equity

EUR million	Share capital* and contributions by shareholders	Reserve for actuarial gains/losses recognised in equity	Hedging reserve	Reserve for unrealised exchange gains	Retained earnings	Total attributable to the equity holders of the parent	Attributable to non-controlling interest	Total equity
Balance as of December 31, 2010	**1,799**	**-73**	**20**	**36**	**1,105**	**2,887**	**11**	**2,898**
Profit of the period	0	0	0	0	506	506	1	507
Other comprehensive income	0	10	-54	27	0	-17	-1	-18
Total comprehensive income	0	10	-54	27	506	489	0	489
Dividend payment by subsidiaries	0	0	0	0	0	0	-1	-1
Dividend payment	0	0	0	0	-100	-100	0	-100
Transfer of reserves	0	0	0	0	0	0	0	0
Balance as of December 31, 2011	**1,799**	**-63**	**-34**	**63**	**1,511**	**3,276**	**10**	**3,286**
Profit of the period	0	0	0	0	479	479	1	480
Other comprehensive income	0	-39	11	0	0	-28	0	-28
Total comprehensive income	0	-39	11	0	479	451	1	452
Dividend payment by subsidiaries	0	0	0	0	0	0	-1	-1
Dividend payment	0	0	0	0	-110	-110	0	-110
Transfer of reserves	-180	0	0	0	180	0	0	0
Balance as of December 31, 2012	**1,619**	**-102**	**-23**	**63**	**2,060**	**3,617**	**10**	**3,627**

The Executive Board proposes to distribute a dividend of EUR 60 million for 2012.

* Share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (EUR 300,000.00).

Consolidated cash flow

EUR million	2012	2011	Note
Cash flows from operating activities			
Payments from customers	7,389	7,004	
Payments to employees and suppliers	-7,082	-6,626	
Interest received	4	9	17
Interest paid	-54	-68	17
Other financial expenses paid	-16	-3	17
Income taxes paid	-27	-74	9
	214	**242**	
Cash flows from investing activities			
Investments in tangible assets	-312	-242	4
Capital contribution to associates	-69	0	
Repayment of capital contribution by associates	0	69	
Investments in intangible assets and other investments	-34	-40	3, 8
Acquisition of subsidiaries	-94	0	
	-509	**-213**	
Cash flows from financing activities			
Long-term loans obtained	537	42	
Short-term loans obtained	166	123	
Short-term loans repaid	-329	-130	
Dividends paid	-110	-100	
Dividends paid to non-controlling interest	-1	-1	
	263	**-66**	
Net cash flow for the year	**-32**	**-37**	
Cash and cash equivalents as of January 1	96	134	
Effect of exchange rate fluctuations on cash held	1	-1	
Cash and cash equivalents as of December 31	**65**	**96**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reporting entity

Borealis AG (the "Company" or Group) is a company domiciled in Austria. The address of the Company's registered office is Wagramer Strasse 17-19, 1220 Vienna, Austria. Borealis is a leading provider of chemical and innovative plastics solutions.

In our Polyolefins segment we focus on three specific market sectors: infrastructure (including pipes for utilities such as water, gas and sewage and oil transport as well as power and communication cables), automotive (components that enhance safety and bring lightweight energy saving and corrosion-proof solutions) and advanced packaging (niche and specialised applications in rigid moulded and flexible film packaging as well as highly advanced medical applications).

Base Chemicals is the second reporting segment and includes the following product ranges: phenol/aromatics (phenol and acetone), feedstock (naphtha, LPG, etc), olefins (ethylene, propylene, butadiene, etc), melamine and fertilizer.

Statement of compliance

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards issued by the IASB as adopted by the EU and additional Austrian disclosure requirements. The financial statements were authorised for issue by the Executive Board on February 14, 2013.

Basis of preparation

The consolidated financial statements are presented in Euro (EUR), rounded to the nearest million. According to that rounding differences may arise. The consolidated financial statements are prepared on the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments and investments held for trading. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is being hedged.

Consolidation principles

The consolidated financial statements include the accounts of Borealis AG, the parent company, and all the companies over which it has control. Control is generally indicated when Borealis AG, either directly or indirectly, has a majority voting interest. Companies in which the Group has significant influence (interest of 20% or more) but no control are considered associated companies.

The consolidated financial statements are based on audited financial statements of the parent company and of each individual subsidiary. The accounts have all been prepared in accordance with the Group's accounting policies. Items of a similar nature have been combined. Intra-group transactions (revenues and costs), unrealised intra-group profits, internal shareholdings, and intra-group balances have been eliminated.

Acquired subsidiaries, associated and jointly controlled companies are included in the consolidated financial statements from the date of control and until control ceases. A revaluation of the acquired net assets is made at the date of acquisition. Any remaining positive difference between the fair value of the assets and liabilities and the purchase consideration is capitalised as goodwill and is subject to an annual impairment test. Any gain from a bargain purchase is recognised in the income statement.

Investments in associated companies and investments in jointly controlled operations are recorded under the equity method in the consolidated financial statements.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The judgements, estimates and assumptions relate mainly – to the useful life and impairment of intangible and tangible assets (note 3 and note 4), value of deferred tax assets and unused tax losses (note 9), actuarial assumptions for employee benefits (note 13), future cash-outflows for provisions (note 14), allowance for impairment in respect to trade receivables (note 26) and are included in the description of the respective note to the position.

Foreign currency

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies have been translated into Euro (EUR) at the exchange rates quoted on the balance sheet date. Non-monetary items that are measured at historical costs in a foreign currency are translated using the exchange rate as at the date of transaction.

All foreign exchange related gains and losses, both realised and unrealised, are recorded as financial items in the income statement. However, the exchange adjustments arising from the following items are recognised in other comprehensive income: conversion of the net assets of foreign entities and associated companies as of January 1 using the closing rate on December 31, translation of long-term intra-group receivables that are considered part of investments in subsidiaries or associated companies, conversion of long-term loans hedging net assets of foreign subsidiaries and associated companies or intra-group receivables considered part of investments in subsidiaries and associated companies, and conversion of the net income of foreign entities calculated on monthly rates to figures converted using the exchange rates applicable at the balance sheet date.

Group companies

Consolidated financial statements are presented in Euro (EUR), the functional currency of the parent.

Financial statements of foreign entities in functional currencies, other than EUR, have been translated at the exchange rates quoted on the balance sheet date for assets and liabilities. The income statements of foreign entities have been translated on the basis of monthly exchange rates. The exchange differences arising from the translation are recognised in other comprehensive income.

Income statement

Revenue recognition

Revenues from sales of goods are recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Net sales comprise sales invoiced during the year, excluding value-added tax and after deduction of goods returned and discounts and allowances.

Research and development

Research costs are charged to the income statement in the year they are incurred.

Development costs relating to a definable product or process that is demonstrated to be technically and commercially feasible are recognised as an intangible asset to the extent that such costs are expected to be recovered from future economic benefits. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads.

Other development costs not meeting these criteria are recognised in the income statement as an expense when incurred.

Results from associated companies

The proportionate share of the net profit or loss after tax of these companies is included in the consolidated income statement.

Net financial items

Interest income and expenses are included in the income statement using the effective interest rate with the amounts relating to the financial year.

Net financial items also include borrowing costs, costs incurred on finance leases, realised and unrealised gains and losses from exchange and price adjustments of financial instruments, investments and items in foreign currencies.

Income tax

The income tax charged to the income statement comprises expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, adjusted for the change in provision for deferred tax assets and liabilities for the year and for any tax payable in respect of previous years. Income tax that relates to items recognised in other comprehensive income is recognised in other comprehensive income as well.

Balance sheet

Intangible assets

Intangible assets are stated at cost, less accumulated amortisation and impairment losses.

Goodwill arising on an acquisition represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired. Goodwill is not amortised but is subject to an annual impairment test.

Licences and patents externally acquired are stated at cost, less accumulated amortisation and impairment losses. Amortisation is calculated according to the straight-line method based on an estimated useful life of 3-20 years.

Capitalised development costs are stated at cost, less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the expected useful life of the asset of 3-10 years. Development costs not yet amortised are subject to an annual impairment test.

Costs to purchase and develop software for internal use are capitalised and amortised on a straight-line basis over 3-7 years.

Emission rights are reported as intangible assets. They are measured at cost, if purchased in the market, or at fair value, if received through government grants. A liability to return emission rights for actual emissions made is recognised as well.

Tangible assets

Tangible assets are valued at cost, less accumulated depreciation and impairment losses. Cost comprises purchase price, site preparation and installation. Day-to-day servicing expenses are not included in the cost of the assets. If certain conditions are met, the costs of major inspections and overhauls are recognised in the carrying amount of the property, plant and equipment. Production plants include land, buildings, related non-movable machinery and equipment. Assets held under finance leases are also included.

Machinery and equipment are recognised at purchase price and any directly attributable costs.

Depreciation is made on a straight-line basis over the expected useful life of the components of the assets. The useful lives of major assets are determined individually, while the lives of other assets are in respect of groups of uniform assets.

Land is not depreciated. Buildings are depreciated over 20-50 years, production facilities over 15-20 years and machinery and equipment over 3-15 years.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and classified to operating and finance lease in accordance with IAS 17. Assets leased under finance leases are recognised in the balance sheet and depreciated over the shorter of the lease period or useful life. The cost of assets leased under finance leases are stated at the lower of fair value and the present value of the future minimum lease payments at the time of acquisition.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Impairment losses

The carrying values of both tangible and intangible assets, other than inventories, deferred tax assets and certain financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated as the greater of net selling price and value in use. The value in use is calculated with a discounted cash flow calculation using a weighted average cost of capital appropriate to the company at the moment of the calculation, based on a 3 year business plan and long term projection for up to 15 years. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Production facilities are considered as cash-generating units.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with IFRS 5. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value, less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

Associates and jointly controlled companies

Associates and jointly controlled companies are accounted for using the equity method. The consolidated financial statements include the Group's share of the comprehensive income of equity accounted investees.

Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and liquid short-term deposits.

Inventories

Inventories are stated at the lower of cost and net realisable value, taking into account future price developments. Costs incurred are based on the first in, first out principle (FIFO method), and comprises direct costs such as materials, utilities, salaries and wages, and a systematic allocation of fixed and variable production overhead costs. Valuation of raw materials and spare parts is based on weighted average cost method.

Government grants

Government grants include grants for research and development as well as investment grants. Investment grants are recognised in the balance sheet as non-current liabilities and recognised as income over the useful life of the asset. Other grants are recognised in the income statement on a systematic basis to offset the related cost.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions reflect the present value of future cash outflows.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost.

Deferred tax

The provision for deferred income tax is computed individually for each company in accordance with the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax loss carryforwards can be utilised, based on the business plan and similar forward-looking information available to Executive Board (using a 10-year period). Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Reserves

A reserve has been established under the consolidated equity for unrealised exchange differences related to deferred foreign exchange gains and losses on inter-company loans, hedge loans and the equity of foreign operations. The hedging reserve contains fair value adjustments to financial instruments held for hedging purposes. The reserve for actuarial gains/losses recognised in equity contains the actuarial gains and losses on employee benefit plans.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans and other post employment benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine the present value of it, and the fair value of any plan assets is deducted. A qualified actuary, using the projected unit credit method, performed the calculation.

The discount rate used in the actuarial valuations is determined with a reference to long term yields of AA-rated corporate bonds. In countries where no deep market for such bonds exists, market yield of government bonds is used.

Expected return on plan assets reflects company's best estimate of the long-term returns of individual investment categories, weighted by the asset allocation, based on the historical returns and future expectations.

The Group has the following plans in place: defined benefit pension plans, post-employment medical plans, termination indemnity plans and jubilee schemes. Pension plans in place are both funded and unfunded. The plan asset funds are kept predominantly in a form of debt securities invested through insurance contract. The parameters of the pension promises vary from country to country; there are both plans open and closed to new

entrants, contributory as well as non-contributory. Post-employment medical plans cover the medical expenses of retirees in Belgian companies. They are non-contributory and closed to new entrants.
Termination indemnity plans cover employees of Austrian companies who started their service before December 31, 2002. They are entitled to receive severance payments upon termination of their employment or on reaching their pension age. The benefits depend on the years of service and remuneration level. These plans are non-contributory and unfunded.
Jubilee schemes entitle the members to benefits in form of a payment and/or additional paid holiday when reaching a defined time of service. These plans are non-contributory and unfunded.

All actuarial gains and losses relating to post-employment benefit plans are recognised in other comprehensive income. Actuarial gains and losses related to other long-term services are recognised in profit or loss.

Financial instruments

Purchases or sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets.

Derivative financial instruments

In accordance with its treasury procedure, the Group uses derivative financial instruments only to reduce its exposure to foreign exchange, interest rate and commodity risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised at fair value. Recognition of any resulting gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. The fair value of feedstock and energy contracts is their quoted market price at the balance sheet date.

Cash flow hedges

Where derivative financial instruments are designated as a hedge of the variability in cash flows attributable to a recognised liability or receivable, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. When realised, the cumulative gains or losses are removed from hedging reserve and recognised in the income statement together with the hedged transaction. When the firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, the cumulative gains or losses are removed from hedging reserve and included in the initial measurement of the asset or liability. The ineffective parts of any unrealised gains or losses are recognised in the income statement immediately. Any gain or loss arising from changes in the time value of the derivative financial instruments is excluded from the measurement of hedge effectiveness and is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated, but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss in equity is recognised in the income statement immediately.

Hedge of monetary assets and liabilities

When derivative financial instruments are used to hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied, and any gain or loss on the hedging instruments is recognised in the income statement.

Fair value hedges

Where derivative instruments are designated as a hedge of an exposure to changes in fair value of a recognised asset or liability, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. Gains or losses from re-measuring the associated derivative are also recognised in profit or loss.

Hedge of net investment in foreign operation

Where a foreign currency liability hedges a net investment in a foreign operation and fulfils the requirements for hedge accounting, foreign exchange differences arising on translation of the liability are recognised in other comprehensive income.

Other investments

Other investments include available for sale assets and are valued at fair value or at cost if fair value cannot be reliably estimated. The changes in their fair value are recognised in other comprehensive income.

Trade and other receivables

Receivables are stated at amortised cost, less impairment losses. For short-term receivables, it is assumed that the effect of the discounting is not material. Therefore we deem book value to be equal to fair value. An impairment is made in case of indications that debtors are experiencing significant financial difficulties and where a decrease of future cash flows are expected. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Receivables are written off when there is no realistic prospect of future recovery.

Trade and other payables

Payables are recorded at fair value and subsequently measured at amortised cost.

Loans and borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost applying the effective interest method.

Cash flow statement

The consolidated cash flow statement shows the Group's cash flow provided by/used in operating, investing and financing activities.

The cash flow from operating activities is calculated using the direct method. The cash flow from investing activities comprises payments made on the purchase and disposal of operations and the purchase and disposal of tangible and intangible assets. The cash flow from financing activities comprises changes in the Group's share capital, as well as loans, repayments of principals of interest-bearing debt and payment of dividends. Cash and cash equivalents consist of cash and bank deposits.

Segment reporting

A segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Executive Board (chief operating decision maker) and are taken to make decisions about resources to be allocated to the segment and assess its performance and for which separate financial information is available (reportable segment).
Moreover, a geographical segment is based on risks and rewards of a particular economic environment (geographic region). The Executive Board concluded to show next to the reportable segment also the net sales by the geographical segment.

New accounting standards

In 2012, the following accounting standards and interpretation became effective and have been adopted by the Company:

- IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (amended), effective July 1, 2011
- IFRS 7 Enhanced Derecognition Disclosure Requirements (amended), effective July 1, 2011
- IAS 12 Deferred tax: Recovery of Underlying Assets (amended), effective January 1, 2012

Effective means effective for annual periods beginning on or after that date.

The amendments to IFRS 1 in respect to Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters became effective for annual periods beginning on or after July 1, 2011. These amendments provide guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation respectively removes the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transaction. The amendments provide entities that have been subject to severe hyperinflation to recommence reporting under IFRS, respectively provide relief to first-time adopters by reducing the cost and resources required to retrospectively restate past transactions. This amendments did not have an impact on the Group's financial position, performance or its disclosures.

The amendments to IFRS 7 Enhanced Derecognition Disclosure Requirements are addressing the disclosure of transactions involving the transfer of financial assets and the possible effect of any risks that may remain with the entity that transferred the assets. The amendments require an additional disclosure if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. This amendment did not have an impact on the Group's financial position, performance or its disclosures.

IAS 12 Income Taxes (amendment) — Deferred Taxes: Recovery of Underlying Assets will become effective for annual periods beginning on or after 1 January 2012. The amendment to IAS 12 introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed, an own use basis must be adopted. This amendment is intended to give guidance on the tax rate that should be applied. This amendment did not have an impact on the Group's financial position, performance or its disclosures.

The Standards issued but not yet effective are listed below. Borealis will adopt the standards on the effective date.

- IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities (amended), effective January 1, 2013
- IFRS 9 Financial Instruments: Classification and Measurement of Financial Assets (amended), effective January 1, 2015*
- IFRS 9 Incorporation of requirements on the Accounting for Financial Liabilities (amended), effective January 1, 2015*

- IFRS 10 Consolidated Financial Statements (new standard issued in 2011 and subsequently amended in 2012), effective January 1, 2014
- IFRS 11 Joint Arrangements (new standard issued in 2011 and subsequently amended in 2012), effective January 1, 2014
- IFRS 12 Disclosure of Interests in Other Entities (new standard issued in 2011 and subsequently amended in 2012), effective January 1, 2014
- IAS 27 Separate Financial Statements (revised), effective January 1, 2014
- IAS 28 Investments in Associates and Joint Ventures (revised), effective January 1, 2014
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12), effective January 1, 2013*
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), effective January 1, 2014*
- IFRS 13 Fair Value Measurement (new standard), effective January 1, 2013
- IAS 1 Presentation of Items of Other Comprehensive Income (amended), effective July 1, 2012
- IAS 19 Employee Benefits (amended), effective January 1, 2013
- IAS 32 Offsetting Financial Assets and Liabilities (amended), effective January 1, 2014
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (new interpretation), effective January 1, 2013
- IFRS 1 Government Loans (amended), effective January 1, 2013*
- Improvements to IFRSs 2009-2011 (May 2012), effective January 1, 2013*

Effective means effective for annual periods beginning on or after that date.

The amendments to IFRS 1 in respect to Governmental Loans require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to governmental loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to governmental loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The amendment has no impact on the Group.

Due to the amendment of IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities (amended) additional quantitative and qualitative disclosures relating to transfers of financial assets are required in case when financial assets are derecognised in their entirety, but the entity has a continuing involvement in them, as well as in case when financial assets are not derecognised in their entirety. The amended disclosures are more extensive and onerous than previous disclosures. Borealis may need to modify its management information systems in order to be able to extract the necessary quantitative information to prepare the disclosures. This amendment will be effective for annual periods beginning on or after 1 January 2013. Borealis is currently evaluating the impact of these amendments on the consolidated financial statements.

The amendments to IFRS 9 Financial Instruments: Classification and Measurement (amended) will become effective from January 1, 2015 with early adoption permitted, introduces new requirements for the classification and measurement of financial assets. The 2010 revision to IFRS 9 retains the requirements for classification and measurement that were published in November 2009 but adds guidance on classification and measurement of financial liabilities, derecognition of financial instruments. Impairment and hedge accounting are to be added to IFRS 9 Financial Instruments. The standard retains a mixed-measurement model, with some assets measured at amortised cost and others at fair value. The distinction between the two models is based on the business model of each entity and a requirement to assess whether the cashflows of the instrument are only principal and interest.

All recognised financial assets that are in the scope of IAS 39 Financial Instruments: Recognition and Measurement will be measured at either amortised cost or fair value. The existing IAS 39 Financial Instruments: Recognition and Measurement categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 Financial Instruments contains an option to classify financial assets that meet the amortised cost criteria as at financial assets at fair value through profit or loss to eliminate or reduce an accounting mismatch.

All equity investments within the scope of IFRS 9 Financial Instruments are to be measured in the statement of financial position at fair value with the default recognition of gains and losses in profit or loss. Only if the equity investment is not held for trading an irrevocable election can be made at initial recognition to measure it at fair value through other comprehensive income, only dividend income recognised in profit or loss. The amounts recognised in other comprehensive income are not recycled to profit or loss on disposal of the investment although they may be reclassified in equity.

All derivatives within the scope of IFRS 9 Financial Instruments are required to be measured at fair value. IFRS 9 Financial Instruments does not retain IAS 39 Financial Instruments: Recognition and Measurement approach to accounting for embedded derivatives. Consequently, embedded derivatives that would have been separately accounted for at financial assets at fair value through profit or loss under IAS 39 Financial Instruments: Recognition and Measurement because they were not closely related to the financial asset host will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed as a whole and are measured at financial assets at fair value through profit or loss if any of its cashflows do

* not yet endorsed by the EU

not represent payments of principal and interest. Some financial assets that are currently disaggregated into host financial assets that are not at financial assets at fair value through profit or loss will instead by measured at financial assets at fair value through profit or loss in their entirety. Assets that are classified as held-to-maturity are likely to continue to be measured at amortised cost as they are held to collect the contractual cash flows and often give rise to only payments of principal and interest.

Borealis is currently evaluating the impact of the amendments to the IFRS 9 Financial Instruments on the consolidated financial statements and will quantify the effect in conjunction iwht the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements (new standard issued in 2011 and subsequently amended in 2012) replaces the portion of IAS 27 Separate Financial Statements (revised 2011), that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities resulting in SIC-12 being withdrawn. The new standard is to be applied retrospectively in accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for changes in accounting policy.

IFRS 10 does not change consolidation procedures. IFRS 10 changes whether an entity is consolidated by revising the definition of control, which is brother defined than under current IAS 27. This may result in changes to a consolidated group, by having more or fewer entities being consolidated than currently. Assessing control will require a comprehensive understanding of an investee's purpose and design, and the investor's rights and exposures to variable returns, as well as rights and returns held by other investors.

IFRS 11 Joint Arrangements (new standard issued in 2011 and subsequently amended in 2012) replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 establishes two types of joint arrangements: joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) and joint ventures (equivalent to the existing concept of a jointly controlled entity). A joint operator recognizes its share of the assets, liabilities, revenues and expenses in accordance with applicable IFRSs, while a joint venture would account for its interest using the equity method of accounting under IAS 28 (revised 2011) Investments in Associates and Joint Ventures, thus eliminating the option of proportionate consolidation for interests in joint ventures.

Since the definition of control in joint control refers to the new concepts in IFRS 10 it is possible that what is considered a joint arrangement under IFRS 11 will change. Significant judgment of facts and circumstances may be required to assess whether a joint control exists and determine the classification of the joint arrangement.

IFRS 12 Disclosure of Interest in Other Entities (new standard issued in 2011 and subsequently amended in 2012) combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard. Many of the disclosure requirements were previously included in IAS 27, IAS 28 or IAS 31, whilst others are new. The new disclosures shall assist users to make their own assessment of the financial impact were management to reach a different conclusion regarding consolidation. Additional procedures and changes to systems may be required to gather information for the preparation of the additional disclosures.

IAS 27 Separate Financial Statements has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements.

IAS 28 Investments in Associates and Joint Ventures has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

The new standards IFRS 10, IFRS 11 and IFRS 12 and amended IAS 27 and IAS 28 standards will become effective for annual periods beginning on or after January 1, 2013. Based on the preliminary analysis performed the IFRS 10 and IFRS 11 are not expected to have any impact on the currently held investments of the Group. IFRS 12 requires a number of new disclosures, but has no impact on the Group's financial position or performance.

Transition Guidance amendments (Amendments to IFRS 10, IFRS 11 and IFRS 12) clarifies the transition guidance in IFRS 10 Consolidated Financial Statements. The amendments also provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied. The amendments will become effective for annual periods beginning on or after January 1, 2013 are not expected to impact the Group's financial position or performance.

Investment Entities amendments (Amendments to IFRS 10, IFRS 12 and IAS 27) apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. The Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendments will become effective for annual periods beginning on or after January 1, 2014 and are not expected to impact the Group's financial position or performance.

IFRS 13 Fair Value Measurement (new standard) will become effective for annual periods beginning on or after January 1, 2013. The new standard describes how to measure fair value where fair value is required or permitted by IFRS. Under IFRS 13 fair value is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (i.e., an 'exit price'). New disclosures about the valuation techniques and inputs used to develop fair value measurements and the effect on profit or loss will also be required. Specific requirements relating to the highest and best use and the principal market may require Borealis to re-evaluate its processes and procedures for determining fair value. Borealis is currently evaluating the impact of this new standard on the consolidated financial statements, but based on the preliminary analyses, no material impact is expected.

IAS 1 Presentation of Items of Other Comprehensive Income (amendments) will become effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI. The amendment affects presentation only and has no impact on the Group's financial position or performance.

The amendments to IAS 19 Employee Benefits eliminate the 'corridor approach' and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur. The amendments will become effective for annual periods beginning on or after January 1, 2013. All actuarial gains and losses are required to be recognised immediately through Other Comprehensive Income. The amendments also introduce a new approach for the presentation of changes in defined benefit obligations and plan assets with changes being split into service cost, net interest and/or remeasurement. Due to these amendments actuarial gains and losses will be excluded permanently from earnings, with no subsequent recycling. Borealis always applied the accounting policy to recognise actuarial gains and losses in other comprehensive income, however, the amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. Borealis is currently evaluating the impact of this amendment on the consolidated financial statements.

The amendments to IAS 32 Financial Instruments: Offsetting Financial Assets and Financial Liabilities shall clarify the offsetting criteria in order to eliminate the inconsistencies in the application. The offsetting criteria under IAS 32 Financial Instruments requires an entity to offset a financial asset and financial liability when, an only when, an entity currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously. This amendment, together with the amendment of IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities will be effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to impact the Group's financial position or performance.

The new interpretation IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine will become effective for annual periods beginning on or after January 1, 2013. IFRIC 20 applies to all types of natural resources that are extracted using a surface mining activity. Borealis does not expect any impact due to this amendment.

In May 2012, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Borealis has not yet completed its evaluation of the impact on the consolidated financial statements.

Amounts

All amounts are in EUR million unless otherwise stated. The amounts in parentheses relate to the preceding year.

1. Segment reporting

	Polyolefins		Base Chemicals		Non-Allocated		Consolidated	
EUR million	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Net sales by business:								
Total sales	4,906	4,780	6,437	5,880	110	98	11,453	10,758
Group internal sales	0	0	-3,908	-3,662	0	0	-3,908	-3,662
	4,906	**4,780**	**2,529**	**2,218**	**110**	**98**	**7,545**	**7,096**

Prices for Group inter segment sales are based on monthly market prices for ethylene and propylene contracts.

	Polyolefins 2012	Polyolefins 2011	Base Chemicals 2012	Base Chemicals 2011	Non-Allocated 2012	Non-Allocated 2011	Consolidated 2012	Consolidated 2011
Result:								
Operating profit	11	97	297	370	-150	-182	158	285
Net result in associated companies					391	333	391	333
Net financial items					-61	-61	-61	-61
Income tax					-8	-51	-8	-51
Non-controlling interest					-1	-1	-1	-1
Net profit for the year attributable to equity holders of the parent							**479**	**506**

	Polyolefins 2012	Polyolefins 2011	Base Chemicals 2012	Base Chemicals 2011	Non-Allocated 2012	Non-Allocated 2011	Consolidated 2012	Consolidated 2011
Other information:								
Segment assets:	3,302	3,120	1,611	1,311	2,043	1,697	6,956	6,128
thereof Austria	*1,993*	*1,830*	*905*	*742*	*1,071*	*1,078*	*3,969*	*3,650*
Segment liabilities					3,329	2,842	3,329	2,842
Investment in tangible assets	60	162	152	79	107	1	319	242
Depreciation and amortisation	131	129	100	93	43	62	274	284

Over 90% of the above relate to segment EU countries.

	Polyolefins 2012	Polyolefins 2011	Base Chemicals 2012	Base Chemicals 2011	Non-Allocated 2012	Non-Allocated 2011	Consolidated 2012	Consolidated 2011
Net sales by geographic segment:								
EU countries:	3,303	3,167	2,318	2,036	65	51	5,686	5,254
thereof Austria	*130*	*138*	*119*	*155*	*84*	*20*	*333*	*312*
Non-EU countries in Europe	667	685	117	47	1	0	785	732
USA	187	166	6	35	0	0	193	201
Middle East and Asia	316	403	40	59	44	47	400	508
Other regions	433	359	48	41	0	0	481	401
	4,906	**4,780**	**2,529**	**2,218**	**110**	**98**	**7,545**	**7,096**

2. Research and development

At the end of the year, 511 people were engaged in research and development, compared with 506 in 2011. The total cost of these activities amounted to EUR 96 million (EUR 91 million). Development costs amounting to EUR 23 million (EUR 23 million) were capitalised as intangible assets.

3. Intangible assets

EUR million	Goodwill 2012	Goodwill 2011	Development costs 2012	Development costs 2011	Capitalised software 2012	Capitalised software 2011	Others 2012	Others 2011
Cost								
As of January 1	29	29	195	172	38	50	141	141
Exchange adjustments	-1	0	0	0	0	2	2	3
Additions	0	0	21	23	5	6	30	29
Acquistion through business combinations	39	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	-20	-17	-32
Transfers	0	0	0	0	0	0	0	0
	67	29	216	195	43	38	156	141
Accumulated amortisation								
As of January 1	0	0	-84	-68	-21	-35	-78	-75
Exchange adjustments	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	20	1	5
Amortisation	0	0	-14	-16	-6	-6	-7	-8
	0	0	-98	-84	-27	-21	-84	-78
Book value as of December 31	**67**	**29**	**118**	**111**	**16**	**17**	**72**	**63**

Borealis invested EUR 80 million into intangible assets in 2012 (EUR 40 million).

The goodwill arising from business combinations in 2012 refers to the acquisition of PEC-Rhin and amounts to EUR 39 million (see note 6). Goodwill referring to the assets in Brazil (EUR 7 million) and Belgium (EUR 22 million) is included in the yearly impairment test performed on the tangible and intangible assets of the Group (see note 5).

Additions arising from internal development amounted to EUR 23 million (EUR 23 million), whereof EUR 2 million was capitalized as other intangible assets. Intangible assets received by the way of government grant as allowances for emissions (EU Emissions Trading System) amounted to EUR 15 million (EUR 18 million). Furthermore, additional EUR 7 million (EUR 0 million) were acquired from external parties and are included in operating cash flow. An equivalent of EUR 14 million was returned to the respective EU ETS regulatory authorities for the emitted emission rights in 2011. The carrying value other intangible assets is in line with their fair value.

4. Tangible assets

	Production plants		Machinery and equipment		Construction in progress	
EUR million	2012	2011	2012	2011	2012	2011
Cost						
As of January 1	5,343	5,205	129	128	168	111
Exchange adjustments	86	-4	-1	-3	-2	6
Additions	2	1	0	0	317	233
Acquistion through business combinations	51	0	0	0	2	0
Disposals	-52	-34	-4	-3	0	0
Transfers	289	175	4	7	-293	-182
	5,719	5,343	128	129	192	168
Accumulated depreciation						
As of January 1	-3,100	-2,890	-95	-89	0	0
Exchange adjustments	-46	3	1	2	0	0
Disposals	48	32	4	1	0	0
Depreciation and impairment	-238	-245	-9	-9	0	0
	-3,336	-3,100	-99	-95	0	0
Book value as of December 31	**2,383**	**2,243**	**29**	**34**	**192**	**168**

The figures for production plants include capitalised finance leases with a net value of EUR 0 million (EUR 0 million) comprising acquisition costs of EUR 3 million (EUR 3 million) and accumulated depreciation of EUR 3 million (EUR 3 million). The lease obligation is included in loans and borrowings (see note 19).

In 2012, borrowing costs amounting to EUR 5 million (EUR 2 million) have been capitalised, using a 4% (4%) interest rate. Additions to tangible assets amounting to EUR 2 million (EUR 3 million) are not paid at the end of the year.

The new catalyst plant project in Linz, Austria is accomplished and the production started in December 2012. Other major project advanced in 2012 relate to the Licence-to-operate project also in Linz, Austria.

Future capital expenditure approved (tangible and intangible assets) by Executive Board totals EUR 438 million (EUR 304 million), out of which EUR 52 million (EUR 97 million) is contractually committed.

Assets pledged

Assets pledged amount to EUR 15 million (EUR 14 million) and relate to tangible assets. The liabilities covered by the above assets amounted to EUR 7 million (EUR 7 million) at the end of the year.

5. Depreciation, amortisation and impairment

Depreciation, amortisation and impairment are allocated as follows in the income statement.

EUR million	2012	2011
Production costs	222	230
Sales and distribution costs	11	12
Administration costs	21	22
Research & development costs	20	20
Total	**274**	**284**

The 2012 depreciation charge includes impairment of EUR 2 million (EUR 24 million) on production lines and auxiliary equipment, included in the production costs of predominantly the Base Chemicals segment, using a weighted average cost of capital of 8% (8%), as a result of rental contract termination for the production site. The fixed assets were written down to the value in use.

It further includes an impairment of EUR 3 million (EUR 5 million) of intangible assets for which the carrying value exceeds the present value of future cash flows. The impairment of intangible assets is related to the non-allocated segment and is included in research & development costs.

6. Business Combinations

On January 31, 2012 Borealis AG had acquired PEC-Rhin in Ottmarsheim, France from GPN in Nanterre, France, a 100% subsidiary of Total in Paris, France. PEC-Rhin is a producer of nitrate fertilizers as well as ammonia, ammonia water and nitric acid for industrial use. The company was renamed to Borealis PEC-Rhin SAS. This acquisition will complement Borealis' existing fertilizer business and will enable the company to grow further.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of PEC-Rhin for the eleven-month period from the acquisition date.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of PEC-Rhin as at the date of acquisition were:

EUR million	Fair value recognised on acquisition	Note
Assets		
Tangible and intangible assets	53	3, 4
Inventories	24	
Trade receivables	15	
Other receivables and other assets	2	
Cash and cash equivalents	15	
Total assets acquired	**108**	
Liabilities		
Deferred tax	13	
Employee benefits	2	
Trade payables	12	
Other liabilities	11	
Total liabilities	**38**	
Total identifiable net assets at fair value	**70**	
Goodwill arising on acquisition	39	3
Purchase consideration transferred	**109**	
Percentage acquired	**100%**	

The total acquisition costs of 100% of the share capital of PEC-Rhin comprised of cash payment of EUR 109 million and costs of EUR 1 million directly attributable to the acquisition. The cash acquired with PEC-Rhin amounted to EUR 15 million, resulting in a net cash outflow on the acquisition of EUR 94 million. The transaction costs of EUR 1 million have been expensed and are included in administrative expenses in the income statement and are part of operating cash flows in the statement of cash flows.

The fair value of the trade receivables amounted to EUR 15 million. The trade receivables acquired have been fully collected in the first half of the year. From the date of acquisition until the end of the year, PEC-Rhin has contributed EUR 73 million of revenue and EUR 21 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, the revenue contribution from PEC-Rhin would have been EUR 83 million and the profit for the period before tax would have been EUR 23 million.

The goodwill of EUR 39 million comprises the value of the expected synergies and other benefits from combining the assets and activities of PEC-Rhin with those of the Group. None of the recognised goodwill is deductible for income tax purposes. The purchase price allocation has been accomplished as of December 31, 2012.

Borealis announced mid of November 2012 that it has reached an agreement to acquire the shares of DSM Plastomers B.V. and Exxon Chemical Holland Ventures B.V., each holding a 50% interest in DEX Plastomers V.O.F. in Geleen, The Netherlands, from DSM Nederland B.V. and ExxonMobil Benelux Holdings B.V. DEX Plastomers is a 50/50 Joint Venture ultimately owned by Royal DSM and ExxonMobil Chemical Company. The transaction is subject to customary approvals and notifications.

The products of DEX Plastomers are specialties complementary to Borealis' current innovative plastic solutions. The agreement made with ExxonMobil Benelux Holdings B.V. and DSM Nederland B.V. underpins Borealis' commitment to its Value Creation through Innovation strategy, as Borealis believes there is significant potential in DEX-Plastomers' technology.

Borealis A/S, Copenhagen, Denmark, a 100% subsidiary of Borealis AG, has been merged into the parent company, effective as of June 30, 2012. This cross-border merger had no impact on the group's financial position or performance. The 100% subsidiary of Borealis AG, Borealis Portugal SGPS S.A., Sines, Portugal, was liquidated effective as of December 28, 2012. This liquidation had no material impact on the group's financial position or performance. In December 2012, Borealis disposed 50% of its 100% interest in the BTF Industriepark Schwechat GmbH (former: Borealis Feuerwehr GmbH), Schwechat, Austria, resulting in a jointly controlled company. Borealis established a new 100% subsidiary named Borealis Services S.A.S. in Nanterre, France, in order to support the fertilizer business activities in France.

In 2011 Borealis has neither acquired nor sold any subsidiary.

7. Investments in associated and jointly controlled companies

	Shares in associated and jointly controlled companies	
EUR million	**2012**	**2011**
Cost		
As of January 1	332	329
Investments	2	3
Disposals	0	0
	334	332
Adjustments		
As of January 1	1,050	674
Disposals	0	0
Exchange adjustments	-24	43
Net result of associated companies, after tax	391	333
	1,417	1,050
Carrying value as of December 31	**1,751**	**1,382**

The Group has the following investments in associated and jointly controlled companies:

Associates	Country	Ownership in %
Abu Dhabi Polymers Company Limited	United Arab Emirates	40
Borouge Pte Ltd	Singapore	50
Speciality Polymers Antwerp N.V.	Belgium	33
Borealis Financial Services Ltd	Jersey	25
Chamiepark Linz Betriebsfeuerwehr GmbH*	Austria	47.5

** Excluded from consolidation at equity due to immateriality*

Summary of financial information for associates, adjusted for the percentage of ownership by the Group:

EUR million	Assets	Liabilities	Net sales	Profit after tax
2012	**3,756**	**2,012**	**2,155**	**391**
2011	**3,217**	**1,840**	**1,789**	**333**

Jointly controlled companies	Country	Ownership in %
PetroPort Holding AB	Sweden	50
BTF Industriepark Schwechat GmbH*	Austria	50

** Excluded from consolidation at equity due to immateriality*

Summary of financial information for jointly controlled companies, adjusted for the percentage of ownership by the Group:

EUR million	Current assets	Non-current assets	Current liabilities	Non-current liabilities
2012	2	17	1	11
2011	2	10	2	5

EUR million	Revenue	Cost of sales	Operating expenses	Taxes	Profit after tax
2012	0	0	0	0	0
2011	0	0	0	0	0

8. Other investments and other non-current assets

Other investments mainly include interests in infrastructure companies in Germany. The other non-current receivables and other non-current assets mainly consist of long-term deposits for statutory and tax requirements.

9. Taxation

EUR million	2012	2011
Taxes		
Income tax payable	45	45
Change in deferred tax	-37	4
Adjustment to prior year's tax charge	0	2
Tax expense/benefit (-)	**8**	**51**

Calculation from tax expense at statutory rates to accounting tax expense at the effective Group tax rate.

EUR million	2012		2011	
Tax expense at statutory rates (weighted average tax rate of the Group)	**27%**	**130**	**26%**	**145**
Tax effect of result in associated companies	-20%	-98	-15%	-83
Tax effect of permanent differences	-1%	-3	-1%	-5
Adjustment of valuation allowance	4%	18	0%	2
Change due to changes in tax rates	-6%	-29	-1%	-5
Prior year's adjustments and other	-2%	-10	-1%	-3
Tax expense	**2%**	**8**	**9%**	**51**

	Balance sheet		**Income statement**	
EUR million	2012	2011	2012	2011
Deferred tax assets				
Tangible assets	1	4	-3	0
Intangible assets	8	8	0	0
Adjusted depreciation for tax purposes	**9**	**12**		
Revaluation of cash flow hedges	8	12	0	24
Net gain on hedge of a net investment	2	4	0	0
Valuation of inventories for tax purposes	4	4	0	0
Fair values compared to tax values	**14**	**20**		
Employee benefits	38	26	-3	-1
Other provisions	18	14	4	-4
Other assets and liabilities	15	6	9	2
Other timing differences	**71**	**46**		
Losses available for offsetting against future taxable income	**188**	**174**	14	7
Netting with deferred tax liabilities	**-91**	**-77**		
Deferred tax assets	**191**	**175**	**21**	**28**

EUR million	Balance sheet 2012	Balance sheet 2011	Income statement 2012	Income statement 2011
Deferred tax liabilities				
Tangible assets	-264	-266	20	-6
Intangible assets	-37	-33	-4	-2
Accelerated/adjusted depreciation for tax purposes	**-301**	**-299**		
Revaluation of cash flow hedges	-1	0	0	0
Valuation of inventories for tax purposes	-7	-6	1	-12
Fair values compared to tax values	**-8**	**-6**		
Employee benefits	-8	-4	-4	0
Other provisions	-27	-30	3	-2
Other assets and liabilities	-40	-39	0	-10
Other timing differences	**-75**	**-73**		
Netting with deferred tax assets	**91**	**77**	**0**	**0**
Deferred tax liabilities	**-293**	**-301**	**16**	**-32**
Net tax asset/liability	**-102**	**-126**	**37**	**-4**

EUR million	2012	2011
Taxes, payable		
Payable taxes as of January 1	11	13
Income tax payable for the year	45	45
Adjustment to prior year's payable tax charge	0	2
Additions from business combination	2	0
Taxes paid (-)/received (+)	-27	-74
Movement in tax receivable	-24	25
Payable taxes as of December 31	**7**	**11**

In addition to the tax assets capitalised, the Group has unrecognised tax assets of EUR 35 million (EUR 20 million), due to current forecasts indicating insufficient future profits. These tax losses carried forward have no expiry date.

EUR million	2012	2011
Deductible temporary differences	0	2
Tax losses carried forward	35	18
– Taxable temporary differences	0	0
Total unrecognised net tax assets	**35**	**20**

The recognised deferred tax assets are expected to be utilised against future profits based on internal projections in the relevant jurisdictions. The benefit arising from previously unrecognised tax losses, tax credits or temporary differences of prior periods amounts to EUR 3 million (EUR 0 million). Dividend payment to Borealis AG by its subsidiaries has no tax effect for Borealis AG. The temporary differences related to subsidiaries amount to EUR 83 million (EUR 75 million), for which no deferred tax liability has been recognised in accordance with IAS 12.39 Income Taxes.

10. Inventories

EUR million	2012	2011
Finished products	752	650
Raw materials and consumables	301	288
Total	**1,053**	**938**

Inventories of ethylene and propylene are included under finished products.

The costs for the consumption of inventories recognised during the period in the income statement amounted to EUR 5,837 million (EUR 5,288 million), including impairment cost of EUR 19 million (EUR 17 million).

11. Share capital

	Share capital*		Contributions by shareholders	
EUR million	2012	2011	2012	2011
Balance as of January 1	0	0	1,799	1,799
Capital increase (decrease)	0	0	-180	0
Balance as of December 31	**0**	**0**	**1,619**	**1,799**

*The share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (EUR 300,000.00) and is divided into 300,000 (300,000) shares, of which none have special voting rights.

The share capital and contributions by shareholders amounted to EUR 1,619 million (EUR 1,799 million). EUR 180 million (EUR 0 million) were transferred to retained earnings in 2012.

Borealis AG is owned 61 % by IPIC Beta Holdings GmbH, Sterngasse 13, 1010 Vienna, Austria, 3 % by International Petroleum Investment Company, IPIC Square, Muroor (4th) Road, PO Box 7528, Abu Dhabi, United Arab Emirates, 33% by OMV Refining & Marketing GmbH, Trabrennstrasse 6-8, 1020 Vienna, Austria and 3% by OMV AG, Trabrennstrasse 6-8, 1020 Vienna, Austria. The ultimate controlling party is International Petroleum Investment Company (IPIC), United Arab Emirates. None of the shares has special rights. Distribution of dividends to its shareholders does not have any tax effect for Borealis AG.

The Group's objectives are to safeguard the entity's ability to continue as a going concern and to provide an adequate return to its shareholders. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net interest-bearing debt, including subordinated loans divided by total equity. The Group's target is to keep the gearing ratio within a range of 40% to 60% to meet the business needs of the Group.

12. Personnel

EUR million	2012	2011
Cost		
Salaries and wages	384	334
Pension costs	35	36
Other social security costs	95	92
Other personnel expenses	25	18
Total	**539**	**480**
Average number of employees by country		
Austria	1,733	1,734
Belgium	814	821
Finland	905	921
Germany	311	303
Sweden	955	994
Other	621	387
Total	**5,339**	**5,160**

The remuneration of former and current management included in personnel costs is shown in EUR thousand in the table below:

EUR thousand	2012	2011
Salaries and wages management (Executive Board)	5,941	5,034
Pension and severance costs management (Executive Board)	1,653	435
Salaries and wages other key management	1,470	2,050
Pension costs other key management	112	157
Total	**9,175**	**7,675**

From the pension and severamce costs of the Executive Board of EUR 1,653 thousand (EUR 435 thousand), EUR 1,129 thousand (EUR 0 thousand) were paid to the former members of the Executive Board.

No loans were granted to actual or former members of Executive Board. the remuneration paid to members of the Supervisory Board amounted to EUR 849 thousand (EUR 836 thousand).

13. Employee benefit plans

Most Group companies have post-employment and other long-term benefit plans. The forms and benefits vary with conditions and practices in the countries concerned. The plans include both defined contribution plans and plans that provide defined benefits based on employees' years of service and estimated salary at retirement. A summary of the status of defined benefit plans is shown below.

EUR million	2012	2011
Funded benefit plans		
Actuarial present value of benefits due to past and present employees	177	142
– Plan assets held in trusts at fair value	-120	-104
Plan assets below the present value of benefits recorded as a provision	57	38
Unfunded benefit plans		
Actuarial present value of benefits due to past and present employees recorded as a provision	227	186
Unrecognised past service cost	0	0
Net liability recognised in the balance sheet	**284**	**224**
Change in benefit obligation		
Benefit obligation at beginning of year	328	337
Current service costs	11	11
Current interest costs	14	13
Immediate recognition of (gains)/losses arising over the year	0	5
Net increase in liabilities from acquisitions	2	0
Actuarial losses/gains (-)	62	-24
Net transfers in/out (-)	0	0
Past service costs	0	0
Curtailments	0	0
Exchange rate changes	7	0
– Benefits paid from plan	-20	-14
Benefit obligation at end of year	**404**	**328**
Change in plan assets		
Fair value of plan asset at beginning of year	104	108
Expected return on plan assets	5	5
Employer contributions	22	15
Actuarial gains/losses (-)	9	-9
Net transfers in/out (-)	0	0
Exchange rate changes	0	-1
– Benefits paid from plan	-20	-14
Fair value of plan asset at end of year	**120**	**104**

	2012	2011
Asset category		
Debt securities	87%	86%
Insurance contracts	7%	7%
Equity securities	6%	7%
Total	**100%**	**100%**

EUR million	2012	2011
Movement in the net liability recognised in the balance sheet		
Net liability as of January 1	224	229
– Contributions paid by the company and settlements	-22	-15
Net transfers in/out (-)	0	0
Actuarial loss/gain (-) recognised in other comprehensive income	53	-15
Net increase in liabilities from acquisitions	2	0
Exchange rate differences	3	1
Expense recognised in the income statement	24	24
Net liability as of December 31	**284**	**224**

EUR million	2012	2011
Expense recognised in the income statement for defined benefit plans		
Service costs	11	11
Interest costs	14	13
Amortisation of the past service costs	0	0
Curtailment loss/gain (-)	0	0
Immediate recognition of loss/gain (-) arising over the year	4	5
– Expected return on assets	-5	-5
Total	**24**	**24**
Actual return on plan assets	14	-4

The aggregated benefit costs charged to the income statement for 2012 amounted to EUR 38 million,compared to EUR 42 million in 2011. Benefit costs relate to:

EUR million	2012	2011
Defined benefit plans	24	24
Defined contribution plans	14	18
Total	**38**	**42**

Total expense, with its constituents, in respect of the defined benefit plans is recognized in the production costs with EUR 13 million (EUR 12 million), sales and distribution costs with EUR 4 million (EUR 5 million), costs of administration with EUR 5 million (EUR 5 million) and research & development costs with EUR 2 million (EUR 2 million).

Discount rates, projected future salary, pension increases and expected rates of return on plan assets vary for the different defined benefit plans, as they are determined in light of local conditions. Assumptions regarding future mortality are based on published statistics and mortality tables. The principal assumptions used were in the following ranges:

	2012	2011
Discount rate	2% to 3%	3% to 5%
Projected future salary growth	3% to 4%	2% to 4%
Expected rate of return on plan assets	3% to 5%	4% to 5%
Expected pension increase	2% to 4%	2% to 4%

EUR million	2012	2011	2010	2009	2008
5-year overview of the employee benefits key figures					
Fair value of scheme assets	120	104	108	82	84
Present value of defined benefit obligation	-404	-328	-337	-265	-249
Surplus/deficit (-) in the scheme	**-284**	**-224**	**-229**	**-183**	**-165**
Experience adjustments arising on plan liabilities	-4	4	-17	-5	2
Experience adjustments arising on plan assets	9	-9	19	-6	4

It is estimated that the increase of the discount rate by 50 basis points would have decreased the net pension liability as of December 31, 2012 by EUR 20 million (EUR 20 million).

14. Other provisions

	Restructuring		**Decommissioning**		**Other**		**Total**	
EUR million	2012	2011	2012	2011	2012	2011	2012	2011
As of January 1	6	20	24	23	43	45	73	88
Additions	4	0	0	3	10	13	14	16
Through business combinations	0	0	0	0	0	0	0	0
Utilised	-4	-9	-4	-2	-6	-15	-14	-26
Reversed	-1	-5	0	0	-18	-1	-19	-6
Interest expense	0	0	0	0	0	0	0	0
Exchange adjustments	0	0	-1	0	1	1	0	1
Balance as of December 31	**5**	**6**	**19**	**24**	**30**	**43**	**54**	**73**
Current	4	2	0	0	1	3	5	5
Non-current	1	4	19	24	29	40	49	68
	5	**6**	**19**	**24**	**30**	**43**	**54**	**73**

Restructuring

The provision for restructuring covers estimated costs for the ongoing restructuring programmes mainly in Belgium and Sweden.

Decommissioning

The provision for decommissioning covers the expected clean-up and dismantling costs for plants situated on rented land, mainly in Germany, Austria and Sweden.

Other

Other provisions mainly cover the best estimate of company's environmental and legal exposures. Based on a court decision in the reporting period, a provision for customer claims amounting to EUR 14 million was released. Furthermore a provision amounting to EUR 3 million was reversed after an agreement with the respective counter-party was met.

The provisions are generally based on the past events and commitments arising thereon. The timing of the cash outflows cannot be determined with certainty.

15. Government grants

Borealis received government grants for research and development, investment in new production plants and EU ETS emission allowances. During the year EUR 20 million (EUR 44 million) were recognised in the income statement.

16. Financial risk management

The objective of financial risk management is to support the core businesses of Borealis. It operates within the framework of the treasury procedure. Borealis aims to minimise effects related to foreign exchange, interest rate, liquidity, credit, commodity price and refinancing risks. The use of any financial instrument is based on actual or forecasted underlying commercial or financial cash flows or identified risks as defined in the policy. Note 20 provides an overview of the financial instruments used by Borealis to manage risk.

Financial risk management is centralised in the Treasury and Funding department where the foreign exchange risks related to short-term commercial cash flows are hedged and limits for long-term foreign exchange exposures are established. Interest rate risks are managed through a duration benchmark. Foreign exchange translation differences relating to long-term investments in subsidiaries are recognised in other comprehensive income. The exposures are partly hedged by long-term borrowing in the same currencies. Hedges are generally placed in the legal entities where the underlying exposure exists. When certain conditions are met, Borealis applies IAS 39 hedge accounting principles to foreign exchange, interest rate and commodity hedges.

Borealis' cash balances are deposited in the money market or invested in liquid instruments. Counterpart credit risks are managed by mandatory credit limits and external credit rating requirements. A real-time treasury system is used to monitor exposures and risk limits.

Commodity price risk is managed by the feedstock traders and monitored by Trade Support and Risk Management. The commodity price risk exposure is calculated by a trading software. On a daily basis, Trade Support and Risk Management make a snapshot of all data in the trading system and retrieve the daily position out of the system. The position is analysed and compared with the trading limits. Traders are allowed to use financial derivatives (ie financial swaps) in order to stay within the limits.

A credit limit is determined for every customer, based on an assessment of the financials of the company and past trading experiences. The credit exposure is calculated daily.

Group worldwide insurance programmes are established for risk related to property damage and business interruption, liability exposures, cargo, and for our employees when travelling for Borealis.

Hedging policies of the Group

Where possible, Borealis applies hedge accounting in order to recognise the offsetting effects on profit or loss of changes in the fair value of the hedging instrument and the hedged items. Borealis has the following hedging relationships:

Fair value hedging: In order to protect the fair value of its feedstock inventory that is not held for immediate consumption, Borealis enters into derivative contracts (forward sale) and measures the hedged inventory at its fair value instead of at its historic cost. In this way and to the extent that the hedges are effective, the changes in fair value of the inventory offset the changes in fair value of the hedging instruments in the income statement.

Cash flow hedging: Based on regular cash flow forecasts, Borealis hedges its foreign exchanges exposure coming from forecasted sales and purchases, and from committed investment projects. Details about the hedging instruments used, notional amounts and maturities can be found in notes 21 and 22.

Borealis manages its interest rate risk through a modified duration benchmark. The majority of the borrowings are based on a floating interest rate, but get transformed into fixed interest rate loans after the application of interest rate swaps. Details about the hedging instruments used, notional amounts and maturities can be found in notes 21 and 23.

Borealis hedges its forecasted energy purchases using electricity and natural gas swaps. Details about the hedging instruments used, notional amounts and maturities can be found in notes 21 and 24.

Borealis hedges some of its forecasted feedstock purchases and finished product sales through feedstock swaps. Cash flow hedge accounting is applied to those derivatives, except for the derivatives that are used to limit the price risk on the inventory held for immediate consumption. Details about the hedging instruments used, notional amounts and maturities can be found in notes 21 and 24.

Net investment hedging: Borealis has hedged its investment in an associated company, which has USD as its functional currency, through a combination of entering into USD loans and currency derivatives. The EUR/USD impact on the valuation of both the loan and cross currency interest rate swaps is recognised in other comprehensive income. Details can be found in note 22.

17. Financial income/expenses

EUR million	2012	2011
Interest income from:		
Cash and cash equivalents	4	6
Derivatives	4	4
	8	10
Interest expenses to:		
Financial institutions	-54	-53
Derivatives	-12	-16
Capitalised interest	5	2
Exchange adjustments, net	2	6
Other financial expenses and income	-10	-10
	-69	-71
Total	**-61**	**-61**

18. Gains and losses from financial instruments

EUR million	2012	2011
Recognised in profit or loss		
Change in fair value of commodity derivative contracts	0	5
Change in fair value of interest rate derivative contracts	0	0
Change in fair value of foreign exchange derivative contracts	1	-1
Realised result on commodity derivative contracts	11	-3
Realised result on interest rate derivative contracts	0	0
Realised result on foreign exchange derivative contracts	0	0
Financial assets and liabilities at fair value through profit or loss	**12**	**1**

EUR million	2012	2011
Recognised in profit or loss		
Change in fair value of fair value hedge instruments	0	3
Ineffective portion of change in fair value of cash flow hedge instruments		
Commodity derivative contracts	0	0
Interest derivative contracts	0	0
Foreign exchange derivative contracts	0	0
Net investments hedges	0	0
Amounts recognised in profit or loss for realised cash flow hedges		
Commodity derivative contracts	-33	10
Interest derivative contracts	-6	-10
Foreign exchange derivative contracts	-12	-4
(Hedges of) Net investments in foreign operations	0	-1
Hedging instruments	**-51**	**-2**
Interest income	0	0
Amounts removed from equity and recognised in profit or loss	0	0
Available for sale financial assets	**0**	**0**
Interest income on cash and deposits	4	6
Foreign exchange effects on cash and deposits	-5	2
Foreign exchange effects on receivables	-3	0
Amounts removed from equity and recognised in profit or loss relating to receivables that are part of a net investment in a foreign operation	0	0
Impairment losses on receivables	-1	0
Loans and receivables	**-5**	**8**
Interest expense on financial liabilities	-63	-63
Foreign exchange effects on financial liabilities	2	9
Amounts removed from equity and recognised in profit or loss relating to liabilities designated as hedge of net investment in foreign operation	0	0
Financial liabilities	**-61**	**-54**

The amounts recognised in profit or loss for the commodity and foreign exchange derivative contracts are booked as a correction to the net sales income or mainly production costs that are being hedged. The amounts recognised in profit or loss for interest rate derivatives and the foreign exchange effects on non-derivative financial assets and liabilities are reported as part of the financial income and expenses. Impairment losses on receivables are reported in sales and distribution costs.

EUR million	2012	2011
Recognised in other comprehensive income		
Commodity derivative contracts designated as cash flow hedge	-43	-47
Interest derivative contracts outstanding	-2	-4
Foreign exchange derivative contracts	10	-25
Foreign exchange effects on receivables part of net investment in foreign operations	8	0
Foreign exchange effects on financial liabilities and derivatives designated as (Hedges of) Net investment in foreign operations	-1	-11
Amounts removed from equity		
(Hedges of) Net investment in foreign operations	0	1
Commodity derivative contracts	33	-10
Interest derivative contracts	6	10
Foreign exchange derivative contracts	12	4
Total recognised in other comprehensive income	**23**	**-82**

19. Loans and borrowings

The composition of interest-bearing loans and borrowings (short and long-term debt) at the year end in EUR million was as follows:

Maturities		2012					
Due		**Total**	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed facilities
After	5 years	**506**	506				
Within	5 years	**331**	331				1,000
	4 years	**201**	201				
	3 years	**158**	157			1	
	2 years	**40**	40				30
Total long-term debt		**1,236**	1,235			1	1,030
Total short-term debt	1 year	**374**	198	10	166 [1]	0	0
Total debt		**1,610**	**1,433**	**10**	**166**	**1**	**1,030**

[1] Borealis maintains EUR 166 million in export credit facilities (EUR 166 million drawn at December 31, 2012). These facilities are economically evergreen in nature, but include a one year notice for cancellation

Maturities		2011					
Due		**Total**	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed facilities
After	5 years	**536**	536				
Within	5 years	**86**	86				
	4 years	**156**	155			1	
	3 years	**39**	39				
	2 years	**199**	199				830
Total long-term debt		**1,016**	1,015			1	830
Total short-term debt	1 year	**222**	222 [2)]	0	0	0	278 [1)]
Total debt		**1,238**	**1,237**	**0**	**0**	**1**	**1,108**

1) Borealis maintains EUR 166 million in export credit facilities (EUR 166 million undrawn at December 31, 2011). These facilities are economically evergreen in nature, but include a one year notice for cancellation.

2) Short term debt includes USD 160 million (EUR 123 million) drawdown under Revolving Credit Facility maturing 07/2013.

The Group's financing is mainly comprised of committed credit lines, term loans, bonds, private placements and export credits. The loans and borrowings are all measured at amortised cost.

Borealis' liquidity position remains strong with undrawn committed facilities at the end of 2012 of approximately EUR 1 billion. In July Borealis replaced its outstanding EUR 1 billion Revolving Credit Facility (maturity July 2013) with a new 5-year EUR 1 billion Revolving Credit Facility with a final maturity in July 2017. The facility will be used for general corporate purposes.

Borealis completed its second retail bond transaction in Austria with a maturity of 7 years in the amount of EUR 125 million in July 2012. The coupon was set at 4%. Borealis will use the additional funds for general corporate purposes, including the refinancing of bank debt, the restructuring of the existing debt portfolio, terming out of Borealis' debt and optimising the overall finance structure.

In July, the company successfully completed a US private placement with maturities of up to 15 years and a total amount of more than USD 130 million equivalent.

Borealis completed a German Private Placement (Schuldschein) which was one of the few dual currency Schuldscheindarlehen in the market in 2012. EUR 98 million and USD 75 million were placed at a tenor of 4 and 6 years making use of the good market environment. The USD tranche was driven by Asian investors. Borealis achieved strong investor diversification in terms of investor regions, with 94% of the volume being placed with investors outside of Austria.

In 2011 the Group raised a EUR 75 million financing for the catalyst plant in Linz that is fully drawn in 2012 (EUR 40 million as of December 31, 2011).

At year end, the Group has committed long-term credit facilities of EUR 1,271 million (EUR 1,271 million) of which EUR 241 million (EUR 163 million) has been utilised. Some loan agreements have financial covenants, which are based on maintaining certain gearing and solvency ratios.

The finance leases obligation amounts to EUR 1 million (EUR 1 million) and relates to payables within one year of EUR 0 million (EUR 0 million), payables between one and five years of EUR 1 million (EUR 1 million) and payables beyond five years of EUR 0 million (EUR 0 million) less financial charges of EUR 0 million (EUR 0 million).

Currency Mix	2012	Percent	2011	Percent
Interest bearing (EUR million)				
USD	256	16%	245	20%
EUR	1,318	82%	957	77%
GBP*	36	2%	36	3%
Interest bearing total	**1,610**	**100%**	**1,238**	**100%**

* entire GBP 30 million swapped into USD

20. Liquidity risk

Liquidity is managed on a daily basis to ensure the Group's liquidity requirement is covered at all times with the lowest possible level of working capital. The following are the contractual maturities in EUR million of non-derivative financial liabilities, including forecasted interest payments, and derivative financial assets and liabilities. All carrying amounts exclude the outstanding interest accruals at year end. Cash outflows are reported with a negative sign, cash inflows with a positive sign.

EUR million	2012						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
EUR floating rate loans	-498	-521	-205	-33	-4	-190	-89
EUR fixed rate loans	-809	-984	-39	-99	-70	-468	-308
EUR financial leases	-1	-1	0	0	0	-1	0
USD floating rate loans	-138	-142	-28	-1	-1	-112	0
USD fixed rate loans	-118	-175	-3	-3	-7	-29	-133
GBP fixed rate loans	-36	-65	-2	-2	-3	-10	-48
Trade payables	-754	-754	-754	0	0	0	0
Utilised uncommitted facilities	-10	-10	-10	0	0	0	0
Total	**-2,364**	**-2,652**	**-1,041**	**-138**	**-85**	**-810**	**-578**

EUR million	2011						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
EUR floating rate loans	-267	-294	-40	-4	-71	-134	-45
EUR fixed rate loans	-689	-841	-78	-13	-130	-216	-404
EUR financial leases	-1	-1	0	0	0	-1	0
USD floating rate loans	-212	-223	-125	-1	-33	-3	-61
USD fixed rate loans	-33	-57	-2	-2	-3	-13	-38
GBP fixed rate loans	-36	-70	-2	-2	-3	-10	-53
Trade payables	-620	-620	-620	0	0	0	0
Utilised uncommitted facilities	0	0	0	0	0	0	0
Total	**-1,858**	**-2,106**	**-867**	**-22**	**-240**	**-377**	**-600**

EUR million	2012						
Derivative financial assets and liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Interest rate swaps							
Liabilities/outflow	-4	-169	0	-76	-93	0	0
Assets/inflow	0	164	0	73	91	0	0
Cross currency interest rate swaps							
Liabilities/outflow	-1	-50	-2	-2	-3	-43	0
Assets/inflow	0	50	2	2	3	43	0
Foreign exchange contracts							
Liabilities/outflow	-5	-892	-465	-179	-108	-140	0
Assets/inflow	9	896	469	181	105	141	0
Feedstock contracts							
Liabilities/outflow	-9	-9	-7	-2	0	0	0
Assets/inflow	13	13	6	7	0	0	0
Electricity contracts							
Liabilities/outflow	-36	-37	-12	-11	-11	-3	0
Assets/inflow	3	3	1	1	1	0	0
Natural gas hedges							
Liabilities/outflow	-1	-1	-1	0	0	0	0
Assets/inflow	1	2	1	1	0	0	0
Total	**-30**	**-30**	**-8**	**-5**	**-15**	**-2**	**0**

EUR million	2011						
Derivative financial assets and liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Interest rate swaps							
Liabilities/outflow	-9	-367	-157	-40	-114	-56	0
Assets/inflow	0	354	152	38	109	55	0
Cross currency interest rate swaps							
Liabilities/outflow	-2	-54	-2	-2	-3	-47	0
Assets/inflow	0	53	2	2	3	46	0
Foreign exchange contracts							
Liabilities/outflow	-15	-911	-476	-146	-38	-251	0
Assets/inflow	3	898	471	143	38	246	0
Feedstock contracts							
Liabilities/outflow	-5	-5	-5	0	0	0	0
Assets/inflow	8	8	7	1	0	0	0
Electricity contracts							
Liabilities/outflow	-25	-24	-10	-5	-7	-2	0
Assets/inflow	1	1	0	0	0	0	0
Natural gas hedges							
Liabilities/outflow	-1	-1	-1	0	0	0	0
Assets/inflow	1	1	0	0	0	0	0
Total	**-44**	**-49**	**-19**	**-9**	**-12**	**-9**	**0**

EUR million	2012						
Off balance sheet liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Contingencies provided by the entity		-10	0	-1	-1	-1	-7
Operating lease payables		-39	-7	-7	-6	-17	-2
Capital commitments – tangible assets		-52	-18	-18	-16	0	0

EUR million	2011						
Off balance sheet liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Contingencies provided by the entity		-12	0	-1	0	-1	-10
Operating lease payables		-36	-6	-6	-6	-17	-2
Capital commitments – tangible assets		-97	-34	-34	-29	0	0

For details in respect to off balance sheet liabilities please see note 4, note 28 and note 30.

21. Cash flow and fair value hedges

The following table indicates the period in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact P&L. All carrying amounts exclude the outstanding interest accruals at the year end.

EUR million	2012						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Cash flow hedges							
Interest rate swaps							
Liabilities/outflow	-4	-169	0	-76	-93	0	0
Assets/inflow	0	164	0	73	91	0	0
Cross currency interest rate swaps							
Liabilities/outflow	-1	-50	-2	-2	-3	-43	0
Assets/inflow	0	50	2	2	3	43	0
Foreign exchange contracts (forwards and options)							
Liabilities/outflow	-4	-600	-173	-179	-108	-140	0
Assets/inflow	9	603	176	181	105	141	0
Electricity, feedstock and natural gas contracts							
Liabilities/outflow	-45	-45	-18	-13	-11	-3	0
Assets/inflow	15	16	6	9	1	0	0
Total	**-30**	**-31**	**-9**	**-5**	**-15**	**-2**	**0**
Fair value hedges							
Feedstock contracts							
Liabilities/outflow	0	0	0	0	0	0	0
Assets/inflow	0	0	0	0	0	0	0

EUR million	2011						
Cash flow hedges	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Interest rate swaps							
Liabilities/outflow	-9	-367	-157	-40	-114	-56	0
Assets/inflow	0	354	152	38	109	55	0
Cross currency interest rate swaps							
Liabilities/outflow	-2	-54	-2	-2	-3	-47	0
Assets/inflow	0	53	2	2	3	46	0
Foreign exchange contracts (forwards and options)							
Liabilities/outflow	-14	-660	-225	-146	-38	-251	0
Assets/inflow	3	648	221	143	38	246	0
Electricity, feedstock and natural gas contracts							
Liabilities/outflow	-31	-31	-15	-6	-7	-3	0
Assets/inflow	10	9	7	2	0	0	0
Total	**-43**	**-48**	**-17**	**-9**	**-12**	**-10**	**0**
Fair value hedges							
Feedstock contracts							
Liabilities/outflow	0	0	0	0	0	0	0
Assets/inflow	0	0	0	0	0	0	0

22. Foreign currency risk

Borealis incurs foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than EUR. The currencies giving rise to risk are primarily USD, SEK, GBP and HUF, in order of volume.

Borealis hedges its trade receivables, trade payables, cash positions and forecasted positions denominated in the foreign currencies. At any time, Borealis may also hedge its long-term commercial exposures up to a pre-defined level and duration. Borealis normally hedges the currency positions using forward exchange contracts and foreign exchange options. The total notional value of outstanding foreign exchange forwards as of December 31, 2012, was EUR 895 million (EUR 719 million) mainly changed due to net investment hedges, of which EUR 284 million (EUR 332 million) relates to foreign currency risk management and EUR 611 million (EUR 387 million) is the notional amount of currency swaps used in liquidity management. The total notional value of outstanding foreign exchange options as of December 31, 2012, was EUR 0 million (EUR 0 million) measured at the strike rate.

Of the foreign exchange cash flow hedges, EUR -12 million (EUR -4 million) in losses were removed from hedging reserve during 2012 and were reclassified to the income statement and included into net sales.

Due to partial ineffectiveness of the foreign exchange cash flow hedges, a loss of EUR 0 million (EUR 0 million) of the total fair value was recognised in financial expenses at year end.

Firm commitments and forecasted transactions

Borealis classifies its foreign exchange forward contracts and options, which are hedging a forecasted currency position, as cash flow hedges and states them at fair value. The net fair value of foreign exchange forward contracts used as hedges of firm commitments and forecasted transactions as of December 31, 2012, was EUR 4 million (EUR -11 million). EUR 4 million (EUR -11 million) has been recorded in other comprehensive income at year end of which EUR 8 million (EUR 3 million) has been recognised in other assets (thereof EUR 2 million (EUR 0 million) in non current assets)) and EUR -4 million (EUR -14 million) in other liabilities (thereof EUR -3 million (EUR -4 million) in non current liabilities)).

Hedges of net investments in foreign operations

Borealis designates certain external loans, cross currency interest rate swaps and foreign exchange forwards as hedges of the Group's investments in its foreign operations. The designated USD hedge loans amounted to EUR 255 million (EUR 281 million) as of December 31,

2012. EUR/USD cross currency interest rate swaps and foreign exchange swaps of notional EUR 321 million (EUR 369 million) were classified as net investment hedges as of December 31, 2012. A foreign exchange gain of EUR 3 million (loss of EUR -21 million) was recognised in other comprehensive income during 2012 on the translation of these USD liabilities to Euro (including the currency element of the fair value of cross currency interest rate swaps and foreign exchange forwards).

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that hedge monetary assets and liabilities in foreign currencies and the forward legs of currency swaps used in liquidity management, for which no hedge accounting is applied, are recognised in the income statement. Both changes in the fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of the financial expenses. The fair value of forward exchange contracts used as hedges of monetary assets and liabilities in foreign currencies and the forward legs of currency swaps used in liquidity management for which no hedge accounting is applied as of December 31, 2012, was EUR 0 million (EUR -1 million). EUR 0 million (EUR 0 million) was recognised in other assets and EUR -1 million (EUR -1 million) in other liabilities.

Sensitivity analysis

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, invoicing mainly in EUR and purchasing raw materials mainly in USD, and the Group's net investments in associated companies mainly denominated in USD.

The sensitivity analysis has been prepared on the basis that the financial instruments in foreign currencies and all other parameters apart from changes in foreign exchange rates itself, are constant and on the basis of hedge designations in place at December 31, 2012. The Group assumes that the prevailing polyolefin market pricing mechanisms reduce the foreign exchange risk in practice. As of December 31, 2012 the Group shows a net receivable position of USD, therefore it is estimated that a general strengthening of one percentage point of the USD against EUR would have increased Borealis' profit before tax by approximately EUR 1 million (decrease of EUR -2 million). The effect of weakening of one percentage point of the USD against the EUR Borealis' profit before tax would have decreased by approximately EUR -1 million (increase EUR 2 million). The impact on the Group's equity is mainly related to its net investment and net investment hedges, a general strengthening of one percentage point of USD against EUR would have increased the Group's equity by EUR 8 million (EUR 15 million), a weakening of one percentage point of USD against EUR would have decreased the Group's equity by EUR -6 million (EUR -14 million).

23. Interest rate risk

Borealis adopts a policy of managing its interest rate risk through the modified duration of its loan portfolio. Average modified duration is allowed to deviate within a predefined range. Interest rate derivatives denominated in EUR and USD have been entered into to achieve this objective. All interest rate derivatives are on terms following the maturity and re-pricing terms of the underlying loans or future loan requirements.

Of total interest-bearing debt, approximately 60% (61%) has a fixed interest rate, and 40% (39%) is based on a floating interest rate before applying interest rate swaps. Approximately 72% (79%) has a fixed interest rate and 28% (21%) is based on a floating interest rate after applying interest rate swaps. The floating interest rates are set by adding a spread to the reference rates (mainly EURIBOR and LIBOR).

As of December 31, 2012 Borealis had outstanding interest rate derivatives for a notional amount of EUR 164 million (EUR 350 million) with interest rates ranging from 2.86% to 4.33% (2,86% to 4,70%) and maturities up to 2014.

Borealis does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit and loss.

Borealis classifies the majority of the applied interest rate derivatives as cash flow hedges and states them at fair value. The total net fair value of the interest rate derivatives as of December 31, 2012 was EUR -4 million (EUR -9 million) comprising liabilities of EUR -4 million (EUR -9 million) and assets of EUR 0 million (EUR 0 million). These amounts were recognised in other liabilities (thereof non-current liabilities EUR -2 million (EUR -8 million)).

The cross currency interest rate swaps are included as cash flow hedges and stated at fair value. The total net fair value of that swaps as of December 31, 2012 was EUR -1 million (EUR -2 million) comprising liabilities of EUR -1 million (EUR -2 million) and assets of EUR 0 million (EUR 0 million). These amounts were recognised in other liabilities, thereof non-current EUR -1 million (EUR -2 million).

Of the interest rate swaps, a loss of EUR -6 million (EUR -10 million) was realised in financial expenses during 2012. Four interest rate swaps matured over 2012. On the interest rate swaps which are used as cash flow hedges, a net loss of EUR 0 million (EUR 0 million) was recognised in financial income and expenses at year end due to partial ineffectiveness.

Effective interest rate

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date.

EUR million	2012		2011	
	Effective interest rate	Carrying amout	Effective interest rate	Carrying amout
EUR floating rate loans	2.5%	-508	3.3%	-267
Effect of interest rate swaps	0.9%		0.6%	
EUR fixed rate loans	4.1%	-809	4.2%	-689
EUR financial leases	4.3%	-1	4.3%	-1
USD floating rate loans	1.7%	-138	1.0%	-212
Effect of interest rate swaps	0.6%		0.3%	
USD fixed rate loans	5.8%	-118	9.6%	-33
GBP fixed rate loans	9.4%	-36	9.4%	-36
Total		**-1,610**		**-1,238**

Sensitivity analysis

In managing interest rate risks Borealis aims to reduce the impact of short-term fluctuations on its earnings. Over the long term, permanent changes in interest rates will have an impact on consolidated earnings. The sensitivity analysis has been prepared on the basis of the amount of net debt, the ratio of fixed to floating interest rates of the debt and the derivatives are as per December 31, 2012.

As of December 31, 2012 it is estimated that a general increase of one percentage point in interest rates would have decreased Borealis' profit before tax by approximately EUR 2 million (EUR 1 million). The effect of a decrease of one percentage point in interest rates is expected to be EUR -2 million (EUR -1 million).

24. Commodity risk

Feedstock contracts

At the balance sheet date, Borealis had commodity derivative contracts with maturities up to 12 months (12 months) forward to manage the price risk of feedstock. The notional volume of contracts held at December 31, 2012, was 656,000 tonnes (585,000 tonnes). Part of the contracts, 16,000 tonnes (0 tonnes), were entered into a fair value hedge for feedstock firm commitments. At the balance sheet date, the total market value of these derivatives was EUR 0 million (EUR 0 million). Another part of the contracts, 503,000 tonnes (540,000 tonnes), have been designated as cash flow hedges for future sales and purchases. The total fair value of these contracts at the balance sheet date was EUR 4 million (EUR 3 million). No hedge accounting is applied for the remaining contracts. The net fair value of all derivative contracts for feedstock as of December 31, 2012, was EUR 4 million (EUR 3 million). EUR -9 million (EUR -5 million) has been recognised in other liabilities and EUR 13 million (EUR 8 million) in other assets.

Electricity contracts

Borealis hedges its forecasted electricity purchases with maturity up to 2015 using electricity swaps. The notional volume of the contracts held at December 31, 2012, was 5,162 GWh (5,220 GWh) with an average maturity of 19 months (13 months). Cash flow hedge accounting has been applied for these contracts. The net fair value of the electricity swap contracts used as hedges for forecasted transactions as of December 31, 2012 was EUR -33 million (EUR -24 million), comprising liabilities of EUR -36 million (EUR -25 million), thereof non-current EUR -13 million (EUR -9 million) and assets of EUR 3 million (EUR 1 million), thereof non-current EUR 1 million (EUR 0 million). These amounts were recognised in other liabilities, other assets and in other comprehensive income.

Natural gas contracts

Borealis hedges its forecasted natural gas purchases with maturity up to 2015 using natural gas swaps. The notional volume of the contracts held at December 31, 2012, was 1,151 GWh (1,165 GWh) with an average maturity of 12 months (13 months). Cash flow hedge accounting has been applied for these contracts. The net fair value of the natural gas swap contracts used as hedges for forecasted transactions as of December 31, 2012 was EUR 0 million (EUR 0 million), comprising liabilities of EUR -1 million (EUR -1 million) and assets of EUR 1 million (EUR 1 million), thereof non-current EUR 0 million (EUR 0 million). These amounts were recognised in other liabilities, other assets and in other comprehensive income.

Of the commodity cash flow hedges, EUR -33 million losses (EUR 10 million gains) were removed from hedging reserve during 2012 and were reclassified to the income statement and included into the production costs.

Due to partial ineffectiveness of the commodity cash flow hedges, a loss of EUR 0 million (EUR 0 million) of the total fair value was recognised in production costs at year end.

Sensitivity analysis

Commodity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in commodity prices. Company states its inventories at the lower of cost and net realisable value, taking into account future price developments.
The sensitivity analysis has been prepared on the basis that the amount of the feedstock held and all other parameters besides commodity prices (in particular sales prices) are constant and on the basis of the hedge designations in place at December 31, 2012. The Group assumes that the prevailing market pricing mechanisms reduce the commodity price risk in practice.
As of December 31, 2012 it is estimated that a general increase of one percentage point in commodity prices would have decreased Borealis' profit before tax by approximately EUR -1 million (EUR 0 million) and would have increased Borealis' equity by approximately EUR 3 million (EUR 3 million). The effect of decrease of one percentage point in commodity prices would have increased Borealis' profit before tax by approximately EUR 1 million (EUR 0 million) and would have decreased Borealis' equity by approximately EUR -3 million (EUR -3 million).

25. Securitisation

Borealis has a securitisation programme under which the company sells certain trade receivables to external parties. The Group does not retain any major interest in the trade receivables and thus accordingly derecognises the receivables sold.

At the beginning of October, 2012 Borealis terminated its old securitisation programme and entered into a new securitisation programme. Borealis continues to administer the relationship with debtors, and has to transfer all receivables collected and previously sold to the purchaser under this programme. Several reserves are deducted from the nominal value of the sold receivables and will be released upon transfer of the respective collected receivables to the purchaser.

As of December 31, 2012 receivables worth EUR 320 million were sold to the purchaser under the new securitisation programme. The reserves deducted from the nominal value of the sold receivables amounted to EUR 29 million as of December 31, 2012 and are included in other short-term receivables. A residual liability amounting to EUR 6 million was due to the purchaser as of December 31, 2012 and is included in the other short-term liabilities.

As of December 31, 2011 receivables worth EUR 403 million were sold under the old securitisation programme. Borealis has administered the relationship with debtors and had to compensate the purchaser for credit notes issued subsequent to the sale. To cover that compensation, an outstanding receivable of EUR 148 million was accounted for as of December 31, 2011 and reported under receivables from associated companies (see note 29).

Consequent to the termination of the old securitisation programme at the beginning of October, 2012 all receivables previously sold and not collected by the termination date were repurchased by the company and subsequently sold to the new purchaser of the new securitisation programme. All outstanding amounts due to and due from the purchaser, comprising settlement of all outstanding compensations and release of reserves accrued under the old securitisation programme, resulted in other non-allocated income of EUR 21 million included in net sales (see note 1).

26. Credit risk

Trade receivables credit risk

A credit control procedure has been established. Credit risk is monitored on an ongoing basis. Credit risk on a specific counterparty is the sum of all outstanding trade receivables, and is compared to the individual credit limit allocated to that counterparty. Credit limit evaluations are performed on a daily basis and all customers are at least reviewed once per year. Approval and escalation limits are used to authorise the available credit limits to customers. At the balance sheet date, Borealis has no large concentrations of credit risks representing more than 10% of the total outstanding trade receivables. No credit risk is retained in trade receivables sold under the Securitisation Programme.

Exposure to credit risk

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

EUR million	2012	2011
EU Countries	385	236
Non-EU in Europe	90	21
USA	15	13
Middle East and Asia	48	40
Other regions	46	42
	584	**352**

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

EUR million	2012	2011
Polyolefins	300	186
Base Chemicals	258	134
Other	26	32
	584	**352**

All customers are classified in risk categories based on criteria, such as their financial strength, ownership, size, payment behaviour and country of domicile.

The following categories exist:
Risk category 1: preferred customers, customers with excellent credit standing and financial strength
Risk category 2: medium-size customers with good reputations
Risk category 3: financially sound customers, but with history of slow payments
Risk category 4: customers with repetitive slow payments or with weak financial situation
Risk category 5: customers paying cash in advance
Risk category 6: customers with secured payment terms (L/C or other)
Risk category 7: all new customers

The ageing of trade receivables at the reporting date was:

EUR million	2012 Gross	2012 Impairment	2011 Gross	2011 Impairment
Not past due				
Risk category 1	107	0	54	0
Risk category 2	73	0	55	0
Risk category 3	69	0	71	0
Risk category 4	244	0	118	0
Risk category 5	4	0	0	0
Risk category 6	28	0	20	0
Risk category 7	5	0	2	0
Past due 0-30 days				
Risk category 1	6	0	3	0
Risk category 2	5	0	2	0
Risk category 3	4	0	1	0
Risk category 4	12	0	20	0
Risk category 5	-1	0	-3	0
Risk category 6	1	0	0	0
Risk category 7	1	0	0	0
Past due 31-120 days				
Risk category 1	22	0	4	0
Risk category 2	0	0	0	0
Risk category 3	0	0	0	0
Risk category 4	3	0	1	0
Risk category 5	0	0	0	0
Risk category 6	0	0	0	0
Risk category 7	-1	0	0	0
Past due over 120 days				
Risk category 1	2	0	2	0
Risk category 2	0	0	0	0
Risk category 3	1	-1	2	-1
Risk category 4	4	-4	7	-6
Risk category 5	0	0	0	0
Risk category 6	0	0	0	0
Risk category 7	0	0	0	0
Total	**589**	**-5**	**359**	**-7**

EUR million	2012	2011
The movement in the allowance for impairment in respect of trade receivables		
Balance as of January 1	7	9
Impairment loss recognised	1	0
Written off	-3	-1
Recoveries	0	-1
Balance as of December 31	**5**	**7**

In 2012, the Group did not renegotiate the terms of trade receivables.

The total guarantees received (including bank guarantees and parental guarantees) in respect of above receivables amount to EUR 165 million (EUR 125 million).

Other credit risk

Borealis cash balances are put on deposit with relationship banks or invested in liquid securities only with counterparties that have a credit rating above a predefined threshold. Counterparty credit risks for long-term financial treasury transactions are managed by mandatory credit limits and external credit rating requirements or have undergone a special approval process. A real time treasury system is used to monitor exposures and risk limits. Executive Board does not expect any counterparty to fail to meet any of its current obligations.

EUR million	2012	2011
Available for sale financial assets	24	25
Loans and receivables		
Deposits	3	3
Trade receivables	584	352
Receivables from associated companies	95	227
Cash and cash equivalents	65	96
Derivative financial assets		
Foreign exchange derivative contracts	2	3
Commodity derivatives contracts	1	10
Total	**774**	**716**

27. Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

EUR million	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Other investments				
Other investments	15	n/a	16	n/a
Available for sale financial assets	**15**	**n/a**	**16**	**n/a**
Other non-current receivables and assets				
Long-term deposits for tax requirements	9	9	9	9
Available for sale financial assets	**9**	**9**	**9**	**9**
Deposits and other receivables	3	3	3	3
Loans and receivables	**3**	**3**	**3**	**3**
Financial assets for which hedge accounting is applied				
Commodity derivative contracts	1	1	1	1
Foreign exchange derivative contracts	2	2	0	0
Hedging instruments	**3**	**3**	**1**	**1**
Total other non-current receivables and assets	**15**	**15**	**13**	**13**
Trade receivables				
Trade receivables	584	584	352	352
Loans and receivables	**584**	**584**	**352**	**352**
Receivables from associated companies				
Receivables from associated companies	95	95	227	227
Loans and receivables	**95**	**95**	**227**	**227**
Other current receivables and other assets				
Derivative financial assets for which hedge accounting is not applied				
Commodity derivative contracts	1	1	0	0
Foreign exchange derivative contracts	1	1	0	0
Financial assets at fair value through profit and loss	**2**	**2**	**0**	**0**
Financial assets for which hedge accounting is applied				
Commodity derivative contracts	15	15	9	9
Foreign exchange derivative contracts	7	7	3	3
Hedging instruments	**22**	**22**	**12**	**12**
Income taxes	10	10	33	33
Other assets	276	276	219	219
Other non-financial assets	**286**	**286**	**252**	**252**
Total current receivables and assets	**989**	**989**	**843**	**843**

EUR million	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and borrowings non-current liabilities				
Floating rate loans and borrowings	378	378	322	322
Fixed rate loans and borrowings	858	874	694	709
Financial liabilities	**1,236**	**1,252**	**1,016**	**1,031**
Other non-current liabilities				
Other liabilities	3	3	0	0
Financial liabilities	**3**	**3**	**0**	**0**
Financial liabilities for which hedge accounting is applied				
Commodity derivative contacts	13	13	10	10
Interest derivative contacts	2	2	8	8
Cross currency interest rate swaps	1	1	2	2
Foreign exchange derivative contacts	3	3	4	4
Hedging instruments	**19**	**19**	**24**	**24**
Total other non-current liabilities	**22**	**22**	**24**	**24**
Loans and borrowings current liabilities				
Floating rate loans and borrowings	270	270	158	158
Fixed rate loans and borrowings	104	104	64	64
Financial liabilities	**374**	**374**	**222**	**222**
Trade payables				
Trade payables	754	754	620	620
Financial liabilities	**754**	**754**	**620**	**620**
Other current liabilities				
Interest accruals	21	21	18	18
Other financial liabilities	0	0	69	69
Financial liabilities	**21**	**21**	**87**	**87**
Derivative financial liabilities for which hedge accounting is not applied				
Commodity derivative contacts	1	1	0	0
Foreign exchange derivative contacts	0	0	1	1
Financial liabilities at fair value through profit or loss	**1**	**1**	**1**	**1**
Financial liabilities for which hedge accounting is applied				
Commodity derivative contacts	32	32	21	21
Interest derivative contacts	2	2	1	1
Foreign exchange derivative contacts	1	1	10	10
Hedging instruments	**35**	**35**	**32**	**32**

EUR million	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Other liabilities	225	225	206	206
Other non-financial liabilities	**225**	**225**	**206**	**206**
Total other current liabilities	**282**	**282**	**326**	**326**
Fair value over carrying amount		**16**		**15**

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Fair value for available for sale financial assets has been determined in accordance with Level 1, except for other investments where the fair value cannot be reliably estimated.

Level 2: Valuation techniques based on observable inputs, either directly or indirectly. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in less active markets, or other valuation techniques, where all significant inputs are directly or indirectly observable from market data.

Fair value for financial assets at fair value through profit and loss, financial liabilities, hedging instruments and financial liabilities at fair value through profit and loss has been determined in accordance with Level 2.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Borealis has no assets or liabilities determined in accordance with level 3.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates at the reporting date.

The fair value of interest rate swaps is estimated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.
The fair value of commodity derivative contracts is estimated by discounting the difference between current forward price and contractual forward price.

Non-derivative financial liabilities

We estimate that the carrying amount of the long and short-term loans and borrowings that are based on variable interest rates equals fair value as it corresponds to the current market rate of interest.
Fair value for fixed rate loans and borrowings is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest at the reporting date. All fair values are excluding the outstanding interest accruals at year end. The fair value of trade and other payables is estimated to equal the carrying amount.

Investments

In absence of a quoted market price for other investments in other companies, the fair value is estimated to equal historic cost.

Trade and other receivables

The fair value of trade and other receivables, is estimated to equal the carrying amount.

28. Operating leases

The Group has operating leases relating to certain operational assets. Total rental during the non-terminable periods amounts to:

EUR million	2012	2011
Operating leases		
1 year	15	11
2-5 years	22	23
Thereafter	2	2
Total	**39**	**36**
Operational lease payments during current year	22	18

The Group leases machinery, cars and office buildings under operating leases. The leases typically run for an initial period of 3 to 5 years, with an option to renew the lease after that date.

Borealis has no intention to terminate contracts for which contractual termination payments would materially affect the Group's financial position.

29. Transactions with related parties

EUR million 2012	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans	Borrowings	Interest received	Interest paid
Associates	137	420	95	20	0	0	0	0
Parent company	0	0	0	0	0	0	0	0
Companies with significant influence	1,790	55	7	159	0	0	0	0
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	10	0	0	0	0	0	0	0
	1,937	**475**	**102**	**179**	**0**	**0**	**0**	**0**

EUR million 2011	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans	Borrowings	Interest received	Interest paid
Associates	111	444	227	81	0	0	0	0
Parent company	1	0	0	0	0	0	0	1
Companies with significant influence	1,569	53	4	136	0	0	0	1
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	17	1	0	1	0	0	0	0
	1,698	**498**	**231**	**218**	**0**	**0**	**0**	**2**

The sales to associates include mainly sales of finished goods and services. Purchases from companies with significant influence mainly relate to purchase of feedstock and utilities from OMV group companies at market rates.

For details in respect to remuneration of key management personnel please see note 12. In 2011 the receivables from associates include amongst other securitisation related transactions as per note 25, these receivables are EUR 0 million as of December 31, 2012.

30. Commitments and contingencies

Legal claim contingencies

While the Group has certain lawsuits pending, it is the Executive Board 's opinion that these proceedings will not materially affect the Group's financial position.

Financial guarantees

The Group has EUR 10 million (EUR 12 million) of financial guarantees outstanding by the end of the year. They consist mainly of commercial bank guarantees, which serve as assurance that Borealis will make payment to a beneficiary in the event that it fails to fulfil its financial obligation. The guarantees have various maturity dates.

The Group is subject to numerous national and local tax laws and regulations concerning its sales and environmental activities. These laws and regulations may require the Group to issue guarantee to respective authorities for the Group's payment obligations. These guarantees have been provided to the extent the authorities have requested.

The Group has committed several rental guarantees mainly for own rental agreements. The Group would be responsible if the tenant or Borealis itself fails to pay rent or causes any damages to the property. No material losses are expected to arise from such contingent liabilities.

31. Subsequent events

Borealis has made a firm offer to TOTAL, Paris, France to purchase its entire interest in GPN, Nanterre, France. GPN is France's leading manufacturer of nitrogen fertilizers. Borealis is already active in nitrogen fertilizers in Central Europe, as well as in France following its acquisition of PEC-Rhin in early 2012. Furthermore, Borealis has made another firm offer to TOTAL for its entire majority interest of 56.86% in Belgium's Rosier SA, listed on NYSE Euronext Brussels. The acquisition of Rosier shares will only be completed if Borealis simultaneously acquires the interest in GPN from TOTAL.

Both transactions are subject to the approval of the relevant competition authorities, in particular, the antitrust authorities in the countries concerned.

32. Subsidiaries included in the consolidated accounts

Company name	Country, City	Currency	Issued share capital	Percentage of shares owned
Borealis AG				
• Borealis Sverige AB	Sweden, Stenungsund	SEK	1,063,000	100
•• Borealis AB	Sweden, Stenungsund	SEK	65,000,000	100
••• Etenförsörjning i Stenungsund AB	Sweden, Stenungsund	SEK	5,000,000	80
••• KB Munkeröd 1:72*	Sweden, Stenungsund	SEK	0	100
•• Borealis Group Services AS	Norway, Bamble	NOK	1,000,000	100
• Borealis Polymers Oy	Finland, Porvoo	EUR	108,321,644	100
• Borealis Technology Oy	Finland, Porvoo	EUR	43,728,860	100
• Borealis Financial Services N.V.	Belgium, Mechelen	EUR	99,189,000	100
• Borealis Polymers N.V.	Belgium, Beringen	EUR	359,445,611	100
•• Borealis Kallo N.V.	Belgium, Kallo	EUR	40,575,176	100
•• Borealis Antwerpen Compounding N.V.	Belgium, Zwijndrecht	EUR	277,054	100
• Borealis Brasil S.A.	Brazil, Itatiba	BRL	94,743,513	80
• Borealis Poliolefinas da América do Sul Ltda*	Brazil, Itatiba	BRL	16,000	100
• Borealis UK Ltd	UK, Manchester	GBP	15,000	100
• Borealis Funding Company Ltd	Isle of Man, Ramsey	EUR	10	100
• Borealis Insurance A/S	Denmark, Copenhagen	DKK	52,795,000	100
• Borealis PEC-Rhin S.A.S.	France, Ottmarsheim	EUR	20,010,000	100
• Borealis France S.A.S	France, Nanterre	EUR	207,408	100
•• Borealis Services S.A.S.*	France, Nanterre	EUR	5,000	100
• Poliolefinas Borealis Espana S.A.	Spain, Barcelona	EUR	60,000	100
• Borealis s.r.o.*	Czech Rep., Prague	CZK	500,000	100
• Borealis Polska Sp Z.o.o.*	Poland, Warschau	PLN	50,000	100
• Borealis Polymere GmbH	Germany, Burghausen	EUR	18,406,508	100
• Borealis Polyolefine GmbH	Austria, Schwechat	EUR	46,783,928	100
• Borealis Plasticos S.A. de C.V.*	Mexico, Mexico	MXN	50,000	100
• Borealis Asia Ltd*	Hong Kong, Hong Kong	HKD	500,000	100
• Borealis Italia S.p.A.	Italy, Monza	EUR	13,725,600	100
• Borealis Compounds Inc.	US, Rockport	USD	2,000	100
• Borealis Agrolinz Melamine GmbH	Austria, Linz	EUR	70,000,000	100
•• Borealis Agrolinz Melamine Deutschland GmbH	Germany, Wittenberg	EUR	500,000	100
•• Borealis Melamine International Asia Pacific Pte.Ltd.*	Singapore, Singapore	SGD	100,000	100
•• LINZER AGRO TRADE GmbH	Austria, Linz	EUR	35,000	100
••• LINZER AGRO TRADE Hungary Kft.	Hungary, Budapest	HUF	500,000,000	100
••• LINZER AGRO TRADE Bulgaria EOOD*	Bulgaria, Sofia	BGN	10,000	100
••• LINZER AGRO TRADE d.o.o. za trgovinu*	Croatia, Klisa	HRK	21,200	100
••• LINZER AGRO TRADE Czech Republic spol. s.r.o.*	Czech Rep., Budweis	CZK	2,000,000	100
••• LINZER AGRO TRADE ROMANIA S.R.L*	Romania, Bucharest	RON	5,306,650	100
••• LINZER AGRO TRADE d.o.o.*	Serbia, Belgrade	EUR	800,000	100
••• LINZER AGRO TRADE Slovakia s.r.o.*	Slovakia, Chotin	EUR	497,909	100

* Excluded from the consolidation due to immateriality

33. Auditor’s fees

The following fee information is denominated in EUR and relates to the auditors of the Group:

EUR	2012	2011
Audit of Borealis AG's subsidiaries	755,665	801,595
Audit of consolidated financial statments	284,075	271,000
Other audit related services	72,090	70,000
Other services	52,262	23,275
Total	**1,164,092**	**1,165,870**

34. Executive Board and Supervisory Board

Executive Board: Mark Garrett, Daniel Shook, Herbert Willerth, Gerd Löbbert (until June 30, 2012), Markku Korvenranta, Alfred Stern (since July 1, 2012)

Supervisory Board: Khadem A. Al-Qubaisi, David C. Davies (vice chairman since February 21, 2012), Gerhard Roiss (vice chairman and member until February 21, 2012), Mohamed A. Al-Azdi, Mohamed H. Al Mehairi, Manfred Leitner (member since February 21, 2012)

Vienna, February 14, 2013

Executive Board:

Mark Garrett
Chief Executive

Daniel Shook
Chief Financial Officer

Markku Korvenranta

Herbert Willerth

Alfred Stern

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 consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the company faces.

February 14, 2013

Executive Board:

Mark Garrett
Chief Executive

Daniel Shook
Chief Financial Officer

Markku Korvenranta

Herbert Willerth

Alfred Stern

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