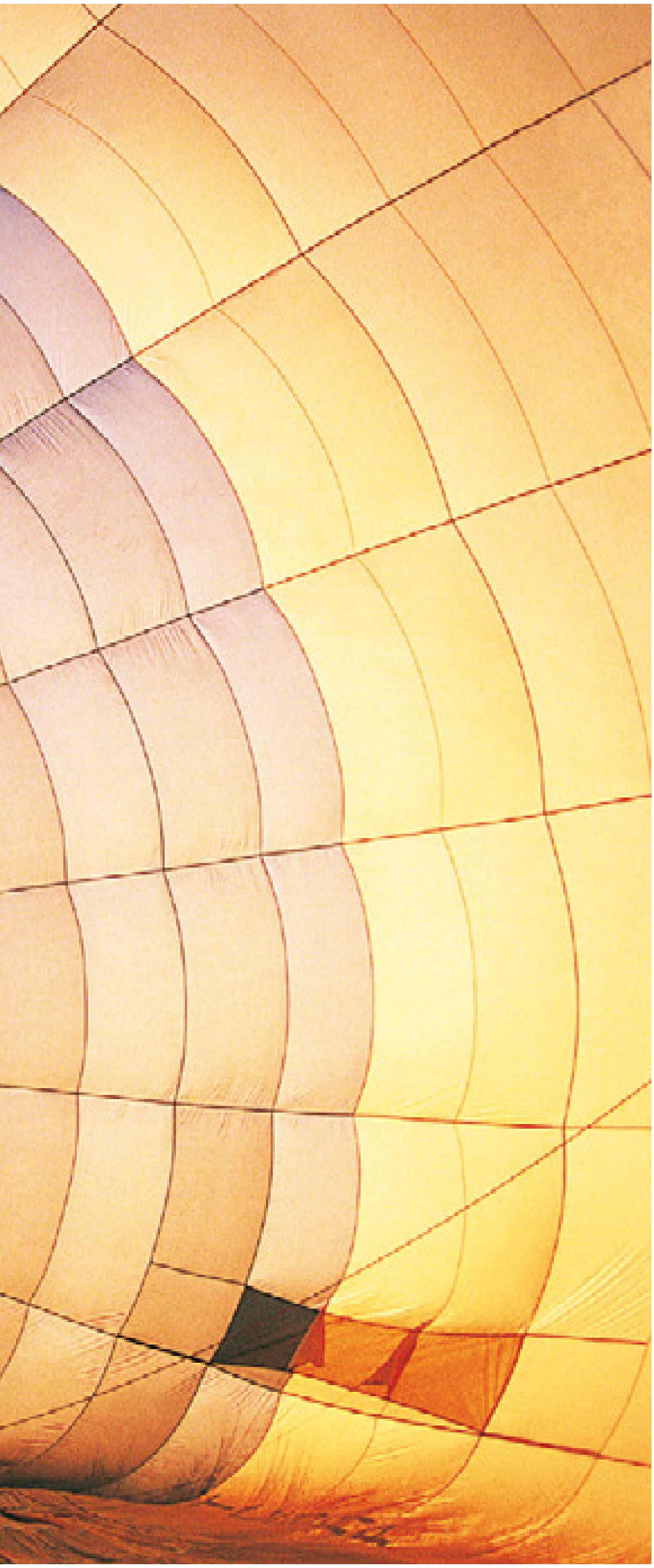
Borealis Annual Report 2013

BOREALIS

Keep Discovering



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Milestones

1. Industry-leading safety standards maintained

2. Strong financial results against difficult European market conditions

3. Three acquisitions further strengthen Borealis' European positions in Polyolefins, Base Chemicals and Fertilizers

4. Borouge 3 expansion project in full start-up phase

5. "Open Your Mind" at K 2013 in Düsseldorf, Germany, showcases leading-edge polyolefin innovations by Borealis, Borouge and NOVA Chemicals

6. Borstar® PE platform extended through upgrade to next generation Borstar® 3G technology at production site in Porvoo, Finland

7. Borealis Sirius catalyst plant inaugurated in Linz, Austria

8. Water for the World™ initiative receives prestigious "Higher Education Excellence in Diversity" (HEED) award

Our Executive Board

Daniel Shook
Chief Financial Officer

Markku Korvenranta
Executive Vice President, Base Chemicals

Mark Garrett
Chief Executive

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

Alfred Stern
Executive Vice President, Polyolefins

Per November 1, 2013, Martijn Arjen van Koten joined the Borealis Executive Board as Executive Vice President Operations. In this capacity he succeeds Herbert Willerth who forthwith, as Deputy CEO, focuses on Borealis' Middle East and Asia activities.

"I am excited and honoured to be able to join Borealis and the Executive Board. I am looking forward to contribute to the next phase of successful performance and growth."

Martijn Arjen van Koten,
Executive Vice President Operations

Strategy

Our strategy is clear.

Our mission

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

Grow

our PO business in Infrastructure, Automotive and Advanced Packaging.

Strengthen

our European base and ensure 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 Fertilizers 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.

Continue

to develop our 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 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

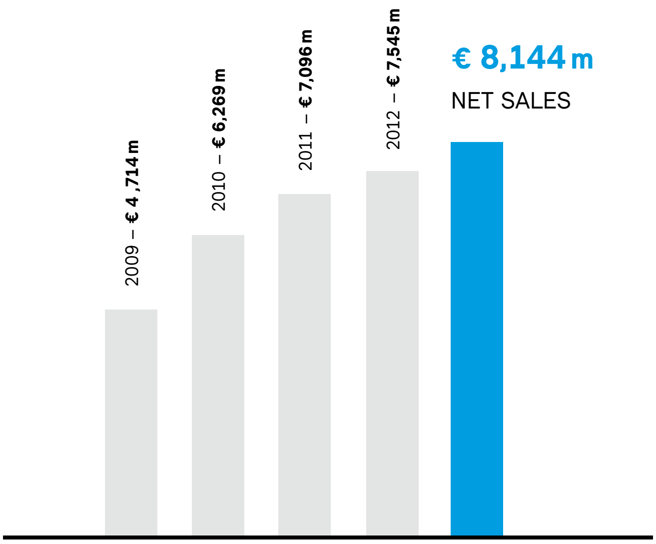
Nimblicity™

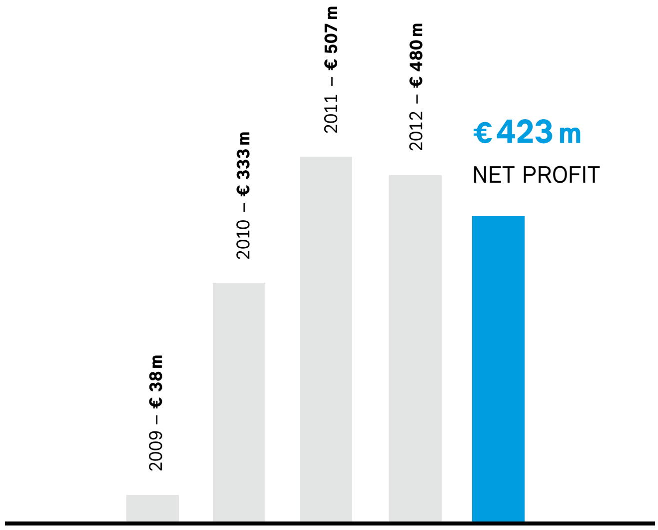
We are fit, fast and flexible

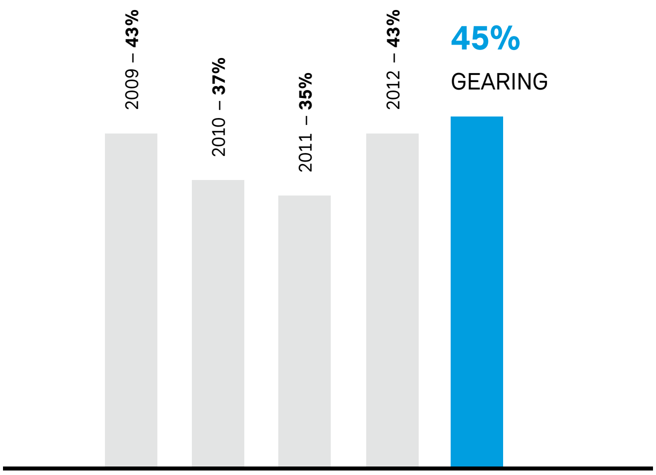
We create and capture opportunities

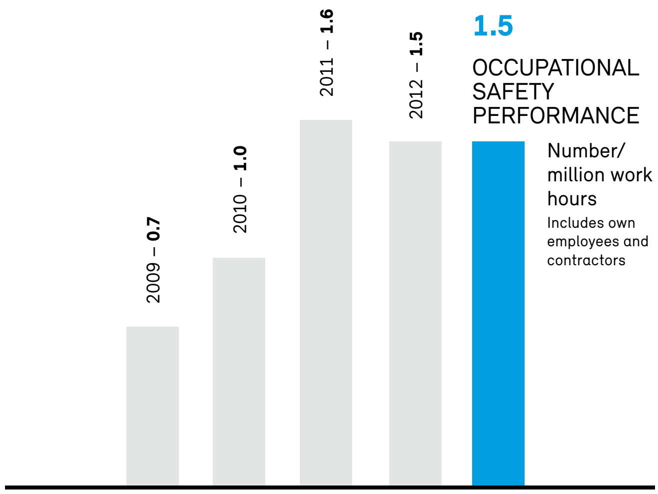
We seek the smart and simple solutions

2013 at a glance









Our World

Borealis Group Locations

Head Office
Austria

Customer Service Centres
Austria, Belgium, Brazil, Finland, Turkey, United States

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

Innovation Centres
Austria, Finland, Sweden

Representative Offices
Romania, Russia, UAE

Borealis L.A.T Locations
Austria, Bulgaria, Croatia, Czech Republic, France, Hungary, Romania, Serbia, Slovakia

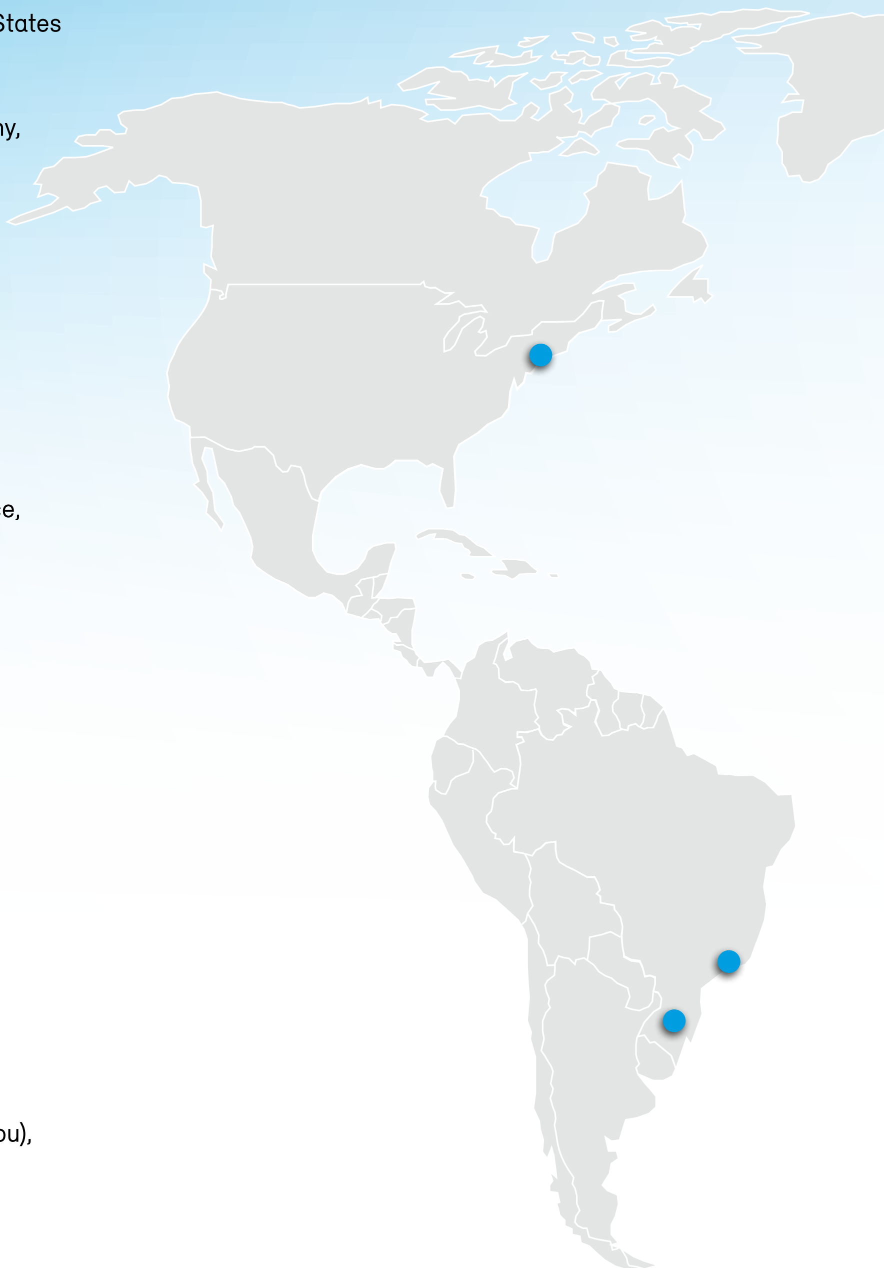
Borouge Locations

Head Offices
Abu Dhabi (UAE), Singapore

Production Plants
Abu Dhabi (UAE), China, Ruwais (UAE)

Sales Offices/Representative Offices
Abu Dhabi (UAE), Auckland, Beijing, Beirut, Guangzhou, Hong Kong, Melbourne, Mumbai, Shanghai, Singapore, Tokyo

Logistics Hubs
Abu Dhabi (UAE), China (Shanghai and Guangzhou), Singapore



Statement of the Supervisory Board

In 2013 the global economic environment remained challenging. Advanced economies saw resumed growth, but only at a limited pace, while emerging markets faced the dual challenges of slowing growth and tighter global financial conditions. The European Union saw growth stagnate, creating a challenging industry environment with few signs of improvement. The year 2013 was one of transition for Borealis with a focus on strengthening the fundamentals of its business through acquisitions and investments. Despite the slow global economic recovery, Borealis delivered a strong result in 2013 as it has continued to prosper from its strategy of developing the Base Chemicals and Polyolefins business segments and the Borouge joint venture.

Strategic acquisitions

Borealis made a number of strategic acquisitions in 2013 in line with its strategy to grow the Fertilizer business and to opportunistically broaden the product portfolio in Polyolefins. In March 2013 Borealis completed the acquisition of DEXPlastomers VOF, a 50/50 joint venture owned by Royal DSM and ExxonMobil Chemical Company. With this acquisition, Borealis has broadened its product offering and increased its innovation capabilities.

In June 2013 Borealis acquired GPN SA from TOTAL as well as TOTAL's majority interest in Rosier S.A. These acquisitions are in line with Borealis' strategy to grow its Fertilizer business to become a leading producer across Europe. Borealis made a further strategic acquisition in fertilizers in December when it announced the creation of a joint venture in Bulgaria, FEBORAN AD, together with the First Energy Bank of Bahrain which acquired 20.3% of the shares in the Bulgarian fertilizer producer Neochim AD. This acquisition will further strengthen Borealis' leading position in Central and Eastern Europe.

Investing in Europe

In addition to strategic acquisitions, Borealis announced a number of major investments in its European locations. In Stenungsund, Sweden, Borealis will invest EUR 21 million in a C4 project in order to support customers' raw material demand for expanding production of olefin-based products. Two major investments were announced for the Porvoo, Finland, location with EUR 25 million being invested in the replacement of a 30-year-old hot oil heater unit at the phenol complex and EUR 65 million in the upgrade of the Borstar PE2 plant to the third generation (3G), thereby extending the Borstar PE platform.

Together with the Borouge 3 expansion project, these investments will support Borealis' mission to be the leading provider of chemical and innovative plastic solutions that create value for society.

Khadem Al Qubaisi
Chairman

David C. Davies
Vice Chairman

Mohammed A. Al-Azdi
Board Member

World-class safety performance and commitment to Corporate Social Responsibility

Borealis maintained its world-class safety performance in 2013. The leading safety indicator remained at the 2012 level as the company continues to strive for an accident-free working environment. Borealis and Borouge have also maintained their strong commitment to Corporate Social Responsibility through initiatives like Water for the World™. The programme, launched in 2007, aims to secure access to safe water and adequate sanitation around the world. In addition, the Borealis Social Fund is established to support social projects in Europe, Asia and the Middle East. A number of significant donations were made throughout the year by way of this fund.

Financial performance above expectations

Borealis reports a solid financial result for the year 2013. The Polyolefins segment improved its performance over the previous year and the Base Chemicals segment continued its strong performance. The Fertilizer segment had a lower contribution compared to 2012 due to softening margins and operational challenges in the second half of 2013. Borouge continued to contribute significantly to the overall Borealis result, but had a lower contribution in 2013 compared to the previous year due to the turnaround in the first quarter of 2013 and costs associated with the start-up of Borouge 3.

Borouge 3 in start-up phase

The Borouge 3 expansion project in Abu Dhabi, UAE, has entered the start-up phase and hydrocarbons are expected to be flowing in the first quarter of 2014. The project will increase the annual production capacity of Borouge's integrated olefins/polyolefins site from the current 2 million tonnes to 4.5 million tonnes. In 2013 Borouge also received the Responsible Care® RC 14001:2008 certification for its entire global operations, the first company in the Gulf to have done so.

Borealis "Opened minds" at the K 2013 in October

At the K 2013 fair in Dusseldorf, Germany, Borealis' combined presence with Borouge and NOVA Chemicals demonstrated both future opportunities and value creation through continuous investments that expand the companies' capabilities and offerings. The joint K 2013 presence underscored the strong commitment to growth demonstrated by parent companies International Petroleum Investment Company (IPIC), OMV and the Abu Dhabi National Oil Company (ADNOC).

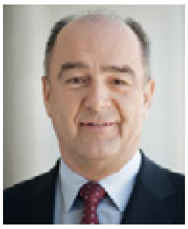
Executive management changes

On 1 November 2013, Borealis announced the appointment of Martijn Arjen van Koten as Executive Vice President Operations to the Executive Board. In this capacity he succeeded Herbert Willerth, who as Deputy CEO will focus on Borealis' Middle East and Asia activities forthwith. Having joined Borealis after a distinguished and varied career of more than 19 years at Shell, Martijn van Koten offers extensive expertise in the disciplines of manufacturing, technical service, R&D and strategic development.

Committed to growth as the leading provider of chemical and plastic solutions

Borealis' management and its employees are committed to being the leading provider of chemical and plastic solutions. 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 expect to see an improved performance in 2014. The European economic climate will remain challenging, but Borealis will be able to deliver solid results by staying committed to the company's mission.

Mohamed H. Al Mehairi
Board Member



Manfred Leitner
Board Member

Looking back at the year 2013, what stands out for you personally?

At the beginning of 2013 we knew it was going to be a year of transition. Most, or probably all of the highlights, revolve around the things we have been doing to transform Borealis. In the first instance this means our acquisitions: DEXPlastomers – now Borealis Plastomers; GPN – now called Borealis Chimie, and the majority of Rosier. Secondly, it is watching Borouge 3 continue to grow out of the sands of the desert. And thirdly, it is seeing our people take on extremely high workloads, but doing so willingly and with a high degree of motivation. I suspect it is more motivating for people to work in an environment in which a company is growing than in one in which cost cutting and staff reductions are the norm.

Our People Survey confirms that our employees stand behind the company. The enthusiasm they demonstrated in tackling the many challenges of 2013 is further confirmation of this.

Our goal is single-minded: to drive ideas forward.

Mark Garrett, Chief Executive

What were the overall highlights for Borealis as a company in 2013?

Overall, we made big strides towards achieving our strategic target of transforming Borealis into a company with three strong profit centres. This helps us to remain a reliable partner for our customers in a difficult European environment. On a strategic level, we have aimed for growth by way of acquisitions: as mentioned earlier, Borealis Plastomers, Borealis Chimie and the majority of Rosier with these coming on the heels of the previous integration of Borealis PEC-Rhin. We are also showing our commitment to Polyolefins growth in Europe by way of investments in our European locations.

After having successfully pursued our scrap and build programme in order to ensure that we have world-class technology and world-class facilities in Polyolefins, we are now engaged in major upgrading projects. A prime example is our location in Porvoo, where our EUR 65 million

"'Keep Discovering' is about keeping what we already do well, and further discovering and pushing ourselves to new boundaries."

investment will serve to upgrade the Borstar® PE2 plant technology to the third generation, or 3G, thus extending the Borstar PE platform. Because of our ability to leverage this technology in Borouge, our investment in Finland will yield larger benefits in the rest of the world as well.

Finally, we took some very good decisions to bring forward the turnaround in Borouge 1 and 2 in order to avoid any interference with the start-up of Borouge 3. And as we speak, we are going full speed ahead with the Borouge 3 start-up preparations. We should be able to have hydrocarbons in late in the first quarter of 2014. So that's very positive.

From your perspective, what does "Keep Discovering" mean for Borealis? How can Borealis keep discovering solutions and new ways of working?

"Keep Discovering" is the new Borealis tagline that will be launched in 2014. To me, "Keep Discovering" is especially fitting because it combines two fundamental aspects of Borealis which differentiate our company from the competition and make it unique in the market. On the one hand, our reliability, our "we're-here-to-stay"-mentality, and our acknowledgement of our heritage corresponds to the "Keep" aspect. And on the other, our constant drive and ambition in regard to product, technology, and market innovation corresponds to the "Discovering" aspect. I recently had the opportunity to realise just how pertinent this new tagline is to the way we think and act at Borealis. At a conference I attended along with chief executives of petrochemical corporations and energy ministers from around the world, there was much discussion and debate about free trade versus trade barriers. In my opinion, erecting barriers is not the solution, – differentiation is. You must differentiate yourself in the market, and this is something we have a proven track record in accomplishing. Borstar® for example is likely the world's leading gas phase technology. Our industry-wide platform Borlink™ is probably the leading high-pressure technology for Wire & Cable. The Borealis Sirius Catalyst Technology is the first new catalyst family in some years. So we have really pushed "Keep Discovering" over the last years to put Borealis in a different technological position. That is the key to differentiation, and survival. There is a saying in Africa, "When the elephants start fighting, the grass gets trampled." Borealis is not going to be the grass! We have got to remain quick and nimble and incorporate our value

Nimblicity™ in practice. Staying ahead of the pack is what "Keep Discovering" is all about. It is about keeping what we already do well, and further discovering and pushing ourselves to new boundaries.

What was the rationale for the Borealis rebranding process?

We believe in progress. And "Keep Discovering" is a logical extension of what we have been doing up until now: continuously developing new approaches, technologies and products. Focussing on creating even more value for our customers and partners and taking on today's challenges. Our goal is single-minded: to drive ideas forward. In the past years we have moved from a single, largely European Polyolefins-based company to a company built on a foundation of Polyolefins, Fertilizers & Base Chemicals, and Borouge. We've changed the nature of the company, and that means we need to reposition it and communicate it in the market. Yet if you take a closer look, the essence of "Keep Discovering" and the essence of innovation is something we have been building on for the past ten years. Thus "Keep Discovering" is a refinement and a logical next step of how we want to go into the

> "Staying ahead of the pack is what 'Keep Discovering' is all about."
>
> **Mark Garrett,** Chief Executive

market, a logical extension of what we have been doing up to now. Our new approach and also the results of our strategy review demonstrate constancy to purpose, and are by no means a 180-degree change.

Borealis has restructured its Polyolefins business. Have there been any other structural or executive board changes?

We still have Executive Board members responsible for Operations, Middle East & Asia, Polyolefins and Base Chemicals, so at the corporate level there is no structural change. In our messaging we want to signal both externally and internally that Borealis is now a company with three profit centres. Polyolefins is one of these centres, but not the only centre. In November, we announced the appointment of Martijn van Koten as Executive Vice President Operations. In this capacity he succeeded


Borealis Sirius Catalyst Plant Linz, Austria

Herbert Willerth, who had been wearing two hats, if you will, for quite some time, and who will now be able to focus exclusively on the Borealis Middle East & Asia activities. With Martijn van Koten, we are fortunate to have found someone who has such extensive and global experience in operations and is well acquainted with the type of joint venture we have with Borouge.

Please elaborate on some of the most important developments in Europe this year.

Our scrap and build strategy entails ongoing investment in our facilities across Europe. Because we continue to upgrade our cutting-edge production facilities through investment, we can help safeguard jobs in the long term whilst still closing down older and unprofitable plants. We had significant activity on the "build" front in 2013, with major investments announced for the Borstar 3G upgrade in Porvoo, the C4 project in Stenungsund, and the inauguration of the Borealis Sirius catalyst plant in Linz in June. And on the "scrap" front, we took the decision to close down the outdated high density polyethylene (HDPE) plant in Burghausen because it can no longer meet the challenges of modern HDPE production. In its place, we will concentrate on optimising the existing polypropylene (PP) plants at the Burghausen site.

One of the stated goals of 2013 had been to drive even better performance with the "Winning through Excellence" programme. Could you provide a brief update on the status of this programme?

"Winning through Excellence" is about ensuring that we as a company always strive for improved performance. There are a number of individual projects that can be carried out that lead to specific improvements. But in reality, improved performance is a never-ending task, because it is always possible to drive efficiency and productivity improvements somehow. The key is truly embedding this drive in the minds of employees instead of running separate programmes every couple of years. Our People Survey is one vital tool to help us improve and learn by listening to feedback and making adjustments. There are of course companies which carry out such surveys simply because a management handbook, or a guru, says you should, or to be able to make a tick next to a box. But Borealis is different. At Borealis, we don't do or say anything we don't believe in. When Borealis defines its core values – here I am referring to Responsible – Respect – Exceed – Nimblicity™ – we really believe in these four values and hold ourselves accountable to them. And if we do a People Survey and take valuable time from our employees, then we review the survey, evaluate the findings, and make changes to the way we work. This is exactly what makes Borealis unique, and the "Winning through Excellence" programme plays an integral part in this.

At the end of the day, behavioural excellence is what "Winning through Excellence" is about. Getting people to think differently and effecting behavioural change has particular relevance during periods of transition. In the course of integrating our recent acquisitions, we need to help all Borealis employees understand what working well truly means. To offer one example of working well: it is the ammonia plant that works like a cracker. It has to run like a Swiss clock, every hour of every day of every year until another turnaround is carried out. And that is the only time it should stop. And if it does break down, then it has to be repaired inside days, not inside weeks or months. This is not yet the case in our fertilizer assets and it is just one

> "At Borealis, we don't do or say anything we don't believe in."
>
> **Mark Garrett,** Chief Executive

example of the many golden nuggets of opportunity for excellence all around us. And if we at Borealis do not pick these nuggets up off the floor, someone else will.

Looking ahead to 2014, what are the main challenges and opportunities for Borealis?

Without question, the single biggest challenge for Borealis in 2014 is the start-up of Borouge 3. Many of our best resources will be focused on delivering this project. A second important challenge will be for Polyolefins to continue executing its approved strategy with extreme discipline and stubbornness in the coming two years. Progress has already been made, but it is essential not to let up the pressure in order to deliver the promised results. A third challenge lies in Base Chemicals, where there are projects and opportunities in hydrocarbons and feedstocks which will require investments in crackers. Although these activities will not be finalised in 2014, the groundwork needs to be done. And finally, we need to deliver on the promise of our acquisitions in Fertilizers. To do so, we need to concentrate on behavioural excellence and reliability and safety in our new operations.

Is there anything you would like to add from a wider industry perspective?

Europe desperately needs to take steps to ensure its industrial base regains competitiveness. The last thing Europe can afford is a process of deindustrialisation. This would drive even higher unemployment and cause significant social unrest. Europeans need to understand that they cannot avoid structural reform in many areas including labour markets and energy markets, if they want to regain competitiveness. If I just take the gas market as an example, it is nearly impossible for European companies to be competitive when they are paying three times more than their North American competitors for gas, whether as an energy source or as a feedstock.

If we consider the North American shale gas revolution, there is no doubt that this will impact Europe. It will not be in 2014, but for sure in the period 2016 through 2018 as new North American capacities come on line. Volumes of finished products will flow to Europe, forcing further restructuring in Europe.

I am convinced that Borealis will survive as a producer in Europe but we need governments and unions to work with us, so that together we are strong and can compete. In any event, the challenges Borealis faces from advantaged feedstock regions are enormous. And although we will never be able to beat these regions on cost, we still have no excuse for being inefficient. We have to be better: more efficient, more productive. But we also must be smarter and more technologically advanced.

Borealis works hard to claim technological leadership in many different areas – whether Borstar gas phase, Compact, Sirius, or nitric acid technology. We need to maintain this technology leadership in the industry and find ways to generate value with these technologies – above and beyond selling end products.

Keep Discovering

Our Strategic Foundation

Cornerstones of Sustained Success

As a leading provider of innovative chemicals and plastic solutions, Borealis has developed from its early Nordic roots to a global enterprise with a strong presence in Europe, the Middle East and Asia. While building on the achievements and experience gained in over 50 years in the industry, Borealis keeps discovering. Discovering new ways of doing business in traditional European markets, as well as funding new market opportunities in the Middle East and Asia.

Polyolefins

Commitment to our European roots: In Europe, a key strategic acquisition and continuous investments underpin our leading market position in Polyolefins. In 2013, Borealis completed the acquisition of Dutch specialty manufacturer DEXPlastomers – now operating under the new name Borealis Plastomers – to complement our own innovative plastics solutions with high-performance plastomers such as our newly-launched Queo™ brand. Concurrent with the launch of the Fibremod™ family of engineered short glass (SGF) and long glass fibre (LGF) polypropylene (PP) compounds, 2013 also saw the start-up of a new compounding line for LGF in Monza, Italy and another in Beringen, Belgium for SGF. The revolutionary new Borealis Sirius catalyst plant – which will produce catalysts using the proprietary Borealis Sirius catalyst technology – was inaugurated in Linz, Austria in June. Sharing the stage with Borouge and NOVA Chemicals, Borealis' high-impact presence in October at the world's most important trade fair for the industry, the K 2013, was the ideal venue to highlight lightweight solutions for the automotive industry, product innovations in surface aesthetics, major technological breakthroughs in advanced packaging applications for the extrusion coating industry, enhanced pipe materials, and a step-change innovation in healthcare applications.

Borealis and Borouge

Harnessing momentum to seize new business opportunities: Borealis and its partner, the Abu Dhabi National Oil Company (ADNOC), are poised to take the lead in the Middle East and Asia through their joint venture Borouge by adhering to a solid strategy for healthy growth. Following the successful ramping up of Borouge 2 – a benchmark for HSE and operational excellence in the Middle East – to full annual production capacity of 2 million tonnes of polyolefins, Borouge 3 will now make this petrochemicals complex the largest integrated olefins/polyolefins site in the world. In 2014, annual Borouge production capacity will increase to 4.5 million tonnes per year. Additional investments have been made in logistics hubs in Abu Dhabi, Singapore, Guangzhou, and Shanghai, which is also the site of a compounding manufacturing plant inaugurated in 2010. The Borouge Innovation Centre in Abu Dhabi and the Research and Development Application Centre in Shanghai cooperate closely with Borealis innovation centres in Europe to explore enhanced infrastructure, automotive and advanced packaging application solutions.

Innovation Centres

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

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

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

Borealis Base Chemicals

Enhanced focus on areas of promising growth in Fertilizers: Whilst Borealis is already a European leader in fertilizer production and distribution, the company has sharpened its focus on this promising sector with the aim of consolidating its frontrunner position in Central and Eastern Europe. Following on the heels of the PEC-Rhin SA acquisition in 2012, in June 2013 Borealis acquired GPN SA, France's largest nitrogen fertilizer manufacturer, with the former now operating under the new name Borealis PEC-Rhin SAS and the latter under Borealis Chimie SAS. A majority interest in Rosier, a mineral fertilizer manufacturer with production sites in Belgium and The Netherlands, was also acquired in 2013.

At the end of the year Borealis, together with First Energy Bank of Bahrain, acquired 20.3% of the shares of Neochim AD, Bulgaria's leading producer and distributor of fertilizers which accounts for a significant share of Bulgaria's ammonium nitrate output. In Austria, production facilities in Linz were upgraded in order to achieve benchmark levels in production efficiency, emission levels and safety. Linzer Agro Trade was renamed to Borealis L.A.T and opened a new subsidiary in Bulgaria, fortifying the Borealis presence in core CEE markets.

Opportunities in Hydrocarbons & Energy are being maximised by way of substantial and diverse investments in Borealis' production location in Stenungsund, Sweden. The facility's existing raffinate-1 and raffinate-2 streams are currently being expanded, and the largest cavern in Europe for butane use has been created. In Porvoo, Finland, a significant project has been developed to upgrade the Borstar PE2 plant technology to the third generation (3G) while another will improve site efficiency by replacing a hot oil heater unit at the Phenol complex.

Our Business

Polyolefins

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

Energy & Infrastructure

Borealis is the leading provider of polyolefin compounds for the global **wire and cable** industry, delivering effective solutions that are widely applied in low, medium, high and extra-high voltage energy transmission and distribution cables, in data and communication cables as well as in building and automotive wires and cables. As a trusted and experienced partner to the **pipe and fittings** industry, Borealis supplies materials for advanced polyolefin pipe systems used in water and gas distribution, waste water and sewage disposal, irrigation, chemical and industrial pipelines, in-house plumbing and heating as well as pipe coating solutions for oil and gas exploration and transportation.

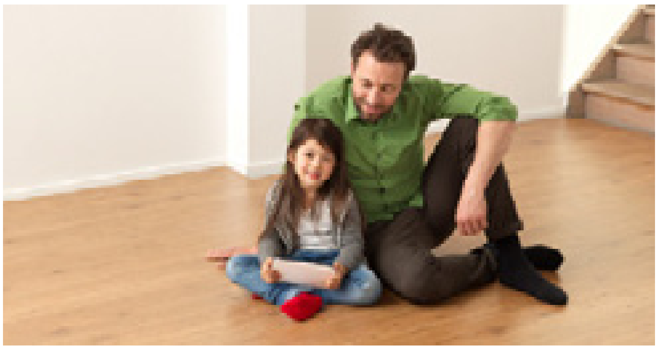
Engineering Applications

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

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

Advanced Packaging & Fibre

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



Borealis Base Chemicals

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

Hydrocarbons & Energy

Borealis sources basic feedstocks such as naphtha, butane, propane and ethane from the oil and gas industry and converts these into ethylene and propylene through its olefin units. Steam crackers in Finland, Sweden and Abu Dhabi, the latter operated by Borouge, produce both ethylene and propylene, while propylene is also produced in a propane dehydrogenation plant in Kallo, Belgium. Feedstock and olefins required for Borealis' plants and those of its joint ventures are either sourced from its owners or joint venture partners, or purchased from the markets. A range of co-products from the steam cracking process, including pygas and butadiene, are also sold to international markets. Phenol, benzene and cumene as well as acetone are produced in Finland and are sold mainly to the adhesive, fibre, epoxy resin and polycarbonate industries in Northern Europe. In the Nordic and Baltic regions, Borealis is the leading producer of phenol, which is used in adhesives, construction materials, carpets, CDs, DVDs, mobile phones and household appliances. Acetone is commonly used in solvents for paints, acrylics, fibres and pharmaceuticals. Benzene and cumene are feedstocks for other chemical processes.

Fertilizers

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

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

Melamine

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

Looking back on 2013, what were the highlights for Borealis as a company?

On our financials, Borealis achieved a record turnover in 2013, with over EUR 8 billion in sales. Profits continued to be strong at EUR 423 million and, while down from 2012, they are in line with our expectations given the impact from the ongoing project transition work both within Borealis and Borouge. Against the backdrop of the weak European economy, these results continue to convince us that our strategy is robust and our people are second to none.

But clearly, the highlights for 2013 must include the acquisitions we have been able to complete: DEXPlastomers, now Borealis Plastomers; GPN, which has been renamed Borealis Chimie; and the majority of Rosier. These acquisitions all demonstrate concrete

Our strategy is robust and our people are second to none.

Daniel Shook,
Chief Financial Officer

progress toward delivering on our key strategic plans. Borealis Chimie and Rosier take us above 5 million tonnes of fertilizer sales capability in Europe and enable us to leverage our existing commercial and operational strengths into new geographies.

With Borealis Plastomers, we've acquired a business which is a great business on its own. But when we combine it with our innovation capabilities and our Borstar® platform, we really see an incredible opportunity to further leverage the combined technologies across a much broader field.

Not every company has the financial capability to pursue acquisitions right now, so Borealis is extremely fortunate that our shareholders see the strategic value in having a balance sheet which enables us to seize these opportunities. Despite the funds required for these acquisitions, Borealis remains comfortably within our

40%–60% gearing range. We also extended our debt maturity profile during the year, which further strengthened our position.

Looking back at overall Borealis performance in 2013, what were your personal highlights?

When I reflect on this past year, there are two areas I would highlight from a personal perspective. First, I was pleased, and at some points amazed, at how the entire organisation was able to continue to advance our core business performance while supporting the additional acquisition and integration activity.

In my direct areas of responsibility, both Finance and Information Technology (IT) have had to adapt, prioritise, and ultimately deliver in order to ensure that the critical integration milestones were met while we continued to provide a robust and efficient service for the core business. Ensuring that our new acquisition colleagues have IT connectivity and that proper finance controls are in place from "Day 1" is essential in getting the integration process off to a good start. I am really proud that my team in particular, but the organisation as a whole, went the extra mile to ensure this critical work gets done.

Second, I am very pleased to see how our Behavioural Excellence initiative has become fully established across the entire organisation. It is the behavioural side – the people side of any organisation – that determines whether you win or lose in the long run. We see more and more great examples of our "Connect, Learn and Implement" behaviours being deployed around the company. This has even extended beyond Borealis' borders, as we had a significant number of Finance people exchanges with the other companies within our "family," including ADNOC,

> "'Keep Discovering' is a mindset we want to instill across our organisation."
>
> **Daniel Shook,** Chief Financial Officer

IPIC and Borouge. The knowledge sharing through these exchanges always provides a benefit for both sides, and no doubt strengthens relationships. I'm certain this will help us achieve even greater results across all the family companies as we move forward.

What do you believe "Keep Discovering" means for Borealis?

Of course it is natural to think first of our Value Creation through Innovation activities and the importance of developing the next great products and services for our customers. But I also believe that "Keep Discovering" applies much more broadly within Borealis. From both a Finance and IT perspective, I see many ways in which "Keep Discovering" applies to us as well. The technology landscape is constantly evolving, so it is critical for my IT team to "Keep Discovering" so they can determine the right next hardware and software solutions to deploy in order to further enhance the quality and efficiency of our business systems. As an example in Finance, we "Keep Discovering" by developing new debt markets, which allows us to achieve greater cost efficiency and diversification within our debt portfolio.

I think it ultimately becomes a mindset we want to instill across our organisation: to always strive to push forward. It is often best to tackle old problems, or to challenge entrenched ways of working, by taking a completely new and fresh approach. To me, this is another important aspect of "Keep Discovering".

Looking ahead to 2014, what are the main challenges and opportunities for Borealis?

In a sense, our main challenges in 2014 are also our greatest opportunities. First there is Borouge 3, which is by far our largest investment and quite complex in terms of the start-up activity scheduled for 2014. The start-up process has begun, and it is essential for the Borouge team to work through all stages to ensure that the overall complex, including the critical supply chain link to the markets, is in full swing by the start of 2015.

Second, the recent acquisitions which have been "on-boarded" well in 2013 now need to be fully integrated into all our functions and processes. Once this is achieved there is an enormous opportunity to drive a substantial performance improvement by fully leveraging the combined strengths and capabilities of the organisation.

Now, highlighting these two critical deliverables in 2014 does not mean that the rest of our organisation can relax! There are many new investments coming on stream and strategic initiatives that must continue to be driven forward in our core Olefin and Polyolefin businesses. And given that the economic climate is unlikely to improve substantially in Europe in 2014, I expect that we will have another challenging year within these core businesses. But as we advance on all of our key projects, and continue to exploit new opportunities when they arise, I am confident we will further strengthen our business to emerge as an even stronger and more valuable company.

"It is the behavioural side – the people side of any organisation – that determines whether you win or lose in the long run."

What were the highlights in Polyolefins in 2013?

Overall we made good progress in our aim to be the polyolefins supplier of choice for our customers. By focussing on our "Value Creation through Innovation" mission, we deliver innovation that creates the most value for our customers, for example by enhancing performance on the speciality side, increasing productivity, or lowering costs in the supply chain. One product highlight in 2013 is the superior flow random copolymer polypropylene (PP) RJ901MO, manufactured using proprietary Borstar® Nucleation Technology. This grade offers real cost and performance-related benefits to our customers in the rigid packaging market.

A second highlight is in hot and cold water pipe applications, where our upgraded PEX-a compounds and PP-RCT material class set new global standards for plastics piping systems. In Engineering Applications, Borealis and Borouge launched the Fibremod™ family of engineered short glass (SGF) and long glass fibre (LGF) PP compounds. This launch coincided with the announcement of the start-up of a new compounding line in Monza for LGF and in Beringen for SGF.

"Keep Discovering" is really at the core of what we do in Polyolefins at Borealis.

Alfred Stern,
Executive Vice President,
Polyolefins

Another exciting 2013 introduction was Queo™, one result of our recently integrated acquisition now operating under the name Borealis Plastomers. This is a particularly interesting launch because the Queo product family enables us to offer our customers a wide range of high-performance solutions.

In Wire & Cable, the Wire Russia trade fair in June provided the ideal platform for the dedicated roll-out of the technology platform Borlink™ in Russia. And finally, the biggest plastics fair in the world, the K 2013, took place at the end of October.

What kind of presence did Borealis have at the K 2013? And what was the response from customers?

This year's K 2013 was in a sense the crowning event of the year for Polyolefins. We have of course received much positive feedback from both customers and partners. After our successful pre-K press conference in June in Linz, the actual event meant eight very long yet fruitful days in Düsseldorf in October. As we did at the previous fair in 2010, we took a "family" approach and shared a stand presence with Borouge and NOVA Chemicals. This was effective on several levels: it signalled our growing presence at the fair itself, but also reinforced the idea that as a leading supplier in the polyolefins industry, we can deliver innovation solutions across the globe. We showcased our polyolefin-based automotive applications in the literal sense of the word thanks to an actual VW Golf 7 on the stand, whose bumpers, instrument panel carrier and door cladding have been enhanced by high-performance materials from Borealis that allow for the construction of parts with reduced wall thicknesses. This contributes to weight reduction by lessening the amount of filler required yet does not affect part quality or performance. Other outstanding product innovations featured were our material solutions in the areas of primerless paintability and tiger stripe-free surface aesthetics. We are enabling OEMs and Tier One suppliers in the automotive industry to achieve defect-free surfaces and helping them capitalise on the benefits of reduced costs, environmental impact and optimised production cycle times. And that is not all: these technologies may also be exploited in appliances and in pioneering solutions in other application areas.

In Healthcare, we highlighted our step-change innovation in soft polypropylene (PP), Bormed™ SB815MO. This material addresses some of the most pressing challenges in the healthcare industry today by offering a new level of softness, good transparency without the addition of clarifiers, reduced sterilisation time and the ability to be self-collapsible without venting, thus avoiding contamination. The commercial launch of CT7200, a new low density polyethylene (LDPE) homopolymer produced with high pressure tubular technology, coincided with the K 2013. CT7200 is a patented Borealis innovation and a major technological breakthrough for the extrusion coating industry. Finally, our two new BorSafe™ pipe products exhibiting higher resistance to chlorinated disinfectants are excellent examples of how Borealis works closely with our partners in the industry to address the global water challenge, among other ways by offering superior technical solutions for the provision of safe water.

Looking back on 2013, what were the highlights for Borealis as a company?

The first Borealis highlight I would mention is the successful inauguration of the Borealis Sirius catalyst plant in Linz. This plant is the first of its kind not only for Borealis, but in the entire world. We are very proud of this achievement and satisfied with the plant's start-up performance. The Sirius facility enables us to build on the basic research carried out at our Innovation Centre in Porvoo by further refining catalysts developed there until

"The Borealis Sirius catalyst plant is the first of its kind not only for Borealis, but in the entire world. We are very proud of this achievement."

they are market-ready. This is an essential step in the development of catalysts and determines the quality and versatility of the final product. And because catalysts are, if you will, the "heart" of certain polymerisation processes, the Sirius plant enables us to produce catalysts for our own needs, for both production and R&D. This way we can maintain total control within Borealis across the entire value chain, giving us an edge in innovation and a competitive advantage in the market. Second, the acquisition of DEXPlastomers and its integration as Borealis Plastomers, as mentioned previously in connection with Queo. Our own product offering has been augmented by new products and thus we can offer our customers even more complete packages. A third highlight is our expansion project in Brazil, where we are enlarging the compounding capacity of our plant in Itatiba. With this project, we are responding to rising demand for added-value products in growth markets and staying close to our present and future customers. Last but not least, as of 1 July, Gilles Rochas assumed the position of Vice President of our Application Segment Energy & Infrastructure, returning to Borealis after five years with Borouge, and we are very glad to welcome him back in this new capacity.

"The New Business Development team has been established to identify and grow significant new opportunities that will bring future returns to Borealis. Integrating Borealis Plastomers has been one of the interesting and exciting developments in the portfolio in 2013."

Jane Toogood, Vice President, New Business Development

What does "Keep Discovering" mean for Borealis? How can Polyolefins enable Borealis to keep discovering solutions and new ways of working?

"Keep Discovering" is really at the core of what we do in Polyolefins at Borealis. We have a very good track record in working closely with our customers to find solutions to their challenges. In order to accelerate our activities in this area, we implemented the New Business Development unit at the beginning of 2013 with the goal of applying "Keep Discovering" in practice to markets and technology-based solutions. Our sharpened focus on plastomers, including the Queo family mentioned previously, is a result of this. We are also working on our HMS, or High Melt Strength, line of formable polypropylene materials that can potentially be used as a lighter and more environmentally friendly substitute for conventional materials. And finally, our stepped-up activities in Healthcare, where our focus on applications that make healthcare packaging and devices safer and more reliable has helped us to grow this business significantly in 2013.

Looking ahead to 2014, what are the challenges and opportunities for Polyolefins?

We believe that we will encounter slightly improved business conditions in 2014 but it will still be a very challenging environment, in particular for Polyolefins. The main focus remains on delivering to our customers those products and solutions that create the most value. This means we need to deliver innovation in the market segments where we can create new things – new applications, new products or new technologies – and deliver higher performance products to our customers. This is where we are actually creating new opportunities for our customers to help make them more successful. Then there are other segments in which we must focus on cost efficiency, and taking cost out of the supply chain, not only on the Borealis side, but the customer side as well. In this area we have made a lot of progress in 2013, for example by optimising the overall set-up of our Customer Service Centres, as well as closing the old LDPE plant in Stenungsund. However, more needs to be done, and in this specific context 2014 will be an important year, with preparations for the closure of the Burghausen HDPE plant and provision of supply to our customers from other plants. At the same time we are working to upgrade our capabilities where we see opportunities to support the growth of our customers.

Another important opportunity in 2014 involves the preparations for the major upgrading project in Porvoo, where we are extending the Borstar® PE platform to the third generation, or 3G, which increases the process window on this plant and allows us to make higher performing products. Outside Europe, the Brazilian expansion project on the compounding line will have to be mechanically completed in 2014 in order to commission it for the scheduled 2015 start-up. And last but not least, we will work very closely with our colleagues from Borouge to ensure that the start-up of Borouge 3 next year is a success.

Looking back on 2013, what were the highlights for Borealis as a company?

For Borealis, 2013 was the year of growth in Fertilizers. We acquired GPN and the majority of Rosier in June and the minority interest in Neochim at the end of this year. This doubled our capacity in Fertilizers, so this is of course a major development. And after our first full year of ownership of Borealis PEC-Rhin in Ottmarsheim, we have put our ability to turn around operations and improve profitability to the test, and succeeded. Yet another development in Fertilizers is the transformation of Linzer Agro Trade to Borealis L.A.T, marking the final step of integration of Fertilizers overall into the Borealis Group.

There were several other major events for Borealis in the area of Fertilizers and Base Chemicals. For example in feedstocks, olefins and energy we approved an ambitious strategic plan extending to 2020. We will continue to

For Borealis, 2013 was the year of growth in Fertilizers.

Markku Korvenranta,
Executive Vice President,
Base Chemicals

develop the business further, including investments in our existing assets and logistics infrastructure. In Phenol we faced challenging market conditions with dropping demand in key customer segments, but with our strategy of focussing on a diverse group of customers, we have been able to maintain a good profitability and operating rate of the units.

In Melamine, the market was mixed: the supply shortages that the market experienced in the early part of the year mostly disappeared during the second half. Demand has not fully recovered to the levels seen before the financial crisis. This has influenced the underlying industry operating rates.

Looking back on 2013, what were the highlights in the different areas of Base Chemicals itself?

In Porvoo, plans have been approved for the replacement of a 30-year-old hot oil heater unit at the phenol complex.

The installation of the new heater at a cost of EUR 25 million is a key element in improving efficiency and site integration. The new unit, which is scheduled to become fully operational in 2015, will reduce maintenance requirements and CO_2 emissions whilst securing safe, continuous, reliable and cost-competitive operations for the next 30 years.

Another important highlight is the C4 project at our petrochemical complex in Stenungsund, which is a very strategic location for us. We are enhancing the competitiveness of this facility by investing EUR 21 million to upgrade the existing raffinate-1 and raffinate-2 streams – which are co-products from a cracker – to meet required product specifications for the delivery of n-butenes to Perstorp Holding AB. The upgrade is targeted to be completed in early 2015. It is part of a broader commitment to support our customers' raw material demand for expanding production of olefin-based products in our integrated site locations.

Most recently, after deciding that our focus in the future should be on the business and manufacture of melamine, we finalised the divestment of our proprietary melamine high pressure process technology. Having reached an agreement with Urea Casale SA Switzerland in August, we proceeded with the sale of this technology as well as all related intellectual property rights to Urea Casale in October.

"Everyone at Borealis is in the process of expanding their focus from petrochemicals to a broader foundation which includes Fertilizers."

What does "Keep Discovering" mean for Borealis? How has your own business group enabled Borealis to keep discovering?

In my opinion, "Keep Discovering" perfectly describes Fertilizers, the newest business within Borealis. Fertilizers only became a part of Borealis in 2007, and ever since we have been on a journey of discovering the Fertilizer business. We have been able to produce good returns and grow this business from what was less than 1.5 million tonnes to 5 million tonnes today. In a larger sense, "Keep Discovering" is something that Borealis as a whole, including Fertilizers and Base Chemicals, strives to achieve via its way of working together and looking for new solutions to our customers' and our industry's problems.

The acquisitions in France, Belgium, The Netherlands and Bulgaria, and the "new" Borealis L.A.T – how will these acquisitions shape the future of Fertilizers at Borealis?

The relative size of Fertilizers in comparison to other business areas at Borealis has increased. And as such, Borealis, which has traditionally been known as an integrated polyolefins company, has now become an integrated polyolefins company with a significant business in fertilizers. And of course this has an immediate impact on any number of people involved with the business. Everyone at Borealis is in the process of expanding their focus from petrochemicals to a broader foundation which includes Fertilizers.

Has the integration of the company formerly known as GPN, now Borealis Chimie SAS, been proceeding as planned?

Yes, it has indeed. At the end of the 100-day integration period in November 2013, the 800 new members of the Borealis family had been fully integrated into the Borealis Group and Borealis L.A.T for its marketing and sales activities. It has been a learning experience for both sides, especially because we have never had a major presence in France up until now. The Transformation Programme will be launched in January 2014 to ensure that our strategic objectives for the acquisition are fulfilled. And I might add here that the integration of the mineral fertilizer producer Rosier has also gone smoothly. We have had significant operations in the Benelux countries for years, so we are well acquainted with the operating environment and cultural mindset. However, the business of Rosier itself is quite different from what we are used to. Rosier has its own speciality fertilizers which are sold worldwide under their own brand names. Their manufacturing operations – which are more similar to compounding and granulation than chemical processes – are also somewhat different from ours in Linz, Austria and France.

"It was exciting to lead this first phase of integrating GPN, now Borealis Chimie. The team appreciated the pragmatic and clear integration approach we have chosen, they are fully committed to further grow in Borealis. The important thing now will be the successful implementation of the upcoming Transformation Project, both in Operations and Commercial."

Martina Auberger, Head Integration Borealis Chimie

Could you explain the rationale behind the name change from "Linzer Agro Trade" to "Borealis L.A.T" in July of 2013?

The name change is also the result of growth in Fertilizers. Linzer Agro Trade served us very well when we were focussed on markets in Austria, southern Germany, Central and South-Eastern Europe. But as we move into new territories and new countries, the name "Linzer Agro Trade" did not fully capture all that we represent. It was also important to highlight the affiliation with Borealis and thus it was logical to place "Borealis" in front of the new name.

Looking ahead to 2014, what are the main challenges and opportunities?

There is expectation of modest economic recovery, both in Europe and around the world. This should have a positive impact on our businesses. For Fertilizers, the second half of 2013 was very challenging from a margin point of view, and we do not expect this to change in the near future. The cracker margin is anticipated to be somewhat better in 2014 than in 2013 on the basis of improving demand. In the area of Phenol, the challenging market conditions will continue as new capacity is being added in China, in particular. For Melamine, 2013 was a good year thanks to several one-off events. Yet in our view, 2014 will be somewhat less favourable from a margin standpoint, but the balance between supply and demand should continue to improve as we move towards 2015 and beyond.

What will be your main focus in 2014?

When we spoke last year, we had anticipated recovery in 2013 with improved margins. Our financial ambitions were not fully met, but on the whole, the year was a good one for Base Chemicals, with significant progress having been made in delivering our strategic objectives in becoming a credible third business leg within the Borealis Group.

In 2014 we will continue on the same path, with focus on securing the long-term profitability of our integrated polyolefin business and delivering on the full potential of the enlarged Fertilizers. Further, there are several major investment projects in 2014 that will either need to be decided upon, or are approaching finalisation, such as the C4 project in Stenungsund that I mentioned earlier. In capital-intensive industries such as ours, the selection and execution of capital projects are of utmost importance.

What were some major milestones in the Middle East & Asia organisation in 2013?

The Middle East & Asia (MEA) business group continues to contribute tremendously to Borealis' overall business success. In 2013, we had another successful year in the history of Borouge with an excellent net profit contribution to the Borealis bottom line result. This was achieved in spite of the difficult market environment and in the midst of the execution of complex projects such as Borouge 3 and the turnarounds of Borouge 1 and 2. Taken together, the previous two Borouge turnarounds posed the biggest maintenance challenge ever carried out in the history of the complex.

Although all eyes are now focussed on Borouge 3, I'd like to single out a few other achievements: our excellent working relationship with our joint venture partner ADNOC, for one. The overwhelmingly positive customer feedback about Borstar® products in terms of both quality and

The Borouge and Borealis project team is doing an extraordinary job!

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

performance. And the progress in implementing the new organisational structure in Borouge Pte, the marketing company of Borouge, as well as the newly developed logistics streams.

Would you please outline the parameters of the Borouge 3 project?

This project will be delivered at a very competitive price. Excellent progress is being made and we are now close to more than doubling our capacity by 2.5 million tonnes/year (t/y) to 4.5 million t/y in 2014, which will position Borouge among the top ten producers in the Middle East & Asia.

To give you an idea of the complexity and capacity of this project: we have poured the equivalent of 172 Olympic-sized swimming pools of concrete. The amount of steel used could have built seven Eiffel Towers. The electrical and instrument cabling laid would exceed the distance from Abu Dhabi to Vienna and back – that's over 10,000

"As one of the largest and most complex polyolefin expansions in the history of the petrochemical industry, Borouge 3 will be the main focus of our efforts in 2014."

kilometres! We are in the final stages of commissioning the 1.5 million t/y Ethylene cracker Unit 3. There will be two second-generation Borstar® PE units producing 540,000 t/y each; two second-generation Borstar PP units, each producing 480,000 t/y, will follow. As well, there is one LDPE unit, an XLPE unit, and a butene unit producing 350,000 t/y, 80,000 t/y and 28,000 tonnes per year, respectively. Last but not least, to serve and augment these production facilities we also require a huge number of off-site utilities and marine facilities.

The Borouge and Borealis project team is doing an extraordinary job! At the peak of the project, more than 25,000 contractors had to be coordinated and all the sub-streams needed to be kept under control. We are now at a completion level above ninety percent overall; the cracker is in the commissioning phase. It is important to emphasise that while managing the project, our highest priority has been zero tolerance for shortcuts and zero tolerance for compromises on quality and safety standards.

Looking back on 2013, what were the highlights for Borealis overall?

Borealis contributes to the success of Borouge in so many ways. From providing training, supplying manpower and expertise for the Borouge 3 project in diverse phases, and of course through the ongoing collaboration in the development of new products and innovative solutions for our customers. In Borealis Operations, the full roll-out and implementation of our Operational Excellence programme in all of our Borealis plants has brought about great improvements in plant reliability and product consistency. And driven by Operational Discipline, we are continuing our journey to reach our ultimate goal of zero incidents.

What does "Keep Discovering" mean for Borealis? How can Borouge help Borealis to keep discovering solutions and new ways of working?

In general, there is a lot to discover from the ways in which the Borouge organisation is managing the rapid growth whilst driving ahead at full speed. It is essential to establish channels through which we can exchange knowledge and share best practices, solve problems and implement projects. But it is also vital to collaborate on new technical developments and product innovations.

Recent examples of fruitful cooperation between Borealis and Borouge include irrigation projects aiming to reduce water waste, or securing the energy supply in Asia with durable, high purity cable insulation for long-distance electricity transport, and the use of direct current to connect renewable energy sources to electricity infrastructure. By working together we can make a lower carbon footprint possible by downgauging, reducing weight, and more. There are a number of joint innovation projects in which we pool our resources, share patents and leverage our pilot plants and lab testing capabilities in order to optimise results. In a shared mission to "Keep Discovering" we can further strengthen our long-term partnership and fulfil our role as a leading technology provider.

Looking back on 2013, which MEA achievements would be at the top of your own personal list?

Well, my list would be very long indeed! First and foremost would be the high completion rate of the world-class Borouge 3 expansion project as well as the supply chain readiness for Borouge 3 start-up. IT systems, organisational capabilities and set-ups of new logistics hubs are all on track and are being closely monitored. Borouge supplied the first shipments through our new Ruwais Distribution Centre (RDC) to our customers in the GCC states and eastern Mediterranean countries. Borouge also safely completed the scheduled turnarounds of the Ruwais plants within budget and schedule.

Second, in production I would mention the fact that the ethane crackers demonstrated very high reliability and the Borstar PP and PE units exceeded expectations in respect to reliable operation, with PE3 reaching hourly production records. Third, the "Keep Discovering" aspect, the cooperation between Borealis and Borouge on product innovations mentioned earlier. And finally, Borouge is the first company in the Gulf region to have received a Responsible Care® RC 14001:2008 certification for its global manufacturing and commercial operations across the Middle East and Asia.

> "The Middle East & Asia business group continues to contribute tremendously to Borealis' overall business success."
>
> **Herbert Willerth,** Deputy Chief Executive Officer, Executive Vice President Middle East & Asia

Looking ahead to 2014, what are the principal challenges and opportunities?

As one of the largest and most complex polyolefin expansions in the history of the petrochemical industry, Borouge 3 will be the main focus of our efforts in 2014. This will be the year to deliver the project without interrupting the operations of the existing plants. The highest priority will be given to safety across all locations and all parts of the organisation. During the start-up and ramp-up phase, we as Borealis must ensure the delivery of the full potential of our technology; what is more, during this phase the logistics, marketing and sales teams in Borouge have to be working from the first day onwards to lay the foundation for Operational Excellence in all areas.

In anticipation of the first year of commercial operations, the Borouge 2015 Transformation Programme is on track to deliver the requisite integrated solutions that embed the defined strategy into the operational streams. We will also carry on with joint innovation projects and continue to pool resources, share patents, and develop our people and expertise by way of training courses, for example at the Borealis Business Academy. Throughout, we also demonstrate our full commitment to supporting the Emiratisation efforts of ADNOC and will further strengthen our long-term role in the Borouge JV as both a technology provider and a reliable partner.

Sustainability

Responsible Care®: committed to sustainability

Responsible Care® is the global chemical industry's unique initiative to improve health and environmental performance, enhance security, and to communicate with stakeholders about products and processes.

Responsible Care commits our company to:

- Continuously improve the environmental, health, safety and security knowledge and performance of our technologies, processes and products over their life cycles so as to avoid harm to people and the environment.
- Use resources efficiently and minimise waste.
- Report openly on performance, achievements and shortcomings.
- Listen, engage and work with people to understand and address their concerns and expectations.
- Cooperate with governments and organisations in the development and implementation of effective regulations and standards, and to meet or go beyond them.
- Provide help and advice to foster the responsible management of our products by all those who manage and use them along the product chain.

Borealis Responsible Care 2013 key performance indicators

Issue	Definition	2013	2012	2011	2010	2009
Total Recordable Injuries	number/million work hours	1.5	1.5	1.6	1.0	0.7
Response rate on HSE incidents	% of approved and closed cases	98	98	99	99	98
Sick leave	% of total hours worked	3.5	3.2	3.4	3.4	3.4
Response rate on process safety incidents	% actions timely completed	96	96	99	99	97
Flaring losses	tonnes	37,500	57,900	52,200	50,800	46,000
Volatile organic compound emissions	tonnes	3,660	2,940	3,250	3,762	3,440
NO_x emissions	tonnes	1,460	1,675	1,710	1,740	1,500
Water consumption	m^3 (million)	161	185	187	188	183
Waste generation	tonnes	19,000	17,900	18,200	16,140	16,100
Primary energy consumption	GWh	22,100	21,700	20,200	22,300	19,300
EU ETS CO_2e emissions	kilotonnes	2,480	1,480	1,530	1,600	1,310
N_2O emissions	tonnes	159	169	152	198	530

Note: Borealis Pec-Rhin and 2013 acquisitions not included

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 this 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 were absent 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 the year 2013.

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 (since 2009 this indicator has been replaced by the reporting of CO_2 emissions under EU Emission Trading Scheme).

EU Emission Trading Scheme (ETS) CO_2 emissions
All greenhouse gas emissions (GHG) as per the European ETS expressed in CO_2 equivalents (since 2009 this indicator has replaced 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 kilopascal (kPa) or more at either room temperature or at actual temperature when processed. The quantification is based on measurements and estimates.

Nitrogen Oxide (NO_x) emissions
Emissions of all nitrogen oxides from all relevant sources, including flares. The emissions are quantified as NO_2. When NO_x 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, sanitation).

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.

Excellence in Occupational Health and Personal Safety

The company's approach to safety goes far beyond operations, and addresses safety issues in the office environment and beyond, through amongst others 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."

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

Proactive prevention of accidents is achieved through observation tours, awareness campaigns, safety training, regular audits and continuous, systematic learning. Borealis tracks not only Total Recordable Injuries frequency (TRI) – requiring medical treatment, restricted work or resulting in lost time – but also near-misses. This tracking contains both its own employees as well as contractors' activities.

Occupational Health
Borealis actively focuses on health. For example, a company-wide workplace health survey is conducted every five years and, based on the results, measures are implemented. The company's activities to ensure employee health 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 give up smoking, and/or consult a company psychologist. The company also encourages the adoption of a good diet by providing fresh fruit and healthy snacks at many of its locations.

2013 Health and Safety Performance

Substantial reduction in contractor incidents

Following an increase in incidents among its contractors, Borealis initiated the COMA (Contractor Management) programme in 2012, which focuses specifically on improving their safety performance. In 2013, safety incidents with contractors decreased markedly. Borealis will continue the programme to ensure this improvement continues.

Investigating HSE incidents

In 2013, more than 15,000 observation tours were conducted throughout the company's departments and 98% of all recorded HSE incidents were investigated, the results approved and the investigations closed. The company reports a TRI frequency of 1.5 in 2013. Although a TRI below 2 is considered to be world-class in the industry, Borealis sets even more ambitious targets and will continue to work towards zero injuries.

Reducing sick leave

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. The sick leave rate deteriorated to 3.5% in 2013, which the company will fully analyse to determine the underlying causes and develop actions to reduce it.

Borealis' Life Saving Rules reinforce focus on safe behaviour

Borealis does everything possible to ensure a safe and healthy working environment for all Borealis employees and contractors. Yet incident trends and lessons learned have highlighted that there is a repetition of incidents in certain areas.

> "If we can't do it safely, we don't do it at all."

In any company, safety is closely related to the safe behaviour of each employee. A culture of safe behaviour and "care for my colleague" are key factors in building a zero incident mindset. As many of the incidents and near misses relate to unsafe behaviour, a refocusing was necessary.

To achieve this, Borealis developed five Life Saving Rules. These rules were established to address areas where a large majority of past incidents have occurred. The goal is to increase awareness of existing safety rules and highlight activities that demand additional attention given the company's historical track record.

These Life Saving Rules are not a replacement, but a critical subset of rules that already exist in Borealis, and they have been shared with every employee through mandatory e-learning.

Borealis' Life Saving Rules

Rule 1: Working at height
Every person who ascends to works at or descends from height shall ensure it is done safely and that he/she is adequately protected from falling.

Rule 2: Entry Into confined spaces
Entry into a confined space is prohibited unless it is controlled and authorised.

Rule 3: Lifting operations and working under suspended loads
All lifting operations shall be conducted by competent persons in accordance to acceptable, safe lifting practices and no one shall work under a suspended object.

Rule 4: Working on potentially energised/ pressurised equipment
Every person who intends to work on any equipment shall ensure all energy sources adequately and safely isolated before starting.

Rule 5: Exposure to traffic
Drivers shall exercise great care to protect themselves and others from harm, pedestrians and cyclists shall be alert to traffic all times.

Group and local initiatives for a changing world

Group initiative: getting older, working longer
In the coming years, Borealis will face a dual challenge: maintain an effective and skilled workforce in the face of a reducing working population in the EU, while ensuring the health and motivation of an ageing workforce as our employees are increasingly required to stay longer in their working lives. A task force documented existing HR/HSE initiatives, collected and analysed data from internal and external sources in order to create a strategy for building a healthy and motivated team with an ageing workforce. The strategy includes recommendations for future 55+ generations and is focusing on four key areas: health; job satisfaction; knowledge and work/social life balance. The recommendations from the task force will be further developed and then incorporated into Borealis' broader HR initiatives.

Investing in Process Safety

Borealis' operations handle large quantities of flammable materials at elevated pressure and temperatures. Therefore process safety is of prime importance to ensure the health and safety of employees, neighbouring communities and the environment. Any leaks, fires and explosions could have a major impact on the company's stakeholders.

Borealis therefore regards it as its moral duty to invest in the prevention of process safety incidents and ensure that all plants are properly designed, maintained and operated to avoid accidents.

2013 Process safety performance

Borealis Blue Audits
Internal safety audits known as 'Borealis Blue Audits' are being rolled out in operations, plant availability and engineering as well as health and safety. In 2013, five such audits were carried out at the Stenungsund, Schwechat, Kallo, Burghausen and Borealis Plastomers locations. The audits, which focus on Process Safety, ensure that each location is following the Borealis Management System.

Learning from our mistakes

The number of reported low severity process safety cases has increased as a consequence of higher awareness of process safety at our plants. We are learning from these cases, thus trying to avoid higher severity cases. The amount of medium severity cases increased slightly compared to 2011–2012. All cases have been thoroughly investigated in order to capture learning points which are then shared across all locations.

Addressing global climate change

Borealis recognises its responsibility for addressing global climate change. As an energy-intensive company with operations in several countries, Borealis is exposed to risks associated with climate change. These include rising energy costs and increasing demands from stakeholders, regulatory agencies and the general public. Borealis recognises that by driving towards greater efficiency across its businesses, it both supports the environment and improves the company's financial performance.

Besides implementing new, energy-efficient technologies, Borealis has put in place a comprehensive environmental management plan and continues to strive 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 18.5 million in 2013.

Most of the company's manufacturing units are certified according to ISO 9001 and ISO 14001. The certification for the company's 2013 acquisitions is being requested. All locations have dedicated environmental and energy experts, as well as an energy management system that is integrated into the existing ISO 14001 environmental management system.

Borealis monitors numerous environmental parameters such as emissions to air, energy efficiency and water consumption at all the company's operations and reports them within the framework of the Responsible Care® programme.

2013 Energy & Environment Performance

Flaring

Flaring, a necessary safety measure involving the burning of excess gas during operations, 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.

Borealis has rolled out a company-wide campaign to raise awareness of flaring, analyse the causes and develop mitigating actions. The campaign also includes an improved monthly flaring performance tool allowing Borealis operations to monitor and analyse the flaring performance on a plant-by-plant basis more closely as well as on more aggregated levels.

Flaring losses decreased significantly, from 57,900 tonnes in 2012 to 37,500 tonnes in 2013. A main contribution to this was the stable operation of the crackers throughout the year, as well as the completion and start-up of an EUR 18 million investment specifically initiated to recover flare gases in Schwechat, Austria.

Borealis continues its work towards further reductions by making plant-by-plant inventories of the sources of flaring and then exploring all possibilities for elimination or recovery.

CO_2 emissions

In 2013, Borealis reports 2,480 kilotonnes of CO_2 equivalents, compared to 1,480 kilotonnes reported in the previous year. The significant increase is solely attributed to 2013 emission trading scheme (ETS) rules, periodically revised by legislators, which have added new sources of emissions which were previously not included.

Volatile Organic Compound (VOC) emissions

2013 VOC emissions amounted to 3,660 tonnes. Underpinning the company's strenuous efforts to control VOC emissions is Borealis' continuous drive to detect and repair potential leaks in its production processes. The gas recovery project in Schwechat, Austria, led not only to less flaring, but also resulted in a major reduction in total VOC emissions at the site and contributed positively to the company's overall result.

Nitrogen oxides (NO_x) emissions

NO_x emissions in 2013 were at a level of 1,460 tonnes compared to 1,675 tonnes in 2012 – a decrease influenced by a number of causes; the most significant of which were the reduced flaring and the maintenance shut down in the Linz ammonia and fertilizer plants.

Nitrous oxide (N_2O) emissions

N_2O emissions from nitric acid plants decreased from 169 tonnes in 2012 to 159 tonnes in 2013. This reduction is caused mainly by the Linz plant shut down with no nitric acid production during a period. Over a period of years Borealis typically experiences slight increases in N_2O emissions, reflecting normal production degradations that are inherent in the life cycle of the catalyst used in the process.

Water

Industrial water is needed for cooling and steam generation as well as for product handling, sanitary water for consumption and cleaning, and service water for sanitary, cleaning and firefighting purposes. At some locations, groundwater (partly from company-owned wells) is a main source while other locations primarily use surface water.

Borealis' water consumption has been assessed in a step-wise approach – from plant-by-plant inventories to water footprint analyses and environmental impact evaluations – forming the basis for efficient water management.

Borealis' water consumption in 2013 was 161 million cubic metres, which represents a small decrease compared to the volumes used in recent years due to continued focus as well as the Linz maintenance shut down.

Hydrocarbon recovery and reuse

Hydrocarbon streams diluted by nitrogen are being treated in a membrane separation unit, which was installed in the Schwechat polypropylene plants recently. Instead of being flared, the hydrocarbons are now recovered and reused in the production process. This is also true for the majority of the nitrogen.

The result is an approximate two-thirds reduction of total flaring at the Schwechat location compared to 2012. In addition to the improved raw material and energy efficiency, the additional positive side-effects are reduced emissions of CO_2, NO_x and VOC.

Energy & Environment outlook 2014

Borealis will continue to focus on energy, CO_2 emissions and flaring abatement. Many initiatives are in various stages of development to further improve the company's performance in these areas.

Borealis will ensure compliance with the EU Industrial Emission Directive (IED) entering its implementation phase. The IED will define the permitted environmental impact of industrial installations. A fundamental part of the IED is the ability to provide information on the Best Available Techniques (BATs) for various processes. Industry, including Borealis, and authority representatives will work together to define the BATs through technical work groups.

Energy

In 2013, Borealis' primary energy consumption amounted to 22,100 gigawatt hours (GWh) compared to 21,700 GWh in 2012 due to an increase in production output.

Operational waste

Borealis strives for waste management that minimises the impact on the natural environment and is compatible with its stakeholder 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).

In 2013, the company reported a total waste volume of 19,000 tonnes. Compared to 18,100 tonnes in 2012, this is higher, however, it remains in line with production activity levels.

High priority on Product Stewardship

Product Stewardship means making sure that the company's products do not pose any risks to the consumer, nor to the environment, at any stage along the entire value chain. Borealis is committed to Responsible Care® and places a high priority on 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 the European regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

Borealis was also one of the first chemical companies to publish 'Black' and 'Grey' lists of banned or restricted substances. These lists are regularly updated to encompass more recent risk assessments or re-classifications 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.

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.

2013 Product Stewardship highlights

Successful completion of Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) milestone
Borealis successfully completed the second major milestone of REACH – registration of substances with a volume band of 100–1,000 tonnes/year. Today, manufacturing in the EU and/or the import into EU countries of substances with an annual volume greater than 100 tonnes requires a REACH registration.

Borealis submitted a total of six registrations for different Borealis legal entities as well as for Borealis Compounds Inc. (Rockport) and Borouge (as Only Representative) in this second registration period. High volume registrations were already finalised in 2010.

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 experiences and assist small and medium-sized companies in meeting their own REACH obligations.

In 2013, the Raw Material Owner organisation came into full effect with dedicated raw material owners for each of the company's products. This increases efficiency and improves the communication and information streams between Borealis and its suppliers.

Corporate Social Responsibility

Borealis' social engagement is reflected in two core programmes: the Borealis Social Fund and Water for the World™.

The Borealis Social Fund

The prosperity of Borealis' business is closely aligned with the progress of the communities in which the company operates and the good and trusted relationships Borealis has maintained. Therefore, the company has established the Borealis Social Fund (BSF) dedicated to making a contribution to the communities in which the company operates.

A portion of the company's net profit is dedicated on an annual basis to the fund, which is used to support social projects in Europe, Asia and the Middle East. In Europe, the fund finances and promotes programmes designed to nurture an interest in chemistry and science, to support students and international research programmes in this field and to increase the awareness of the sustainability benefits and challenges of plastics. In the Middle East region, Borealis is committed to contributing to the welfare and enhancement of the communities in which the company is expanding its petrochemical operations through Borouge. Amongst other projects, Borealis supports a water sustainability research initiative as well as schools and family organisations in the United Arab Emirates (UAE).

2013 Social fund highlights

Johannes Kepler University Open Lab: Experiment, marvel and comprehend science
To overcome the world's global challenges requires well-educated scientists who discover and apply innovative solutions. Sponsored by Borealis and inaugurated in 2013, the Open Lab is located at the Johannes Kepler University campus in Linz, Austria. The Lab is a place where children, teenagers and in fact anyone interested in science can enter the fascinating world of chemistry through hands-on activities. This is intended to stimulate – from an early age – an interest in a career in natural science, particularly in chemistry and plastics, and trigger enthusiasm for research and finding solutions.

Borealis cooperates with Vienna's ZOOM Children's Museum
In mid-2013, Borealis became a main sponsor of the renowned children's museum ZOOM in Vienna.

The aim of this co-operation is to make the complex subject of plastics more accessible to children and to create awareness for a more responsible use of our natural resources. Thematic focus will be on the diverse applications and benefits of plastics, as well as sustainability and the reduction of waste in general.

Borealis Social Fund supports Emirates National School and UAE Disabled Sports Federation
In 2013, Borealis presented AED 2 million to support the educational process at the Emirates National Schools and another AED 2 million to the UAE Disabled Sports Federation.

Water for the World™

For billions of people, water and sanitation are the most pressing and immediate vital challenges. 1.8 billion people still lack access to safe drinking water and 2.5 billion lack access to adequate sanitation. This is a major hurdle for the development of people and nations and violates the basic human right to water and sanitation.

Since 2007, Borealis and Borouge have been running the Water for the World programme, a partnership programme to advance solutions, expertise and know-how to address the global water challenge.

The programme spans a full range of activities at global and regional levels, in science, industry and for local communities focusing on three key areas:

- Improving access to water and sanitation through local projects
- Preserving water resources through sustainable water management practices
- Advancing best practices and raising awareness in communities and across the value-chain

WATER for the WORLD.net

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.

Engagement and cooperation with partners
Water for the World represents Borealis' response to the global water and sanitation challenge. It 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.

The water challenge is complex and can only be addressed through collaboration, a fundamental element of Water for the World. None of our projects could have been realised without the engagement and cooperation of our partners.

2013 Water for the World highlights

Cooperation with Water and Sanitation for the Urban Poor (WSUP)
Since its launch, Water for the World has been a partner of WSUP, a partnership organisation uniting the private sector, civil society and academia, bringing together skills and expertise from all three sectors.

Besides Borealis and Borouge, members are WaterAid, Unilever, Halcrow, CARE, Thames Water, Vitens Evides and Cranfield University.

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.

Currently, WSUP is active in six countries – Bangladesh, Ghana, Kenya, Madagascar, Mozambique and Zambia – working with service providers to demonstrate and scale up successful models to improve services for low income consumers.

WSUP was established in 2005 and has quickly become recognised as a leading player in the urban Water, Sanitation and Hygiene (WASH) sector, demonstrating how multi-sector partnerships can have significant impact.

Rehabilitating flood damaged water supply systems in Northern Pakistan
In Asia, Water for the World founding member Borouge has supported several projects in India, Vietnam, Nepal, China and Pakistan, bringing together local NGOs and pipe customers.

In Pakistan, for example, Borouge supported non-governmental organisation 'Higher Education Excellence in Diversity' (HEED) with the installation of new water supply systems for four villages in the Neelum valley region. In 2013, HEED was declared winner of the British Expertise International Award 'Outstanding International Development Project in a Fragile State' for this project.

Water for the World cooperates with the World Business Council for Sustainable Development (WBCSD)
The WBCSD is a global CEO-led organisation of forward-thinking companies. It sets out to galvanise the global business community into creating a sustainable future for business, society and the environment.

In its commitment to drive water sustainability within the industry, Borealis is the WBCSD's Water Leadership Group and in 2012 took the lead of the Water Group's pathway "Business action for access to water and sanitation." In 2013, within this working group, a pledge was made for Access to Safe Water, Sanitation and Hygiene in the workplace and an implementation guide was developed and launched during World Water Week Stockholm. Signatories to the pledge and its accompanying guiding principles commit to implementing safe and sustainable access to clean water and sanitation in all work premises within three years, and to promote the cause across the value chain and local communities.

An ethical approach

Ethics is an important element of Borealis' core values, and since the launch of the Ethics Excellence Programme in 2005, significant effort has gone into the dissemination of this programme and its content amongst Borealis' employees, its contractors, suppliers and customers. This programme focuses on setting Borealis' standards for ethical behaviour when working for or dealing on behalf of the company. During the last two years, the major focus has been on implementing procedures and controls which helps Borealis to stay fully compliant with rapidly tightening local and worldwide anti-corruption legislation, even though since its establishment, Borealis and its subsidiaries have always had zero tolerance towards corruption and bribery.

An essential element of any successful ethics programme is a top-down directive and support from the company's management. In Borealis, management's commitment to ethics is demonstrated daily by keeping ethics high on the agenda and by the appointment of more than 60 Ethics Ambassadors who represent the different locations, positions and cultures throughout the company. The key responsibility of these Ethics Ambassadors is to assist line management in creating and maintaining an awareness of ethics and helping employees to stay compliant with the Borealis Ethics Policy.

Financial Statements

Management Report

Strong safety performance

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

Market remained subdued

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

Major acquisitions and a license sale

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

On 28 June, 2013 Borealis completed the acquisition of GPN SA, France's largest nitrogen fertilizer manufacturer, from the TOTAL Group as well as TOTAL's majority interest in the mineral fertilizer manufacturer Rosier S.A. listed on NYSE Euronext Brussels. GPN SA has been renamed to Borealis Chimie S.A.S. The acquisitions of Borealis Chimie S.A.S. and Rosier S.A. are in line with Borealis' strategy to grow the fertilizer business and become a leading producer in Europe.

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

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

Financial performance exceeds expectations

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

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

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

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

Borealis also successfully concluded a funding programme with TEKES of Finland for the Borstar 3G development in Porvoo. Finally, Borealis concluded its 3rd US private placement. Borealis benefits from a well-diversified financing and maturity profile following these transactions. The company will look to maintain access to a wide range of funding options including capital markets, bank funding as well as private placement.

From people survey to actions

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

2014 – a year of consolidation

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

Review of results

Sales

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

Cost development

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

Operating profit

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

Return on capital employed

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

Financial income and expenses

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

Taxes

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

Net profit and distribution of dividend

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

Financial position

Total assets/capital employed

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

Cash flows and liquidity reserves

Cash flow from operations was EUR 482 million, driven by operating profitability and partially offset by increased working capital. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,163 million at year-end 2013, compared to EUR 1,095 million at year-end 2012.

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

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

Capital expenditure
Investments in tangible fixed assets amounted to EUR 264 million in 2013, compared to EUR 312 million in 2012. The largest portion of the total investment was related to the ongoing Licence-to-operate project in Linz, Austria, the turnaround project of Borealis Plastomers plant and the expansion project in Brazil. HSE capital expenditure amounted to EUR 17 million (EUR 37 million in 2012). Depreciation and amortisation amounted to EUR 322 million, compared to EUR 274 million in 2012.

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

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

Risk

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

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

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

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

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

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

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

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

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

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

		2013	2012	2011	2010
Safety, Health and Environment					
Total Recordable Injuries	number/million work hours	1.5	1.5	1.6	1.0
Sick leave	% of total hours worked	3.2	3.2	3.4	3.4
EU ETS CO_2 emissions	kilotonnes	1,480	1,480	1,530	1,600
Primary energy consumption	GWh	20,300	20,300	22,500	22,300
Volatile organic compounds emissions	tonne	2,940	2,940	3,250	3,762
Waste generation	tonne	18,100	18,100	18,200	16,140
Number of employees (Full-time equivalent)		6,227	5,339	5,160	5,075
Income and profitability					
Net sales	EUR million	8,144	7,545	7,096	6,269
Operating profit	EUR million	195	158	285	349
Operating profit as percentage of net sales	%	2	2	4	6
Net profit	EUR million	423	480	507	333
Return on capital employed, net after tax	%	9	11	13	10
Cash flow and investments					
Cash flow from operating activities	EUR million	482	214	242	268
Investments in tangible assets	EUR million	264	312	242	97
Financial position					
Net interest-bearing debt	EUR million	1,770	1,545	1,142	1,058
Equity attributable to owners of the parent	EUR million	3,882	3,617	3,276	2,887
Gearing	%	45	43	35	37

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

Vienna, 11 February, 2014

Management:

Mark Garrett
Chief Executive

Daniel Shook
Chief Financial Officer

Markku Korvenranta

Martijn van Koten

Herbert Willerth

Alfred Stern

Report of the Auditors*

Report on the Financial Statement

We have audited the accompanying consolidated financial statements of Borealis AG, Vienna, for the fiscal year from January 1, 2013 to December 31, 2013. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2013, 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, 2013, 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, and the additional requirements under Section 245a UGB. 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2013 and of its financial performance and its cash flows for the fiscal year from January 1, 2013 to December 31, 2013 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 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 UGB (Austrian Commercial Code) are appropriate.

Vienna, 11 February, 2014

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner
Certified Auditor

Mag. Walter Krainz
Certified Auditor

* This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements and the consoli-dated 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 received 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, 2013, including the management report and the consolidated financial statements as of December 31, 2013, 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 the 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 the unqualified audit opinion (uneingeschränkter Bestätigungsvermerk) on the consolidated financial statements.

The (consolidated) financial statements documents 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 appropriation of the retained earnings, the proposal for the appointment of the auditor for the Financial Year 2014, the consolidated financial statements, and the consolidated management report were approved/acknowledged.

18 February, 2014

Khadem Al Qubaisi
Chairman of the Supervisory Board

Consolidated Financial Statements

Consolidated Income Statement

EUR thousand	2013	2012	Note
Net sales	**8,144,227**	**7,544,604**	1
Production costs	-7,035,411	-6,556,820	5, 12, 13
Gross profit	**1,108,816**	**987,784**	
Sales and distribution costs	-597,490	-553,633	5, 12, 13
Administration costs	-207,101	-180,522	5, 12, 13
R&D costs	-108,974	-95,760	2, 5, 12, 13
Operating profit	**195,251**	**157,869**	
Net results in associated companies after tax	351,053	391,069	7
Financial income	12,623	12,193	17
Financial expenses	-82,528	-72,538	17
Profit before taxation	**476,399**	**488,593**	
Taxes	-53,717	-8,419	9
Net profit for the year	**422,682**	**480,174**	
Attributable to:			
Non-controlling interest	495	1,002	
Equity holders of the parent	422,187	479,172	

Consolidated Statement of Comprehensive Income

EUR thousand	2013	2012	Note
Net profit for the year	**422,682**	**480,174**	
Items that may be reclassified subsequently to the income statement			
Net gain/loss on translation of financial statements of foreign operations	-112,007	-6,118	
Reclassifications during the period to the income statement			
Tax effect recognised in other comprehensive income			
Net gain/loss on long-term loans to foreign operations	-6,034	7,916	18
Reclassifications during the period to the income statement	4,234	0	18
Tax effect recognised in other comprehensive income	450	-1,979	
Net gain/loss on loans and financial contracts to hedge investments in foreign operations	12,242	-670	18
Reclassifications during the period to the income statement	0	0	
Tax effect recognised in other comprehensive income	-3,061	168	
Adjustments of available for sale assets	-226	350	
Reclassifications during the period to the income statement	0	0	
Tax effect recognised in other comprehensive income	56	-88	
Fair value adjustment of cash flow hedges	-14,367	-36,262	18
Reclassification during the period to the income statement	26,104	51,073	18
Tax effect recognised in other comprehensive income	-2,934	-3,703	
Items that will not be reclassified to income statement			
Actuarial gains and losses	-3,586	-53,403	13
Tax effect recognised in other comprehensive income	281	13,734	
Net income/expense recognised in other comprehensive income	**-98,847**	**-28,981**	
Total comprehensive income	**323,835**	**451,193**	
Attributable to:			
Non-controlling interest	-1,479	-381	
Equity holders of the parent	325,314	451,574	

Consolidated Balance Sheet

EUR thousand	31.12.2013	31.12.2012	Note
Assets			
Non-current assets			
Intangible assets	343,854	273,387	2, 3
Tangible assets			4
Production plants	2,551,241	2,383,490	
Machinery and equipment	33,688	29,008	
Construction in progress	177,467	191,549	
	2,762,396	2,604,047	
Investments in associated and jointly controlled companies	2,026,024	1,751,112	7, 27
Other investments	21,441	14,668	8, 27
Other receivables and other assets	26,568	15,393	20, 27
Deferred tax assets	192,470	191,198	9
Total non-current assets	**5,372,753**	**4,849,805**	
Current assets			
Inventories	1,145,381	1,053,304	10
Receivables			
Trade receivables	653,631	584,346	25, 26, 27
Receivables from associated companies	83,129	94,827	27, 29
Income taxes	5,654	9,678	9
Other receivables and other assets	382,657	300,256	20, 27
Total receivables and other assets	**1,125,071**	**989,107**	
Cash and cash equivalents	60,266	64,523	
Total current assets	**2,330,718**	**2,106,934**	
Total assets	**7,703,471**	**6,956,739**	

Consolidated Balance Sheet

EUR thousand	31.12.2013	31.12.2012	Note
Total Equity and Liabilities			
Shareholders' equity			
Share capital and contributions by shareholders	1,599,397	1,619,397	11
Reserves	-158,416	-61,542	
Retained earnings	2,441,432	2,059,244	
Shareholders' equity	3,882,413	3,617,099	
Non-controlling interest	19,881	9,941	
Total equity	**3,902,294**	**3,627,040**	
Liabilities			
Non-current liabilities			
Loans and borrowings	1,676,784	1,236,092	19, 20, 27
Deferred tax	264,771	293,002	9
Employee benefits	301,447	284,251	13
Provisions	67,025	49,020	14
Government grants	19,510	23,323	15
Other liabilities	51,802	22,434	20, 27
Non-current liabilities	**2,381,339**	**1,908,122**	
Current liabilities			
Loans and borrowings	153,819	374,362	19, 20, 27
Trade payables	920,081	753,525	20, 27
Income taxes	18,870	7,405	9
Provisions	7,405	5,057	14
Other liabilities	319,663	281,228	20, 27
Current liabilities	**1,419,838**	**1,421,577**	
Total liabilities	**3,801,177**	**3,329,699**	
Total equity and liabilities	**7,703,471**	**6,956,739**	

Consolidated Statement of Changes in Equity

EUR thousand	Share capital* and contributions by share-holders	Reserve for actuarial gains/losses recognised in equity	Hedging reserve	Reserve for unrealised exchange gains and other**	Retained earnings	Total attributable to the equity holders of the parent	Non-controlling interest	Total equity
Balance as of December 31, 2011	**1,799,397**	**-63,263**	**-33,733**	**63,051**	**1,510,073**	**3,275,526**	**10,942**	**3,286,467**
Profit of the period	0	0	0	0	479,172	**479,172**	1,002	**480,174**
Other comprehensive income	0	-39,670	11,109	963	0	**-27,598**	-1,383	**-28,981**
Total comprehensive income	0	-39,670	11,109	963	479,172	**451,573**	-381	**451,193**
Dividend payment by subsidiaries	0	0	0	0	0	**0**	-620	**-620**
Dividend payment to equity holders of the parent	0	0	0	0	-110,000	**-110,000**	0	**-110,000**
Transfer of reserves	-180,000	0	0	0	180,000	**0**	0	**0**
Balance as of December 31, 2012	**1,619,397**	**-102,933**	**-22,624**	**64,014**	**2,059,245**	**3,617,098**	**9,941**	**3,627,040**
Profit of the period	0	0	0	0	422,187	**422,187**	495	**422,682**
Other comprehensive income	0	-3,305	8,803	-102,370	0	**-96,873**	-1,974	**-98,847**
Total comprehensive income	0	-3,305	8,803	-102,370	422,187	**325,315**	-1,479	**323,835**
Dividend payment by subsidiaries	0	0	0	0	0	**0**	0	**0**
Dividend payment to equity holders of the parent	0	0	0	0	-60,000	**-60,000**	0	**-60,000**
Transfer of reserves	-20,000	0	0	0	20,000	**0**	0	**0**
Acquisition of a subsidiary	0	0	0	0	0	**0**	12,726	**12,726**
Acquisition of additional interest in a subsidiary	0	0	0	0	0	**0**	-1,307	**-1,307**
Balance as of December 31, 2013	**1,599,397**	**-106,238**	**-13,821**	**-38,356**	**2,441,432**	**3,882,413**	**19,881**	**3,902,294**

* Share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (EUR 300,000.00)
** Reserves for unrealised exchange gains and other include reserves relating to available for sale assets

Consolidated Cash Flow

EUR thousand	2013	2012	Note
Cash flows from operating activities			
Payments from customers	8,161,956	7,389,234	
Payments to employees and suppliers	-7,545,315	-7,082,902	
Interest received	2,388	4,079	17
Interest paid	-59,475	-53,778	17
Other financial expenses paid	-16,593	-15,945	17
Income taxes paid	-60,632	-26,703	9
	482,331	**213,985**	
Cash flows from investing activities			
Investments in tangible assets	-264,332	-311,698	4
Investment in intangible assets and other investments	-53,399	-34,108	3, 7, 8
Acquisitions of subsidiaries	-343,687	-94,319	6
Capital injections/repayments of associates	0	-68,722	
	-661,418	**-508,847**	
Cash flows from financing activities			
Long-term loans obtained	509,201	537,240	
Short-term loans obtained	0	165,838	
Long-term loans repaid	0	0	
Short-term loans repaid	-269,373	-329,440	
Acquisition of non-controlling interest	-1,307	0	
Dividends paid	-60,000	-110,000	
Dividends paid to non-controlling interest	0	-620	
	178,521	**263,018**	
Net cash flow of the period	**-566**	**-31,844**	
Cash and cash equivalents as of Jan 1	64,523	95,617	
Effect of exchange rate fluctuations on cash held	-3,691	750	
Cash and cash equivalents	**60,266**	**64,523**	

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 11 February, 2014.

Basis of preparation

The consolidated financial statements are presented in Thousand Euro (EUR), rounded to the nearest thousand. 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 respectively significant influence 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 tax assets and liabilities 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 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 10 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 clustered into technologically equivalent groups e.g. polypropylene or cracker etc., 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 comprise 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 the Executive Board (using a 5-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 intercompany 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. For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are

due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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, severance plans and jubilee schemes. Pension plans in place are both funded and unfunded. The plan asset funds are kept predominantly in a form of insurance contracts. 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. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Severance plans cover employees of Austrian companies who started their service before 1 January, 2003. 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.

Past-service costs are recognised immediately in income.

Fair value

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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 is 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 2013, the following accounting standards and interpretation became effective and have been adopted by the Group:

- IFRS 1 Government Loans (amended), effective 1 January, 2013
- IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities (amended), effective 1 January, 2013
- IFRS 13 Fair Value Measurement (new standard), effective 1 January, 2013
- IAS 1 Presentation of Items of Other Comprehensive Income (amended), effective 1 July, 2012
- IAS 19 Employee Benefits (amended), effective 1 January, 2013
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (new interpretation), effective 1 January, 2013
- Improvements to IFRSs 2009–2011 (May 2012), effective 1 January, 2013

Effective means effective for annual periods beginning on or after that date (as endorsed by the EU).

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 was obtained at the time of initially accounting for that loan. These amendments did not have an impact on the Group's financial position, performance or its disclosures.

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. This amendment is effective for annual periods beginning on or after 1 January, 2013. The amendment did not have an impact on the Group's financial position, performance or its disclosures.

IFRS 13 Fair Value Measurement (new standard) became effective for annual periods beginning on or after 1 January, 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 are required. The adoption of this new standard did not have a material impact on the financial position and performance of the Group. Disclosure requirements were adapted in the financial statement.

IAS 1 Presentation of Items of Other Comprehensive Income (amendments) became 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 recognised 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 1 January, 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 has impacted the net benefit expense as the expected return on plan assets is calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The effects of the adoption of the amendments to IAS 19 are included in the financial statements, however did not have a material impact on the financial position and performance of the Group. Disclosures were adapted according to the amendments of IAS 19.

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. The interpretation did not have an impact on the Group's financial position, performance or its disclosures.

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. The amendmends did not have a material impact on the Group's financial position, performance or its disclosures.

The standards issued but not yet effective (as adopted by the EU) are listed below. Borealis will adopt the standards on the effective date.

- IFRS 9 Financial Instruments: Classification and Measurement of Financial Assets (amended), effective 1 January, 2015*
- IFRS 9 Incorporation of requirements on the Accounting for Financial Liabilities (amended), effective 1 January, 2015*
- IFRS 10 Consolidated Financial Statements (new standard issued in 2011 and subsequently amended in 2012), effective 1 January, 2014
- IFRS 11 Joint Arrangements (new standard issued in 2011 and subsequently amended in 2012), effective 1 January, 2014
- IFRS 12 Disclosure of Interests in Other Entities (new standard issued in 2011 and subsequently amended in 2012), effective 1 January, 2014
- IAS 27 Separate Financial Statements (revised), effective 1 January, 2014
- IAS 28 Investments in Associates and Joint Ventures (revised), effective 1 January, 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 1 January, 2014
- Investment Entities (Amendments to IFRS 10, IFRS 11 and IFRS 12), effective 1 January, 2014
- IAS 32 Offsetting Financial Assets and Liabilities (amended), effective 1 January, 2014
- IAS 36 (amended) Recoverable Amount Disclosure for Non-Financial Assets, effective 1 January, 2014
- IAS 39 (amended) Novation of Derivatives and Continuation of Hedge Accounting, effective 1 January, 2014

- IAS 19 (amended) Employee contributions, effective 1 July, 2014*
- IFRIC 21 Levies, effective 1 January, 2014*
- Annual Improvements to IFRSs 2010–2012 (Dec 2013), effective 1 July, 2014*
- Annual Improvements to IFRSs 2011–2013 (Dec 2013), effective 1 July, 2014*

effective means effective for annual periods beginning on or after that date
* not yet endorsed by the EU

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 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 be 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 ontractual 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 with 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 defined in a broader sense 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 recognises 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 where management reached 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 1 January, 2014. 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, nor changed the group of consolidated entities. 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 1 January, 2014, and 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 1 January, 2014, and are not expected to impact the Group's financial position or performance.

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, and only when, an entity currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realise 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 amendments to IAS 36 Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets includes additional disclosure requirements on impairment losses or reversal of impairment losses whether the recoverable amount is set as fair value less costs of disposal or value in use and details fair value hierarchies and estimates used. This amendment will be effective for annual periods beginning on or after 1 January, 2014. Borealis is currently evaluating the impact of this amendment on the consolidated financial statements.

The amendments to IAS 39 Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and is done within the entity's documented hedging strategy (for example, as a consequence of laws or regulations a new clearing counterparty replaces the original counterparties). This amendment will be effective for annual periods beginning on or after 1 January, 2014. Borealis is currently evaluating the impact of this amendment on the consolidated financial statements, but based on the preliminary analyses no material impact is expected.

The amendments to IAS 19 Employee Benefits: Employee Contributions apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July, 2014. Borealis is currently evaluating the impact of this amendment on the consolidated financial statements.

The new interpretation IFRIC 21 Levies clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 will become effective for annual periods beginning on or after January 1, 2014. Borealis is currently evaluating the impact of this amendment on the consolidated financial statements.

In December 2013, the IASB issued an omnibus of amendments to its standards (annual improvements to IFRSs 2010-2012 and annual improvements to IFRSs 2011–2013), primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard and will become effective as of 1 July, 2014. Borealis has not yet completed its evaluation of the impact on the consolidated financial statements.

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

1. Segment reporting

	Polyolefins		Base Chemicals		Non-Allocated		Consolidated	
EUR thousand	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Net sales by business:								
Total sales	5,168,275	4,907,295	7,350,853	6,436,358	100,136	109,767	12,619,264	11,453,420
Group internal sales	-	-	(4,475,037)	(3,908,816)	-	-	(4,475,037)	(3,908,816)
	5,168,275	**4,907,295**	**2,875,816**	**2,527,542**	**100,136**	**109,767**	**8,144,227**	**7,544,604**

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

	Polyolefins 2013	Polyolefins 2012	Base Chemicals 2013	Base Chemicals 2012	Non-Allocated 2013	Non-Allocated 2012	Consolidated 2013	Consolidated 2012
Result:								
Operating profit	41,317	10,931	331,668	297,273	(177,734)	(150,335)	195,251	157,869
Net result in associated companies					351,053	391,069	351,053	391,069
Net financial items					(69,905)	(60,345)	(69,905)	(60,345)
Income tax					(53,717)	(8,419)	(53,717)	(8,419)
Non-controlling interest					(495)	(1,002)	(495)	(1,002)
Net profit for the year attributable to equity holders of the parent							**422,187**	**479,172**
Other information:								
Segment assets:	3,209,677	3,302,171	2,080,394	1,611,499	2,413,400	2,043,069	7,703,471	6,955,739
thereof Austria	2,020,667	1,993,096	937,626	905,292	2,015,829	1,806,051	4,974,123	4,704,440
Segment liabilities	-	-	-	-	3,801,177	3,329,699	3,801,177	3,329,699
Investment in tangible assets	41,961	59,883	167,703	152,148	64,547	107,394	274,211	319,425
Depreciation and amortisation	141,879	131,008	123,348	100,283	56,945	42,347	322,172	273,638

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

	Polyolefins 2013	Polyolefins 2012	Base Chemicals 2013	Base Chemicals 2012	Non-Allocated 2013	Non-Allocated 2012	Consolidated 2013	Consolidated 2012
Net sales by geographic segment (by delivery destination):								
EU countries:	3,674,256	3,303,398	2,650,314	2,317,305	26,212	65,312	6,350,782	5,686,014
thereof Austria	131,602	129,635	153,606	118,807	18,165	84,043	303,373	332,484
Non-EU countries in Europe	561,077	667,079	82,365	116,565	2	885	643,443	784,529
USA	117,545	187,482	5,799	6,479	-	10	123,343	193,971
Middle East and Asia	346,451	316,368	50,955	39,531	73,922	43,532	471,329	399,430
Other regions	468,948	432,970	86,382	47,662	-	29	555,330	480,661
	5,168,275	**4,907,295**	**2,875,816**	**2,527,542**	**100,136**	**109,767**	**8,144,227**	**7,544,604**

2. Research and development

At the end of the year, 515 people were engaged in research and development, compared with 511 in 2012. The total cost of these activities amounted to EUR 108,974 thousand (EUR 95,760 thousand). Development costs amounting to EUR 25,675 thousand (EUR 22,870 thousand) were capitalised as intangible assets.

3. Intangible assets

	Goodwill		Development costs		Capitalised software		Others	
EUR thousand	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Cost								
As of January 1	67,414	28,455	216,083	195,125	43,209	37,742	156,029	141,421
Exchange adjustments	8	1	-8	147	-18	-119	-1,313	1,820
Additions	0	0	25,675	20,811	8,505	5,428	15,287	29,532
Acquistion through business combinations	54,394	38,958	0	0	1,712	182	21,231	21
Disposals	0	0	-2,812	0	-201	-24	-12,335	-16,766
Transfers	0	0	0	0	0		8	0
	121,816	**67,414**	**238,938**	**216,083**	**53,208**	**43,209**	**178,907**	**156,029**
Accumulated amortisation								
As of January 1	0	0	98,105	83,548	27,466	20,532	83,784	78,608
Exchange adjustments	0	0	0	385	-4	84	-325	-499
Disposals	0	0	-2,812	0	-200	-24	-1,495	-1,468
Amortisation and impairment	0	0	26,201	14,172	6,926	6,875	11,370	7,143
	0	**0**	**121,494**	**98,105**	**34,187**	**27,466**	**93,334**	**83,784**
Book value as of December 31	**121,816**	**67,414**	**117,444**	**117,978**	**19,020**	**15,743**	**85,573**	**72,244**

Borealis invested EUR 126,804 thousand into intangible assets in 2013 (EUR 79,959 thousand).

The goodwill arising from business combinations in 2013 refers to the acquisition of DEX Plastomers, Netherlands and GPN S.A., France, and amounts to EUR 48,791 thousand and EUR 5,603, respectively (see note 6). Goodwill relating to cash generating unit polyethylene amounts to EUR 48,791 thousand, fertilizer EUR 44,561 thousand, polypropylene EUR 22,000 thousand and Brazil EUR 6,456 thousand, respectively. Goodwill 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 25,675 thousand (EUR 22,870 thousand), whereof EUR 0 thousand (EUR 2,059 thousand) was capitalised as other intangible assets. Intangible assets received by the way of government grant as allowances for emissions (EU Emissions Trading System) amounted to EUR 0 thousand (EUR 14,973 thousand). Furthermore, additional EUR 0 thousand (EUR 7,394 thousand) were acquired from external parties and are included in operating cash flow. An equivalent of EUR 9,842 thousand (EUR 14,937 thousand) was returned to the respective EU ETS regulatory authorities for the emitted emissions in 2012. 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 thousand	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Cost						
As of January 1	5,719,467	5,343,130	127,551	129,363	191,549	168,360
Exchange adjustments	-62,063	86,193	-1,018	-1,054	-1,235	-2,823
Additions	178,794	2,468	0	0	95,417	316,894
Acquistion through business combinations	139,091	50,525	4,300	126	56,117	1,830
Disposals	-120,352	-51,980	-4,978	-4,458	-38	-5
Transfers	155,707	289,131	8,637	3,574	-164,344	-292,706
	6,010,643	**5,719,467**	**134,494**	**127,551**	**177,467**	**191,549**
Accumulated depreciation						
As of January 1	3,335,976	3,100,168	98,544	95,326	0	0
Exchange adjustments	-35,534	46,438	-750	-1,506	0	0
Disposals	-112,060	-48,449	-3,637	-4,004	0	0
Depreciation and impairment	271,019	237,820	6,650	8,728	0	0
	3,459,402	**3,335,976**	**100,806**	**98,544**	**0**	**0**
Book value as of December 31	**2,551,241**	**2,383,490**	**33,688**	**29,008**	**177,467**	**191,549**

The figures for production plants include capitalised finance leases with a net value of EUR 2,293 thousand (EUR 81 thousand) comprising acquisition costs of EUR 2,631 thousand (EUR 519 thousand) and accumulated depreciation of EUR 338 thousand (EUR 438 thousand). The additions arising through business combinations amounted to EUR 2,252 thousand. The lease obligation is included in loans and borrowings (see note 19).

In 2013, borrowing costs amounting to EUR 3,775 thousand (EUR 5,298 thousand) have been capitalised, using a 3,2% (4%) interest rate. Additions to tangible assets amounting to EUR 0 thousand (EUR 2,293 thousand) were not paid at the end of the reporting period.

Major projects advanced in 2013 relate to the Licence-to-operate project in Linz, Austria, the turnaround project in Geelen, Netherlands, and investments into new production capacities in Itatiba, Brazil.

Future capital expenditure approved (tangible and intangible assets) by the Executive Board totals EUR 283,802 thousand (EUR 437,903 thousand), out of which EUR 137,993 thousand (EUR 52,079 thousand) are contractually committed.

Assets pledged

Assets pledged amount to EUR 14,376 thousand (EUR 14,780 thousand) and relate to tangible assets. The liabilities covered by the above assets amounted to EUR 5,886 thousand (EUR 6,517 thousand) at the end of the year.

5. Depreciation, amortisation and impairment

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

EUR thousand	2013	2012
Production costs	253,398	221,653
Sales and distribution costs	11,516	11,498
Administration costs	23,799	21,161
Research & development costs	33,458	20,325
Total	**322,172**	**274,637**

The 2013 depreciation charge includes the impairment of EUR 1,352 thousand (EUR 1,885 thousand) 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%), resulting out of retirement of unused pipelines. The fixed assets were written down to the value in use.

The depreciation charge further includes an impairment of EUR 11,140 thousand (EUR 2,518 thousand) 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

Borealis has made three acquisitions in 2013, which are further described below:

6.1. Acquisition of DEX Plastomers

On 1 March, 2013, Borealis (via Borealis Plastomers BV, in Heerlen, The Netherlands, a 100% subsidiary of Borealis AG, Vienna, Austria) acquired the shares of DSM Plastomers B.V. and Exxon Chemical Holland Ventures B.V., each holding a 50% interest in DEX Plastomers V.O.F. in Heerlen, The Netherlands, from DSM Nederland B.V. and ExxonMobil Benelux Holdings B.V.. DEX Plastomers was a 50/50 Joint Venture ultimately owned by Royal DSM and ExxonMobil Chemical Company.

The products of DEX Plastomers are specialties complementary to Borealis' current innovative plastic solutions. The acquisition underpins Borealis' commitment to its Value Creation through Innovation strategy, as Borealis believes there is significant potential in DEX Plastomers' technology.

The acquisition has been accounted for using the acquisition method. The acquisition date fair value of acquired assets and liabilities is final. The consolidated financial statements include the results of Borealis Plastomers for the ten-month period from the acquisition date.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of DEX Plastomers as at the date of acquisition were:

EUR thousand	Fair value recognised on acquisition	Note
Assets		
Tangible and intangible assets	29,924	3, 4
Inventories	52,049	
Trade receivables	16,542	
Other receivables and other assets	9,646	
Cash and cash equivalents	7,387	
Total assets acquired	**115,548**	
Liabilities		
Deferred tax liabilities	3,385	9
Provisions non-current	2,470	14
Trade payables	34,092	
Other current liabilities	2,334	
Total liabilities	**42,280**	
Total identifiable net assets at fair value	**73,268**	
Goodwill arising on acquisition	48,791	3
Total purchase consideration	**122,059**	
Percentage acquired	**100%**	

Borealis agreed with the Seller to settle the acquiree’s outstanding liabilities toward its former parents (the Sellers) together with the transfer of the purchase price. The total acquisition costs are comprised of a cash payment of EUR 118,453 thousand, including debt repayment amount to former owners of EUR 9,238 thousand, a current liability of EUR 93 thousand, a contingent consideration liability of EUR 3,513 thousand and costs directly attributable to the acquisition of EUR 1,417 thousand.

The cash acquired with this acquisition amounted to EUR 7,387 thousand, resulting in a net cash outflow on the acquisition of EUR 111,066 thousand. The transaction costs of EUR 1,417 thousand 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.

Borealis acquired 100% of the share capital of DSM Plastomers B.V. and 100% of the share capital of Exxon Chemical Holland Ventures B.V., each holding a 50% interest in DEX Plastomers V.O.F.. DSM Plastomers B.V. was renamed to Borealis Plastomers 1 B.V., Exxon Chemical Holland Ventures B.V. was renamed to Borealis

Plastomers 2 B.V. and DEX Plastomers V.O.F. in Borealis Plastomers V.O.F., all three herein referred to as Borealis Plastomers.

In connection with the acquired technology, Borealis agreed with the Seller (DSM Nederland B.V.) to transfer between EUR 4,000 to maximum EUR 6,000 thousand to the Seller if Borealis uses the technology outside of the current plant or produces more than the agreed volumes, over a five year period as from the date of acquisition. The additional consideration shall be transferred to the Seller no later than sixty days after the location or volume clause would materialise. Borealis assumes to meet one of the agreed targets at 100% and accounts the contingent consideration liability at EUR 3,513 thousand fair value as of acquisition day.

As at year end, the key performance indicators of Borealis Plastomers show that it is highly probable that the production target assumed as of 1 March, 2013, will not be exceeded. Hence, the fair value of the contingent consideration determined at year end reflects only the discount rate effect.

The fair value of the trade receivables acquired through this business combination amounted to EUR 16,542 thousand, and have been fully collected during the year. From the date of acquisition until the end of the year, Borealis Plastomers has contributed EUR 133,063 thousand of revenue and EUR 609 thousand loss to the net result of the Group. If the combination had taken place at the beginning of the year, the revenue contribution from Borealis Plastomers would have been EUR 162,263 thousand and the contribution to the net result would have been EUR 2,132 thousand.

The goodwill of EUR 48,791 thousand comprises the value of the expected synergies and other benefits from combining the assets and activities of former DEX Plastomers Group with those of Borealis, and has been allocated to the cash generating unit polyethylene. None of the recognised goodwill is deductible for income tax purposes. The purchase price allocation has been accomplished as of 31 December, 2013.

6.2. Acquisition of GPN

On 28 June, 2013, Borealis (via Borealis France S.A.S., in Nanterre, France, a 100% subsidiary of Borealis AG, Vienna, Austria) acquired the shares of GPN S.A., Nanterre, France, from Elf Aquitaine Fertilisants S.A., Nanterre, France (the Seller), a 100% subsidiary of TOTAL S.A., Paris, France.

GPN S.A. was renamed to Borealis Chimie S.A.S., herein referred to as Borealis Chimie.

Borealis Chimie is France’s largest manufacturer of nitrogen fertilizers and nitrogen oxide reducers. Borealis is already active in nitrogen fertilizers in Central Europe, as well as in France following its acquisition of PEC-Rhin S.A., today known as Borealis PEC-Rhin S.A.S., in early 2012. This acquisition is in line with Borealis’ strategy to grow the fertilizer business and to become a leading producer in Europe.

Borealis Chimie is the main production, sales and marketing entity. Furthermore, Borealis Chimie holds directly and indirectly shares in 12 companies, supporting Borealis Chimie mainly in blending and distributing its products. Apart from Borealis Chimie none of its direct or indirect subsidiaries or associated companies, respectively, has been included in the consolidated financial statements, due to immateriality. These companies are reported in other investments.

The acquisition has been accounted for using the acquisition method. The acquisition date fair value of the acquired assets and liabilities is preliminary and may be adjusted as additional information is obtained. The consolidated financial statements include the results of Borealis Chimie for the six-month period from the acquisition date.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Borealis Chimie as at the date of acquisition were:

EUR thousand	Fair value recognised on acquisition*	Note
Assets		
Tangible and intangible assets	173,357	3, 4
Other investments	6,865	8
Deferred tax assets	10,000	9
Inventories	53,161	
Trade receivables	57,260	
Other current receivables and other assets	40,933	
Cash and cash equivalents	2,366	
Total assets acquired	**343,942**	
Liabilities		
Employee benefits	20,470	13
Provisions non-current	23,974	14
Trade payables	61,822	
Other current liabilities	27,393	
Total liabilities	**133,659**	
Total identifiable net assets at fair value	**210,283**	
Goodwill arising on acquisition	5,603	3
Total purchase consideration	**215,886**	
Percentage acquired	**100%**	

*Due to ongoing assessments the fair value recognised is preliminary and still subject to finalisation

Borealis agreed with the Seller to settle the acquiree's outstanding liabilities toward its former parent (the Seller) together with the transfer of the purchase price. The total acquisition costs of 100% of the share capital of Borealis Chimie are comprised of a cash payment of EUR 177,485 thousand, including debt repayment amount to former owner of EUR 69,109 thousand, expected purchase price adjustment of EUR 18,843 thousand still subject to finalisation of the closing balance sheet review, a contingent consideration liability of EUR 57,244 thousand and costs of EUR 1,446 thousand directly attributable to the acquisition.

The cash acquired with this acquisition amounted to EUR 2,366 thousand, resulting in a preliminary net cash outflow on the acquisition of EUR 175,119 thousand. The transaction costs of EUR 1,446 thousand 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.

Borealis agreed with the Seller to transfer up to a maximum amount of EUR 75,000 thousand to the Seller if the agreed earnings target, over a three year period as from the date of acquisition, is met. The additional consideration shall be transferred to the Seller no later than seven months after the third anniversary of the acquisition date. Borealis assumed to achieve the earnings target and accounted the contingent consideration liability at EUR 57,244 thousand fair value as of the acquisition date.

As at year end, the key performance indicators of Borealis Chimie show that it is highly probable that the earnings assumed as of 28 June, 2013, have to be revised due to a lower than expected performance during the six-month period from the acquisition date. The fair value of the contingent consideration determined at year end reflects this development and the discount rate effect, and amounts to EUR 31,031. A re-measurement income of EUR 26,212 thousand has been recognised through profit or loss.

The fair value of the trade receivables acquired through this business combination amounted to EUR 57,260 thousand, and have been fully collected during the year. From the date of acquisition until the end of the year, Borealis Chimie has contributed EUR 222,655 thousand of revenue and a loss of EUR 35,656 thousand to the net result of the Group. If the combination had taken place at the beginning of the year, the revenue contribution from Borealis Chimie would have been EUR 480,599 thousand and the contribution to the net result would have been a loss of EUR 53,358 thousand.

The goodwill of EUR 5,603 thousand comprises the value of the expected synergies and other benefits from combining the assets and activities of former GPN S.A. with those of Borealis, and has been allocated to the cash generating unit fertilizer. None of the recognised goodwill is deductible for income tax purposes.

The determination of fair values needed for the purchase price allocation is to be finalised within the next six months.

6.3. Acquisition of Rosier

On 28 June, 2013, Borealis AG, Vienna, Austria acquired from Elf Aquitaine Fertilisants S.A., Nanterre, France (the Seller, a 100% subsidiary of Total S.A., Paris, France), its controlling interest of 56.86% in Rosier S.A., Moustier, Belgium, listed on NYSE Euronext Brussels. As Borealis acquired a controlling interest in Rosier S.A., it was required to launch a mandatory public takeover bid for the remaining outstanding shares, where Borealis tendered additional 18.19% shares, holding 75.05% shares issued by Rosier S.A. by the end of the acceptance period, on 9 October, 2013.

Rosier is a mineral fertilizer manufacturer and markets its products in more than 80 countries worldwide. Borealis is already active in nitrogen fertilizers. This acquisition is in line with Borealis' strategy to grow the fertilizer business and to become a leading producer in Europe. Rosier Group consists of Rosier S.A., Moustier, Belgium, and its three wholly owned subsidiaries.

The acquisition has been accounted for using the acquisition method and measuring the non-controlling interest at fair value. The acquisition date fair value of acquired assets and liabilities is preliminary and may be adjusted as additional information is obtained. The fair value of the non-controlling interest has been determined in line with the stock share price value on the day of acquisition. The consolidated financial statements include the results of the Rosier Group for the six-month period from the initial acquisition date.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Rosier Group as at the date of acquisition were:

EUR thousand	Fair value recognised on acquisition*	Note
Assets		
Tangible and intangible assets	19,170	3, 4
Deferred tax assets	1,425	9
Inventories	41,426	
Trade receivables	43,078	
Other current receivables and other assets	2,565	
Cash and cash equivalents	2,284	
Total assets acquired	**109,948**	
Liabilities		
Provisions non-current	1,683	14
Trade payables	31,190	
Other current liabilities	4,563	
Total liabilities	**37,436**	
Total identifiable net assets at fair value	**72,512**	
Non-controlling interest measured at fair value	**-12,726**	
Total purchase consideration	**59,786**	
Percentage acquired	**75.05%**	

*Due to limited information exchange during the mandatory takeover bid, the fair values recognised are preliminary and still subject to finalisation

Borealis agreed with the Seller to settle the acquiree's outstanding liabilities toward its former majority owner (the Seller) together with the transfer of the purchase price. The total acquisition costs for the interest of 75.05% comprised of a cash payment of EUR 59,786 thousand (EUR 27,840 thousand for the initial acquisition of 56.86% interest in Rosier S.A., EUR 9,430 thousand for the interest of 18.19% tendered in the mandatory takeover bid and EUR 22,516 thousand debt repayment amount to the Seller), and costs of EUR 329 thousand directly attributable to the initial acquisition.

The cash acquired with this acquisition amounted to EUR 2,284 thousand, resulting in net cash outflow on the acquisition of EUR 57,502 thousand. The transaction costs of EUR 329 thousand 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.

After the completion of the mandatory public takeover bid the fair value of the non-controlling interest amounted to EUR 12,726 thousand. After the mandatory takeover bid Borealis voluntarily reopened the bid from 14 October, 2013, to 28 October, 2013, where Borealis acquired an additional 2.42% of the shares issued by Rosier S.A.

The fair value of the trade receivables acquired through this business combination amounted to EUR 43,078 thousand, and have been fully collected during the year.

From the date of acquisition until the end of the year, Rosier Group has contributed EUR 122,282 thousand of revenue and a loss of EUR 69 thousand to the net result of the Group. If the combination had taken place at the beginning of the year, the revenue contribution from Rosier Group would have been EUR 262,506 thousand and the contribution to the net result of the Group would have been EUR 1,499 thousand.

The determination of fair values needed for the purchase price allocation is to be finalised within the next six months.

6.4. Other changes

In 2013, Borealis established a new 100% subsidiary named Finphenol Oy, in Porvoo, Finland, to support the phenol business activities in Finland. Furthermore, Borealis established a new 100% subsidiary named Borealis Plastik ve Kimyasal Maddler Ticaret Limited Sirketi, in Istanbul, Turkey, to support sales activities in Turkey.

7. Investments in associated and jointly controlled companies

	Shares in associated and jointly controlled companies	
EUR thousand	**2013**	**2012**
Cost		
As of January 1	333,805	331,726
Investments	7,209	2,079
	341,014	333,805
Adjustments		
As of January 1	1,417,307	1,050,000
Exchange adjustments	-83,349	-23,762
Dividends received	-51,816	0
Capital contribution to associated companies	51,816	0
Net result of associated companies, after tax	351,053	391,069
	1,685,010	1,417,307
Carrying value as of December 31	**2,026,024**	**1,751,112**

The Group has the following investments in associated companies:

		Ownership in %	
Associates	**Country**	**2013**	**2012**
Abu Dhabi Polymers Company Limited (Borouge)	United Arab Emirates	40	40
Borouge Pte Ltd	Singapore	50	50
Speciality Polymers Antwerp N.V.	Belgium	33	33
FEBORAN AD	Bulgaria	40	0
Borealis Financial Services Ltd.	Jersey	0	25
Chemiepark Linz Betriebsfeuerwehr GmbH*	Austria	47.5	47.5
AZOLOR S.A.S.*	France	34	0
Société d'Intérêt Collectif Agricole par Actions Semplifiée de Guaix (SICA)*	France	25	0
Société Industrielle Commerciale et Agricole de Maiziéres La Grande Paroisse S.A.S.*	France	33.99	0
Société Champenoise pour le Développement des Engrais Liquides S.A.S. (SCEL)*	France	49.98	0
Société d'Intérêt Collectif Agricole Laignes Agrifluides (SICA)*	France	49.9	0
Franciade Agrifluides S.A.S. (FASA)*	France	49.98	0
Société Centre Ouest Agrifluide S.A.A. (SOCOA)*	France	49.98	0

* Excluded from consolidation at equity due to immateriality

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

EUR thousand	Assets	Liabilities	Net sales	Profit after tax
2013	**3,647,478**	**1,629,193**	**2,118,332**	**350,532**
2012	**3,755,681**	**2,011,913**	**2,154,853**	**390,802**

Borealis Financial Services Ltd, Jersey, a 25% associated company of Borealis, was liquidated effective as of July 23, 2013. This liquidation has no material impact on the Group's financial position or performance. In December 2013, Borealis established, together with First Energy Bank of Bahrain, a new company named FEBORAN, AD in Bulgaria, whereof Borealis holds 40% of the shares and our co-investor First Energy Bank of Bahrain holds 60% of the shares.

On 21 December, 2013, FEBORAN AD, acquired 20.3% of the shares in Neochim AD, a company listed on the Sofia stock exchange. Neochim AD is one of Bulgaria's leading producers of fertilizers and organic and inorganic chemicals, holding the majority of the country's ammonium nitrate output. This investment is in line with Borealis' strategy to grow its fertilizer business and to maintain its number one position in Central and Eastern Union.

The Group has the following investments in jointly controlled companies:

		Ownership in %	
Jointly controlled companies	**Country**	**2013**	**2012**
PetroPort Holding AB	Sweden	50	50
BTF Industriepark Schwechat GmbH*	Austria	50	50

*Excluded from consolidation at equity due to immateriality

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

Balance sheet

EUR thousand	2013	2012
Current assets	2,090	1,685
Non-current assets	16,814	16,912
Current liabilties (-)	-797	-804
Non-current liabilitis (-)	-10,368	-11,139
Total	**7,739**	**6,653**

Income statement

EUR thousand	2013	2012
Revenue	4,233	343
Cost of sales	-686	0
Production costs	-2,593	-302
Financial income/expenses (-)	-286	325
Taxes	-147	-119
Total	**521**	**247**

8. Other investments and other non-current assets

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

9. Taxation

EUR thousand	2013	2012
Taxes		
Income tax payable	61,910	45,278
Change in deferred tax	-23,063	-37,202
Adjustment to prior year's tax charge	14,870	343
Tax expense/benefit (-)	**53,717**	**8,419**

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

EUR thousand		2013		2012
Tax expense at statutory rates (weighted average tax rate of the Group)	**26%**	**122,398**	**27%**	**130,062**
Tax effect of result in associated companies	-18%	-87,763	-20%	-97,767
Tax effect of permanent differences	-1%	-5,214	-1%	-3,164
Adjustment of valuation allowance	8%	37,974	4%	18,304
Change due to changes in tax rates	-3%	-15,189	-6%	-29,077
Prior year's adjustments and other	0%	1,511	-2%	-9,939
Tax expense	**11%**	**53,717**	**2%**	**8,419**

	Balance sheet		Income statement	
EUR thousand	**2013**	**2012**	**2013**	**2012**
Deferred tax assets				
Tangible assets	5,064	1,376	3,688	-2,779
Intangible assets	6,362	7,963	-1,600	-28
Adjusted depreciation for tax purposes	**11,426**	**9,339**		
Revaluation of cash flow hedges	7,141	8,349	1,670	156
Net gain on hedge of a net investment	0	2,066	-23	87
Valuation of inventories for tax purposes	5,261	4,353	908	428
Fair values compared to tax values	**12,402**	**14,768**		
Employee benefits	53,474	37,862	16,175	-2,777
Other provisions	5,263	17,504	-12,240	3,992
Other assets and liabilities	31,655	14,073	17,580	7,665
Other timing differences	**90,392**	**69,439**		
Losses available for offsetting against future taxable income	**193,695**	**188,255**	-4,560	14,092
Netting with deferred tax liabilities	**-115,444**	**-90,604**		
Deferred tax assets	**192,470**	**191,198**	**21,596**	**20,834**

	Balance sheet		Income statement	
EUR thousand	**2013**	**2012**	**2013**	**2012**
Deferred tax liabilities				
Tangible assets	-249,517	-264,436	9,660	19,949
Intangible assets	-39,214	-36,568	1,347	-3,552
Accelerated/adjusted depreciation for tax purposes	**-288,731**	**-301,004**		
Revaluation of cash flow hedges	-2,278	-551	-1,726	-551
Valuation of inventories for tax purposes	-10,584	-7,490	-3,094	629
Fair values compared to tax values	**-12,862**	**-8,041**		
Employee benefits	-6,311	-7,789	1,478	-4,176
Other provisions	-19,869	-27,329	6,757	3,392
Other assets and liabilities	-52,442	-39,442	-12,955	677
Other timing differences	**-78,622**	**-74,560**		
Netting with deferred tax assets	**115,444**	**90,604**		
Deferred tax liabilities	**-264,771**	**-293,002**	**1,467**	**16,368**
Net tax asset/liability	**-72,301**	**-101,805**	**23,063**	**37,202**

EUR thousand	2013	2012
Taxes, payable		
Payable taxes as of January 1	7,405	11,147
Income tax payable for the year	61,910	45,278
Adjustment to prior year's payable tax charge	14,870	343
Additions from business combination	-657	2,304
Taxes paid (-)/received (+)	-60,632	-26,703
Movement in tax receivable	-4,024	-24,964
Payable taxes as of December 31	**18,870**	**7,405**

In addition to the tax assets capitalised, the Group has unrecognised tax assets of EUR 181,098 thousand (EUR 34,999 thousand), due to current forecasts indicating insufficient future profits. These tax losses carried forward have no expiry date.

EUR thousand	2013	2012
Deductible temporary differences	58,134	0
Tax losses carried forward	122,964	34,999
– Taxable temporary differences	0	0
Total unrecognised net tax assets	**181,098**	**34,999**

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 1,793 thousand (EUR 3,092 thousand). Dividend payment to Borealis AG by its subsidiaries has no tax effect for Borealis AG. The temporary differences related to subsidiaries amount to EUR 123,952 thousand (EUR 83,282 thousand), for which no deferred tax liability has been recognised in accordance with IAS 12.39 Income Taxes.

10. Inventories

EUR thousand	2013	2012
Finished products	860,772	752,130
Raw materials and consumables	284,609	301,174
Total	**1,145,381**	**1,053,304**

Inventories of ethylene and propylene are reported under finished products. The costs for the consumption of inventories recognised during the period in the income statement amounted to EUR 6,178,168 thousand (EUR 5,836,849 thousand), including reversal of impairment amounting to EUR 3,976 thousand (impairment cost of EUR 18,539 thousand).

11. Share capital

	Share capital		Contributions by shareholders	
EUR thousand	**2013**	**2012**	**2013**	**2012**
Balance as of January 1	300	300	1,619,097	1,799,097
Capital increase (decrease)	0	0	-20,000	-180,000
Balance as of December 31	**300**	**300**	**1,599,097**	**1,619,097**

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, none of which have special voting rights.

The contributions by shareholders amounted to EUR 1,599,097 thousand (EUR 1,619,097 thousand). EUR 20,000 thousand (EUR 180,000 thousand) were transferred to retained earnings in 2013.

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 have 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%–60% to meet the business needs of the Group.

12. Personnel

EUR thousand	2013	2012
Cost		
Salaries and wages	404,947	383,878
Pension costs and other long-term employee benefits	38,521	34,793
Social security costs	102,719	95,313
Other personnel expenses	26,706	24,783
Total	**572,893**	**538,768**
Average number of employees by country		
Austria	1,691	1,733
Belgium	936	814
Finland	878	905
France	897	189
Germany	310	311
Sweden	926	955
Other	589	433
Total	**6,227**	**5,339**

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

EUR thousand	2013	2012
Remuneration included in personnel costs of former and current management		
Salaries and wages management (Executive Board)	5,585	5,941
Pension and severance costs management (Executive Board)	528	1,653
Salaries and wages other key management	1,521	1,470
Pension costs other key management	115	112
Total	**7,749**	**9,175**

From the pension and severance costs of the Executive Board of EUR 528 thousand (EUR 1,653 thousand), EUR 0 thousand (EUR 1,129 thousand) was paid to the former members of the Executive Board.

No loans were granted to current or former members of the Executive Board. The remuneration paid to members of the Supervisory Board amounted to EUR 856 thousand (EUR 849 thousand).

13. Employee benefit plans

Most Group companies operate post-employment, other long-term benefit plans and termination benefits. 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 the defined benefit plans is shown below.

EUR thousand	2013	2012
Funded post-employment benefit plans		
Present value of funded defined benefit obligation	187,308	176,889
Fair value of plan assets	-125,276	-120,364
Funded status	62,032	56,525
Unfunded post-employment benefit plans		
Present value of unfunded defined benefit obligation	170,923	158,957
Other long-term employee benefit plans	22,694	21,366
Severance plans	45,798	47,404
Net liability recognised in the balance sheet	**301,447**	**284,251**

The Group operates defined post-employment benefit pension plans in the EU and Norway under broadly similar regulatory frameworks. These comprise both pension as well as post-retirement medical plans. Typically, the pension plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The pensions in payment are generally updated in line with the retail price or similar index. The benefit payments related to funded plans are from insurance funds, however, there are also a number of unfunded plans where the company meets the benefit payment obligation as it falls due. The movement in the post-retirement benefit obligation over the year is as follows:

Post-employment benefit plans

EUR thousand	2013	2012
Change in benefit obligation		
Defined benefit obligation as of January 1	335,846	266,838
Net current service cost	12,429	9,242
Interest cost on defined benefit obligation	10,588	11,590
Actual plan participants' contributions	34	20
Settlements	-2,557	-286
Net increase in liabilities from acquisitions	24,022	1,971
Net increase/decrease (-) in liabilities as a result of internal transfers	-224	0
Actual benefits paid directly from the plan assets	-7,064	-6,752
Actual benefits paid directly by employer	-6,005	-6,595
Actual expenses/taxes and premiums paid	-731	-631
Gains (-)/losses due to changes in demographic assumptions	267	0
Gains (-)/losses due to changes in financial assumptions	-17,817	51,814
Experience gains (-)/losses	13,995	1,897
Exchange rate gain (-)/loss	-4,553	6,738
Defined benefit obligation as of December 31	358,231	335,846
Change in plan assets		
Fair value of plan assets as of January 1	120,364	104,306
Interest income on plan assets	3,957	4,862
Return on plan assets excluding amounts included in interest income	-7,754	8,720
Actual employer contributions	11,543	9,826
Actual plan participants' contributions	34	20
Actual benefits paid directly from the plan assets	-7,064	-6,752
Actual admin expenses paid	-166	-143
Actual taxes paid	-731	-631
Settlements	-1,427	-291
Net increase in assets from acquisitions	7,162	0
Exchange rate gain/loss(-)	-643	447
Fair value on plan assets as of December 31	125,276	120,364

The plan assets in 2013 and 2012 consist of insurance contracts. Settlements as per above relate to wind down of residual operation in Norway.

Other long-term employee benefits provided by the Group companies include items such as jubilee payments and pre-pension benefits. The movement in the other long-term benefit obligation over the year is as follows:

Other long-term employee benefit plans

EUR thousand	2013	2012
Change in benefit obligation		
Defined benefit obligation as of January 1	21,366	19,917
Net current service cost	2,048	1,867
Interest cost on defined benefit obligation	646	875
Net increase in liabilities from acquisitions	1,261	0
Net increase/decrease (-) in liabilities as a result of internal transfers	224	0
Actual benefits paid directly from assets	-15	0
Actual benefits paid directly by employer	-3,114	-3,375
Gains (-)/losses due to changes in demographic assumptions	933	0
Gains (-)/losses due to changes in financial assumptions	-339	1,714
Experience gains (-)/losses	-327	368
Exchange rate gain (-)/loss	11	0
Defined benefit obligation as of December 31	22,694	21,366

Severance plans are operated in the Austrian group companies and cover employees who started their service before 1 January, 2003.

The movement in the severance obligation over the year is as follows:

Severance plans

EUR thousand	2013	2012
Change in benefit obligation		
Defined benefit obligation as of January 1	47,404	41,058
Net current service cost	854	769
Interest cost on defined benefit obligation	1,527	1,923
Actual benefits paid directly by employer	-3,207	-2,701
Gains (-)/losses due to changes in financial assumptions	-1,289	7,228
Experience gains (-)/losses	509	-873
Defined benefit obligation as of December 31	45,798	47,404

Overview of the net defined benefit plans liability, expenses recognised and aggregated benefit costs for all the plans are provided in the tables below:

All defined benefit plans

EUR thousand	2013	2012
Change in balance sheet		
Net asset (-)/liability recognised as of January 1	284,251	223,507
P&L charge/credit (-)	23,270	24,141
Total amounts recognised in the other comprehensive income	3,586	53,428
Effect of acquisitions	18,122	1,971
Actual employer contributions (including direct benefit payments)	-23,884	-22,497
Exchange rate gain (-)/loss	-3,898	3,701
Net asset (-)/liability recognised as of December 31	301,447	284,251

EUR thousand	2013	2012
Analysis of amounts recognised in the income statement		
Service costs	14,200	11,884
Net interest on the net defined benefit liability/asset (-)	8,804	9,525
Immediate recognition of gains (-)/losses arising over the year	100	2,590
Total administration expenses recognised in profit and loss	166	143
Total expense recognised in profit and loss	23,270	24,141
Actual return on plan asset	-3,796	13,582

The aggregated benefit costs charged to the income statement for 2013 amounted to EUR 38,521 thousand (EUR 38,030 thousand) and relate to:

EUR thousand	2013	2012
Defined benefit plans	23,270	23,670
Defined contribution plans	15,251	14,360
Total	**38,521**	**38,030**

Total expense, with its constituents, in respect of the defined benefit plans is recognised in the production costs with EUR 13,041 thousand (EUR 12,441 thousand), sales and distribution costs with EUR 3,674 thousand (EUR 4,458 thousand), costs of administration with EUR 4,505 thousand (EUR 5,021 thousand) and research & development costs with EUR 2,050 thousand (EUR 2,221 thousand).

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:

	2013	2012
Discount rate	3% to 4%	2% to 3%
Projected future salary growth	3% to 4%	3% to 4%
Expected pension increase	2% to 4%	2% to 4%

EUR thousand	2013	2012	2011	2010	2009
5-year overview of the employee benefits' key figures					
Fair value of scheme assets	125,276	120,364	104,471	108,000	82,000
Present value of defined benefit obligation	-426,723	-403,615	-328,300	-337,000	-265,096
Surplus/deficit (-) in the scheme	**-301,447**	**-283,251**	**-223,829**	**-229,000**	**-183,096**
Experience adjustments arising on plan liabilities	14,177	-3,854	4,000	-17,000	-5,000
Experience adjustments arising on plan assets	-7,754	8,938	-9,000	19,000	-6,000

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 6.4%	Increase by 7.2%
Salary growth rate	0.5%	Increase by 3.6%	Decrease by 4.2%
Pension growth rate	0.5%	Increase by 3.0%	Decrease by 3.5%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. Compared to the previous period the parameters for the sensitivity analysis were extended by the salary and pension growth rate.

Expected contributions to post-employment benefit plans for the year ending 31 December, 2014, are EUR 21,192 thousand. The weighted average duration of the defined benefit obligation is 14.2 (10.2) years. The defined benefit plans expose the group to actuarial risks, mainly the longevity risk, interest rate and market (investment) risk.

14. Other provisions

	Restructuring		Decommis-sioning		Other		Total	
EUR thousand	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
As of January 1	4,988	5,507	18,963	22,692	30,126	44,237	54,077	72,436
Additions	2,325	4,134	332	421	5,151	9,560	7,808	14,119
Through business combinations	1,616	0	0	0	22,630	125	24,246	125
Utilised	-223	-3,852	-470	-4,475	-8,051	-6,067	-8,744	-14,394
Reversed	0	-904	-963	0	-1,572	-17,705	-2,536	-18,609
Interest expense	0	0	99	0	0	0	99	0
Exchange adjustments	-431	99	-252	325	162	-24	-520	400
Balance as of December 31	**8,275**	**4,988**	**17,709**	**18,963**	**48,445**	**30,126**	**74,430**	**54,077**
Current	5,920	3,618	0	0	1,485	1,439	7,405	5,057
Non-current	2,355	1,370	17,709	18,963	46,960	28,687	67,025	49,020
Balance as of December 31	**8,275**	**4,988**	**17,709**	**18,963**	**48,445**	**30,126**	**74,430**	**54,077**

Restructuring
The provision for restructuring covers estimated costs for the ongoing restructuring programmes mainly in Norway, France and Belgium.

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. Several environmental and legal exposures have been settled in the reporting period 2013, resulting in an utilisation of the respective provisions mainly in Austria and Belgium. In the reporting period 2012, a provision for customer claims amounting to EUR 14,500 million was released based on a court decision in the reporting period 2012.

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

In 2013, Borealis received government grants for research and development and for investments in new production plants. The EU ETS emission allowances for 2013 were not granted by year end and are expected to be allocated in the first quarter of 2014. During the year, EUR 4,443 thousand (EUR 19,609 thousand) 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 and foreign exchange contracts 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 and energy 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 (i.e. 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 thousand	2013	2012
Interest income from:		
Cash and cash equivalents	2,353	4,078
Derivatives	7,252	4,442
Total interest income	**9,604**	**8,520**
Interest expenses to:		
Financial institutions	-59,499	-53,781
Derivatives	-11,480	-12,849
Capitalised interest	3,775	5,298
Exchange adjustments, net	89	1,757
Other financial expenses and income	-12,395	-9,290
Total financial expenses	**-79,509**	**-68,864**
Net financial items	**-69,905**	**-60,345**

18. Gains and losses from financial instruments

EUR thousand	2013	2012
Recognised in profit or loss		
Change in fair value of commodity derivative contracts	459	-79
Change in fair value of foreign exchange derivative contracts	-1,710	1,349
Realised result on commodity derivative contracts	-7,340	11,000
Realised result on foreign exchange derivative contracts	19	-62
Financial assets and liabilities at fair value through profit or loss	**-8,571**	**12,208**
Change in fair value of commodity derivative contracts for feedstock for fair value hedges	78	171
Ineffective portion of change in fair value of cash flow hedge instruments		
Interest derivative contracts	113	-150
Amounts recognised in profit or loss for realised cash flow hedges		
Commodity derivative contracts	-26,173	-32,351
Interest derivative contracts	-4,341	-6,271
Foreign exchange derivative contracts	4,410	-12,451
(Hedges of) Net investments in foreign operations	-4,234	0
Hedging instruments	**-30,147**	**-51,052**
Interest income from available for sale assets	224	171
Available for sale financial assets	**224**	**171**
Interest income on cash and deposits	2,165	3,848
Foreign exchange effects on cash and deposits	-3,135	-5,213
Foreign exchange effects on receivables	7,778	-3,037
Impairment losses on receivables	-4,475	-1,432
Loans and receivables	**2,333**	**-5,834**
Interest expense on financial liabilities	-71,868	-63,329
Foreign exchange effects on financial liabilities	-2,906	2,232
Financial liabilities	**-74,774**	**-61,097**

The amounts recognised through 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 thousand	2013	2012
Recognised in other comprehensive income		
Commodity derivative contracts designated as cash flow hedge	-24,836	-44,053
Interest derivative contracts outstanding	-847	-1,980
Foreign exchange derivative contracts	11,317	9,771
Foreign exchange effects on receivables part of net investment in foreign operations	-6,034	7,916
Foreign exchange effects on financial liabilities and derivatives designated as hedge of investment in foreign operations	12,243	-670
Available for sale assets	-226	350
Amounts reclassified to the income statement		
(Hedges of) Net investment in foreign operations	4,234	0
Commodity derivative contracts	26,173	32,351
Interest derivative contracts	4,341	6,271
Foreign exchange derivative contracts	-4,410	12,451
Total recognised in other comprehensive income	**21,954**	**22,407**

19. Loans and borrowings

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

Maturities		2013					
Due		**Total**	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed facilities
After	5 years	**762,794**	762,794				
Within	5 years	**157,600**	157,600				
	4 years	**332,518**	332,518				1,000,000
	3 years	**225,914**	223,626			2,288	
	2 years	**197,959**	197,931			28	
Total long-term debt		**1,676,784**	1,674,468			2,316	1,000,000
Total short-term debt 1 year	1 year	**153,819**	60,481	0	93,338 [1]	0	102,662
Total debt		**1,830,603**	**1,734,949**	**0**	**93,338**	**2,316**	**1,102,662**

[1] Borealis maintains EUR 166,000 thousand in export credit facilities (EUR 93,338 thousand drawn at 31 December, 2013). These facilities are economically evergreen in nature, but include a one year notice for cancellation.

Maturities		2012					
Due		Total	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed facilities
After	5 years	**506,130**	506,130				
Within	5 years	**330,946**	330,946				1,000,000
	4 years	**201,473**	201,473				
	3 years	**157,663**	156,532			1,131	
	2 years	**39,878**	39,878				30,000
Total long-term debt		**1,236,092**	1,234,961			1,131	1,030,000
Total short-term debt	1 year	**374,363**	198,525	10,000	165,838 [2]	0	162
Total debt		**1,610,454**	**1,433,481**	**10,000**	**165,838**	**1,131**	**1,030,162**

[2] Borealis maintains EUR 166,000 thousand in export credit facilities (EUR 165,838 thousand drawn at 31 December, 2012).
These facilities are economically evergreen in nature, but include a one year notice for cancellation.

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

Borealis continues to maintain a strong liquidity position through its EUR 1 billion fully committed revolving credit facility of which EUR 1 billion remained undrawn at the end of December 2013 and by terming out its debt through diverse funding channels.

In 2013, Borealis concluded a number of strategic financing initiatives to fund its acquisition and research and development (R&D) activities. With the Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) Borealis concluded three acquisition financings to fund the recent acquisitions of Borealis Ottmarsheim (in 2012), Borealis Plastomers and Borealis Chimie. With the European Investment Bank (EIB) Borealis completed an inaugural Risk Sharing Finance Facility (RSFF) with direct EIB risk taking for Borealis' R&D operating expenses in Austria, Finland and Sweden. Borealis also successfully concluded a funding programme with the Finish Funding Agency for Innovation (TEKES) for the Borstar 3G development in Porvoo. Furthermore, Borealis concluded its 3rd US private placement. Borealis benefits from a well-diversified financing and maturity profile following these transactions. The Group will look to maintain access to a wide range of funding options including capital markets, bank funding as well as private placements.

At year end, the Group has committed long-term credit facilities of EUR 1,271,000 thousand (EUR 1,271,000 thousand) of which EUR 168,338 thousand (EUR 240,838 thousand) have 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 2,316 thousand (EUR 1,131 thousand) and relates to payables within one year of EUR 0 thousand (EUR 0 thousand), payables between one and five years of EUR 2,320 thousand (EUR 1,137 thousand) and payables beyond five years of EUR 0 thousand (EUR 0 thousand) less financial charges of EUR 4 thousand (EUR 6 thousand).

Currency Mix	2013	Percent	2012	Percent
Interest bearing (EUR thousand)				
USD	273,613	15%	256,261	16%
EUR	1,520,983	83%	1,318,149	82%
GBP*	36,007	2%	36,044	2%
Interest bearing total	**1,830,603**	**100%**	**1,610,454**	**100%**

* Entire GBP swapped into USD

20. Liquidity risk

Liquidity is managed on a daily basis to ensure the Group's liquidity requirement and is covered at all times with the lowest possible level of working capital. The following are the contractual maturities in EUR thousand 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 thousand	**31/12/2013**						
Non-derivative financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
EUR floating rate loans	-423,588	**-445,056**	-96,846	-23,302	-168,544	-98,057	-58,307
EUR fixed rate loans	-1,095,079	**-1,296,551**	-23,302	-56,697	-69,878	-598,720	-547,954
EUR financial leases	-2,316	**-2,316**	0	0	0	-2,316	0
USD floating rate loans	-108,399	**-113,987**	-641	-838	-1,472	-111,036	0
USD fixed rate loans	-165,214	**-257,651**	-4,775	-4,916	-9,691	-37,508	-200,761
GBP fixed rate loans	-36,007	**-61,494**	-1,650	-1,650	-3,299	-9,897	-44,998
Trade payables	-920,081	**-920,081**	-920,081	0	0	0	0
Total	**-2,750,684**	**-3,097,136**	**-1,047,295**	**-87,403**	**-252,884**	**-857,534**	**-852,020**

EUR thousand	**31/12/2012**						
Non-derivative financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
EUR floating rate loans	-498,198	**-521,237**	-205,068	-32,843	-4,208	-189,800	-89,318
EUR fixed rate loans	-808,820	**-984,015**	-38,652	-99,213	-69,855	-468,202	-308,093
EUR financial leases	-1,131	**-1,131**	0	0	0	-1,131	0
USD floating rate loans	-138,211	**-142,015**	-27,709	-1,060	-1,112	-112,134	0
USD fixed rate loans	-118,050	**-175,398**	-3,257	-3,397	-6,655	-28,865	-133,224
GBP fixed rate loans	-36,044	**-64,794**	-1,650	-1,650	-3,299	-9,897	-48,298
Trade payables	-753,525	**-753,525**	-753,525	0	0	0	0
Uncommitted facilities	-10,000	**-10,000**	-10,000	0	0	0	0
Total	**-2,363,979**	**-2,652,115**	**-1,039,861**	**-138,163**	**-85,129**	**-810,029**	**-578,933**

EUR thousand	2013						
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	-908	**-86,440**	-55,892	-212	-230	-30,106	
Assets/inflow		**85,482**	55,115	145	82	30,140	
Cross currency interest rate swaps							
Liabilities/outflow		**-45,021**	-1,652	-1,652	-3,299	-38,418	
Assets/inflow	285	**45,413**	1,692	1,690	3,363	38,668	
Foreign exchange contracts							
Liabilities/outflow	-4,470	**-888,235**	-491,227	-261,325	-135,683		
Assets/inflow	13,137	**896,952**	491,506	263,965	141,481		
Feedstock contracts							
Liabilities/outflow	-4,357	**-4,380**	-4,348	-32			
Assets/inflow	7,442	**7,486**	5,374	2,112			
Electricity contracts							
Liabilities/outflow	-40,362	**-40,567**	-12,275	-16,105	-10,434	-1,753	
Assets/inflow	6,939	**6,970**	2,265	3,333	1,210	162	
Natural gas hedges							
Liabilities/outflow	-360	**-361**	-207	-131	-24		
Assets/inflow	1,088	**1,092**	589	180	181	141	
Total	**-21,567**	**-21,609**	**-9,058**	**-8,033**	**-3,352**	**-1,167**	**0**

EUR thousand	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	-3,900	**-169,013**	-240	-75,566	-93,207		
Assets/inflow		**164,321**	100	72,998	91,223		
Cross currency interest rate swaps							
Liabilities/outflow	-532	**-49,975**	-1,724	-1,720	-3,429	-43,102	
Assets/inflow		**49,794**	1,728	1,723	3,432	42,911	
Foreign exchange contracts							
Liabilities/outflow	-4,688	**-891,964**	-465,473	-178,609	-107,774	-140,108	
Assets/inflow	9,407	**896,686**	469,053	181,295	104,857	141,481	
Feedstock contracts							
Liabilities/outflow	-8,831	**-8,873**	-6,776	-2,097			
Assets/inflow	12,630	**12,688**	5,573	7,115			
Electricity contracts							
Liabilities/outflow	-36,282	**-36,486**	-11,643	-11,418	-10,843	-2,582	
Assets/inflow	3,158	**3,176**	978	1,200	775	223	
Natural gas hedges							
Liabilities/outflow	-932	**-934**	-546	-202	-130	-56	
Assets/inflow	837	**840**	383	364	93		
Total	**-29,133**	**-29,740**	**-8,587**	**-4,917**	**-15,003**	**-1,233**	**0**

EUR thousand	31/12/2013					
Off balance sheet liabilities	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	29,445	588	36	18,500	1,552	8,769
Operating lease payables	39,967	8,396	7,525	9,679	12,341	2,027
Capital commitments – tangible assets	137,993	98,123	28,540	9,458	1,871	0

EUR thousand	31/12/2012					
Off balance sheet liabilities	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	10,466	0	1,279	30	1,157	8,000
Operating lease payables	38,556	7,254	7,254	5,528	16,584	1,936
Capital commitments – tangible assets	52,079	18,228	18,228	15,624	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 profit and loss.

All carrying amounts exclude the outstanding interest accruals at the year end. Cash outflows are reported with a negative sign, cash inflows with a positive sign.

EUR thousand	**2013**						
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	-908	**-86,440**	-55,892	-212	-230	-30,106	0
Assets/inflow	0	**85,482**	55,115	145	82	30,140	0
Cross currency interest rate swaps							
Liabilities/outflow	0	**-45,021**	-1,652	-1,652	-3,299	-38,418	0
Assets/inflow	285	**45,413**	1,692	1,690	3,363	38,668	0
Foreign exchange contracts							
Liabilities/outflow	-2,587	**-567,383**	-170,375	-261,325	-135,683	0	0
Assets/inflow	12,467	**577,313**	171,867	263,965	141,481	0	0
Electricity, feedstock and natural gas contracts							
Liabilities/outflow	-44,026	**-44,232**	-15,753	-16,268	-10,457	-1,753	0
Assets/inflow	13,766	**13,800**	6,807	5,299	1,392	302	0
Total	**-21,003**	**-21,067**	**-8,191**	**-8,359**	**-3,352**	**-1,167**	**0**
Fair value hedges							
Feedstock contracts							
Liabilities/outflow	-107	**-107**	-107				
Assets/inflow	0	**0**	0				

EUR thousand	2012						
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	-3,900	**-169,013**	-240	-75,566	-93,207	0	0
Assets/inflow	0	**164,321**	100	72,998	91,223	0	0
Cross currency interest rate swaps							
Liabilities/outflow	-532	**-49,975**	-1,724	-1,720	-3,429	-43,102	0
Assets/inflow	0	**49,794**	1,728	1,723	3,432	42,911	0
Foreign exchange contracts							
Liabilities/outflow	-4,431	**-599,721**	-173,230	-178,609	-107,774	-140,108	0
Assets/inflow	8,699	**603,992**	176,359	181,295	104,857	141,481	0
Electricity, feedstock and natural gas contracts							
Liabilities/outflow	-45,094	**-45,300**	-18,198	-13,491	-10,973	-2,638	0
Assets/inflow	15,481	**15,502**	5,831	8,580	868	223	0
Total	**-29,777**	**-30,400**	**-9,374**	**-4,790**	**-15,003**	**-1,233**	**0**
Fair value hedges							
Feedstock contracts							
Liabilities/outflow	0	**0**	0				
Assets/inflow	171	**171**	171				

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 predefined 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 31 December, 2013, was EUR 885,980 thousand (EUR 895,799 thousand), of which EUR 566,219 thousand (EUR 601,820 thousand) relate to foreign currency hedging and EUR 319,761 thousand (EUR 293,791 thousand) relate to liquidity management. The total notional value of outstanding foreign exchange options as of 31 December, 2013, was EUR 0 thousand (EUR 0 thousand) measured at the strike rate.

Of the foreign exchange cash flow hedges gains (losses) of EUR 4,410 thousand (EUR -12,451 thousand) were removed from hedging reserve during 2013 and were reclassified to the income statement and included into net sales.

There was no partial ineffectiveness of the foreign exchange cash flow hedges, therefore no losses were recognised in financial expenses at year-end 2013 and 2012.

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 31 December, 2013, was EUR 9,880 thousand (EUR 4,268 thousand).

EUR 9,880 thousand (EUR 4,268 thousand) have been recorded in other comprehensive income at year end of which EUR 12,467 thousand (EUR 8,699 thousand) have been recognised in other assets (thereof EUR 5,766 thousand (EUR 1,518 thousand) in non-current assets) and EUR -2,587 thousand (EUR -4,431 thousand) in other liabilities (thereof EUR 0 thousand (EUR -3,229 thousand) 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 271,605 thousand (EUR 255,380 thousand) as of 31 December, 2013. EUR/USD cross currency interest rate swaps and foreign exchange swaps of notional EUR 275,755 thousand (EUR 321,273 thousand) were classified as net investment hedges as of 31 December, 2013. A foreign exchange gain of EUR 23,941 thousand (gain of EUR 3,328 thousand) was recognised in other comprehensive income during 2013 on the translation of these USD liabilities to EUR (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 31 December, 2013, was EUR -1,213 thousand (EUR 450 thousand).

EUR 670 thousand (EUR 524 thousand) were recognised in other assets and EUR -1,883 thousand (EUR -74 thousand) in other liabilities. During 2013, a net amount of USD 0 thousand (USD 0 thousand) and SEK 1,029,470 thousand (SEK 0 thousand) of long-term inter-company loans were repaid. These were loans that were previously deemed to be part of the permanent capital structure of the subsidiaries for which currency revaluation effects have been charged to equity, resulting in a net loss recognised to the income statement of EUR 4,234 thousand (EUR 0 thousand).

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 themselves, are constant and on the basis of hedge designations in place at 31 December, 2013. The Group assumes that the prevailing polyolefin market pricing mechanisms reduce the foreign exchange risk in practice.

As of 31 December, 2013, 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 the EUR would have increased Borealis' profit before tax by approximately EUR 1.444 thousand (increase of EUR 1,319 thousand). The effect of weakening of one percentage point of the USD against the EUR would have decreased Borealis' profit before tax by approximately EUR -1,181 thousand (decrease EUR -1,080 thousand).

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 14,260 thousand (EUR 7,678 thousand), a weakening of one percentage point of USD against EUR would have decreased the Group's equity by EUR -11,667 thousand (EUR -6,282 thousand).

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 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 71% (60%) have a fixed interest rate, and 29% (40%) are based on a floating interest rate before applying interest rate swaps. Approximately 78% (72%) have a fixed interest rate and 22% (28%) are 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 31 December, 2013, Borealis had outstanding interest rate derivatives for a notional amount of EUR 85,000 thousand (EUR 164,734 thousand) with interest rates ranging from 0.70% to 2.86% (2.86% to 4.33%) and maturities up to 2016.

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 31 December, 2013, was EUR -908 thousand (EUR -3,900 thousand) comprising liabilities of EUR -908 thousand (EUR -3,900 thousand) and assets of EUR 0 thousand (EUR 0 thousand). These amounts were recognised in other liabilities, thereof non-current liabilities EUR -223 thousand (EUR -2,062 thousand).

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 31 December, 2013 was EUR 285 thousand (EUR -532 thousand) comprising liabilities of EUR 0 thousand (EUR -532 thousand) and assets of EUR 285 thousand (EUR 0 thousand). These amounts were recognised in other assets or liabilities, thereof non-current EUR 285 thousand (EUR -532 thousand). Of the interest rate swaps, a loss of EUR -4,341 thousand (EUR -6,271 thousand) was realised in financial expenses during 2013. Three interest rate swaps matured over 2013. On the interest rate swaps which are used as cash flow hedges, a net gain (loss) of EUR 113 thousand (EUR -150 thousand) 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 thousand	2013		2012	
	Effective interest rate	Carrying amout	Effective interest rate	Carrying amout
EUR floating rate loans	1.6%	-423,588	2.5%	-508,198
Effect on interest rate swaps	-0.2%		0.9%	
EUR fixed rate loans	3.6%	-1,095,079	4.1%	-808,820
EUR financial leases	4.3%	-2,316	4.3%	-1,131
USD floating rate loans	1.2%	-108,399	1.7%	-138,211
Effect on interest rate swaps			0.6%	
USD fixed rate loans	5.6%	-165,214	5.8%	-118,050
GBP fixed rate loans	9.3%	-36,007	9.4%	-36,044
Total interest bearing debt		**-1,830,603**		**-1,610,454**

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 31 December, 2013. As of 31 December, 2013, it is estimated that a general increase of one percentage point in interest rates would have decreased Borealis' profit before tax by approximately EUR -5,683 thousand (EUR -1,660 thousand). The effect of a decrease of one percentage point in interest rates is expected to be EUR 5,710 thousand (EUR 1,660 thousand).

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 on 31 December, 2013, was 376,000 tonnes (656,000 tonnes). Part of the contracts, 10,000 tonnes (16,000 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 -107 thousand (EUR 171 thousand). Another part of the contracts, 283,000 tonnes (503,000 tonnes), has 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 2,435 thousand (EUR 3,606 thousand). No hedge accounting is applied for the remaining contracts. The net fair value of all derivative contracts for feedstock as of 31 December, 2013, was EUR 3,085 thousand (EUR 3,799 thousand). EUR -4,357 thousand (EUR -8,831 thousand) have been recognised in other liabilities and EUR 7,442 thousand (EUR 12,630 thousand) in other assets.

Electricity contracts: Borealis hedges its forecasted electricity purchases with maturity up to 2016 using electricity swaps. The notional volume of the contracts held at 31 December, 2013, was 5,030 GWh (5,162 GWh) with an average maturity of 19 months (19 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 31 December, 2013, was EUR -33,423 thousand (EUR -33,124 thousand), comprising liabilities of EUR -40,362 thousand (EUR -36,282 thousand), thereof non-current EUR -12,076 thousand (EUR -13,298 thousand) and assets of EUR 6,939 thousand (EUR 3,158 thousand), thereof non-current EUR 1,360 thousand (EUR 988 thousand). 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 2016 using natural gas swaps. The notional volume of the contracts held at 31 December, 2013, was 853 GWh (1,151 GWh) with an average maturity of 20 months (12 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 31 December, 2013, was EUR 728 thousand (EUR -95 thousand), comprising liabilities of EUR -360 thousand (EUR -932 thousand), thereof non-current EUR -24 thousand (EUR -184 thousand) and assets of EUR 1,088 thousand (EUR 837 thousand), thereof non-current EUR 320 thousand (EUR 92 thousand). These amounts were recognised in other liabilities, other assets and in other comprehensive income.

Of the commodity cash flow hedges, losses amounting to EUR -26,173 thousand (EUR -32,351 thousand) were removed from hedging reserve during 2013 and were reclassified to the income statement and included into the production costs.

There was no partial ineffectiveness of the commodity cash flow hedges, therefore no losses were recognised in production costs at year end 2013 and 2012.

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. The 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 31 December, 2013. The Group assumes that the prevailing market pricing mechanisms reduce the commodity price risk in practice.

As of 31 December, 2013, it is estimated that a general increase of one percentage point in commodity prices would have decreased Borealis' profit before tax by approximately EUR -651 thousand (EUR -1,165 thousand) and would have increased Borealis' equity before tax by approximately EUR 2,225 thousand (EUR 2,869 thousand). The effect of a decrease of one percentage point in commodity prices is expected to impact the profit before tax by approximately EUR 651 thousand (EUR 1,165 thousand) and decreases Borealis' equity by approximately EUR -2,225 thousand (EUR -2,869 thousand).

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. 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 31 December, 2013, receivables worth EUR 324,042 thousand (EUR 320,455 thousand) were sold to the purchaser under the securitisation programme. The reserves deducted from the nominal value of the sold receivables amounted to EUR 29,081 thousand (EUR 29,345 thousand) as of 31 December, 2013, and are included in other short-term receivables. A residual liability amounted to EUR 0 thousand (EUR 6,467 thousand were due to the purchaser as of 31 December, 2012 and were included in the other short-term liabilities).

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 (note 25).

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

EUR thousand	2013	2012
EU Countries	478,455	385,443
Non-EU in Europe	39,450	90,022
USA	19,966	14,699
Middle East and Asia	68,975	48,293
Other regions	46,785	45,889
	653,631	**584,346**

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

EUR thousand	2013	2012
Polyolefins	359,283	299,639
Base Chemicals	271,688	258,158
Other	22,660	26,549
	653,631	**584,346**

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 a 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 thousand	2013 Gross	2013 Impairment	2012 Gross	2012 Impairment
Not past due				
Risk category 1	99,135		107,642	
Risk category 2	118,655		72,681	
Risk category 3	81,972		68,742	
Risk category 4	264,729		245,427	
Risk category 5	-231		3,672	
Risk category 6	38,244		28,072	
Risk category 7	3,431		5,221	
Past due 0–30 days				
Risk category 1	12,369		5,604	
Risk category 2	3,276		4,548	
Risk category 3	3,201		4,383	
Risk category 4	17,586		11,916	
Risk category 5	-1,365		-1,134	
Risk category 6	3,143		609	
Risk category 7	40		1,410	
Past due 31–90 days				
Risk category 1	2,084		19,415	
Risk category 2	761		-19	
Risk category 3	830		76	
Risk category 4	1,742		1,225	
Risk category 5			-55	
Risk category 6	429		-110	
Risk category 7			-1,167	
Past due 90–120 days				
Risk category 1	1,956		2,851	
Risk category 2			-2	
Risk category 3			-61	
Risk category 4	991		1,064	
Risk category 5			-32	
Risk category 6	219		-9	
Risk category 7			43	
Past due 120–180 days				
Risk category 1			343	
Risk category 2				
Risk category 3			1	-1
Risk category 4	569	-569	578	-578
Risk category 5				
Risk category 6				
Risk category 7				

EUR thousand	2013 Gross	2013 Impairment	2012 Gross	2012 Impairment
Past due over 180 days				
Risk category 1			1,991	
Risk category 2				
Risk category 3	737	-737	1,121	-1,121
Risk category 4	8,063	-7,629	3,365	-3,365
Risk category 5				
Risk category 6				
Risk category 7				
Total	**662,566**	**-8,935**	**589,411**	**-5,065**

EUR thousand	2013	2012
The movement in the allowance for impairment in respect of trade receivables		
Balance as of January 1	5,065	7,000
Impairment loss recognised	4,475	1,058
Written off	120	-2,993
Recoveries	-725	0
Balance as of December 31	**8,935**	**5,065**

In 2013, the Group did not renegotiate the terms of trade receivables. The total guarantees received (including bank guarantees and parental guarantees) in respect of the above receivables amount to EUR 176,452 thousand (EUR 165,000 thousand).

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. The Executive Board does not expect any counterparty to fail to meet any of their current obligations.

	Credit risk		Impairment losses recognised	
EUR thousand	**2013**	**2012**	**2013**	**2012**
Available for sale financial assets	31,560	24,070	0	0
Financial assets at fair value through profit and loss	2,373	1,681	0	0
Loans and receivables				
Deposits	8,718	3,392	0	0
Trade receivables	653,631	584,346	8,935	5,065
Receivables from associated companies	83,129	94,827	0	0
Cash and cash equivalents	60,266	64,523	0	0
Hedging instruments				
Foreign exchange derivative contracts	12,467	8,699	0	0
Commodity derivatives contracts	13,766	15,652	0	0
Cross currency interest rate swap	285	0	0	0
Total	**866,195**	**797,191**	**8,935**	**5,065**

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 thousand	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Other investments				
Other investments	21,441	n/a	14,668	n/a
Available for sale financial assets	**21,441**		**14,668**	
Other non-current receivables and assets				
Deposits and other receivables	8,718	8,718	3,392	3,392
Loans and receivables	**8,718**	**8,718**	**3,392**	**3,392**
Long-term deposits for tax requirements	10,119	10,119	9,402	9,402
Available for sale financial assets	**10,119**	**10,119**	**9,402**	**9,402**
Financial assets for which hedge accounting is applied				
Commodity derivative contracts	1,680	1,680	1,080	1,080
Cross currency interest rate swaps	285	285	0	0
Foreign exchange derivative contracts	5,766	5,766	1,518	1,518
Hedging instruments	**7,731**	**7,731**	**2,598**	**2,598**
Total other non-current receivables and assets	**26,568**	**26,568**	**15,393**	**15,393**
Trade receivables				
Trade receivables	653,631	653,631	584,346	584,346
Loans and receivables	**653,631**	**653,631**	**584,346**	**584,346**
Receivables from associated companies				
Receivables from associated companies	83,129	83,129	94,827	94,827
Loans and receivables	**83,129**	**83,129**	**94,827**	**94,827**
Other current receivables and other assets				
Derivative financial assets for which hedge accounting is not applied				
Commodity derivative contracts	1,703	1,703	973	973
Foreign exchange derivative contracts	670	670	708	708
Financial assets at fair value through profit or loss	**2,373**	**2,373**	**1,681**	**1,681**
Financial assets for which hedge accounting is applied				
Commodity derivative contracts	12,086	12,086	14,572	14,572
Foreign exchange derivative contracts	6,701	6,701	7,181	7,181
Hedging instruments	**18,787**	**18,787**	**21,753**	**21,753**
Income Taxes	5,654	n/a	9,678	n/a
Other assets	361,498	n/a	276,822	n/a
Other non-financial assets	**367,152**	**n/a**	**286,500**	**n/a**
Total current receivables and assets	**1,125,072**	**757,920**	**989,107**	**702,607**

EUR thousand	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and borrowings non-current liabilities				
Floating rate loans and borrowings non-current	419,862	419,862	378,349	378,349
Fixed rate loans and borrowings non-current	1,256,922	1,279,046	857,742	874,171
Financial liabilities	**1,676,784**	**1,698,908**	**1,236,091**	**1,252,520**
Other non-current liabilities				
Other liabilities	34,622	34,622	3,129	3,129
Financial liabilities	**34,622**	**34,622**	**3,129**	**3,129**
Financial liabilities for which hedge accounting is applied				
Commodity derivative contacts	12,099	12,099	13,482	13,482
Interest derivative contacts	223	223	2,062	2,062
Cross currency interest rate swaps	0	0	532	532
Foreign exchange derivative contacts	0	0	3,229	3,229
Hedging instruments	**12,322**	**12,322**	**19,305**	**19,305**
Other non-current liabilities	4,858	n/a	0	0
Other non-financial liabilities	**4,858**	**n/a**	**0**	**0**
Total other non-current liabilities	**51,802**	**46,944**	**22,434**	**22,434**
Loans and borrowings current liabilities				
Floating rate loans and borrowings	114,441	114,441	270,362	270,362
Fixed rate loans and borrowings	39,378	39,378	104,000	104,000
Financial liabilities	**153,819**	**153,819**	**374,362**	**374,362**
Trade payables				
Trade payables	920,081	920,081	753,525	753,525
Financial liabilities	**920,081**	**920,081**	**753,525**	**753,525**
Other current liabilities				
Interest accruals	18,331	18,331	20,615	20,615
Financial liabilities	**18,331**	**18,331**	**20,615**	**20,615**
Derivative financial liabilities for which hedge accounting is not applied				
Commodity derivative contacts	947	947	951	951
Foreign exchange derivative contacts	1,883	1,883	257	257
Financial liabilities at fair value through profit or loss	**2,830**	**2,830**	**1,208**	**1,208**
Financial liabilities for which hedge accounting is applied				
Commodity derivative contacts	32,033	32,033	31,612	31,612
Interest derivative contacts	685	685	1,838	1,838
Foreign exchange derivative contacts	2,587	2,587	1,202	1,202
Hedging instruments	**35,305**	**35,305**	**34,652**	**34,652**

EUR thousand	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Other liabilities	263,197	n/a	224,753	n/a
Other non-financial liabilities	**263,197**	**n/a**	**224,753**	**n/a**
Total other current liabilities	**319,663**	**56,466**	**281,228**	**56,475**

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, 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.

Liabilities referring to contingent consideration are reported in other non-current financial liabilities and their fair value has been determined in accordance with Level 3.

The fair value of the contingent consideration for the acquisition of Borealis Plastomers has been estimated by applying a discounted cash flow technique. The assumed production target of Borealis Plastomers is, apart from the discount rate, the most significant valuation input for the determination of the contingent consideration liability. The financing rate for this acquisition has been determined as the applicable discount rate. A significant increase (decrease) in the production target of Borealis Plastomers would result in higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability.

The fair value of the contingent consideration for the acquisition of Borealis Chimie has been estimated by applying a discounted earnings technique. The assumed earnings target of Borealis Chimie is the most significant valuation input for the determination of the contingent consideration liability. The financing rate for this acquisition has been determined as the applicable discount rate. A significant increase (decrease) in the earnings of Borealis Chimie would result in higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability.

For information relating to the movements in the contingent consideration we refer to note 6. In 2013, no transfers between the different levels took place.

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 credit quality of counterparties did not lead to significant change in the fair values.

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 own non-performance risk as at 31 December 2013 was assessed to be insignificant.

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.

Other non-financial assets and liabilities
Other non-financial assets and liabilities are solely used for reconciliation purposes and no fair value has been stated.

28. Operating leases

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

EUR thousand	2013	2012
Operating leases		
1 year	15,921	14,508
2–5 years	22,020	22,111
Thereafter	2,027	1,936
Total	**39,967**	**38,556**
Operational lease payments during current year	17,404	21,707

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 thousand	2013							
	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans	Borrowings	Interest received	Interest paid
Associates	168,783	423,063	83,129	24,159	0	0	0	0
Parent company	0	193	24	0	0	0	0	0
Companies with significant influence	1,768,202	59,784	6,546	170,160	0	0	0	0
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	9,241	4,586	1,073	1,124	0	0	0	0
	1,946,226	**487,627**	**90,773**	**195,443**	**0**	**0**	**0**	**0**

EUR thousand	2012							
	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans	Borrowings	Interest received	Interest paid
Associates	136,919	419,405	94,827	18,905	0	0	0	0
Parent company	180	259	103	0	0	0	0	0
Companies with significant influence	1,790,371	55,428	6,912	158,928	0	0	0	0
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	9,923	124	0	41	0	0	0	0
	1,937,393	**475,216**	**101,841**	**177,874**	**0**	**0**	**0**	**0**

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.

30. Commitments and contingent liabilities

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 29,445 thousand (EUR 9,630 thousand) 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 outstanding amount by the end of the year is equal to the maximum credit risk exposure.

Furthermore, 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 guarantees 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.

Several Borealis group companies are currently subject to routine tax audits performed by their respective tax authorities. In some of the audits, specific emphasis is put on business restructuring and transfer pricing. Management's opinion is that the company is in compliance with all applicable regulations. Given the preliminary nature of the proceedings, potential impacts, if any, cannot be currently reliably estimated.

31. Subsequent events

Borealis has had no significant events after the balance sheet date.

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
■ Finphenol Oy*	Finland, Porvoo	EUR	2,500	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 Plastomers B.V.	The Netherlands, Heerlen	EUR	1	100
■ ■ Borealis Plastomers 1 B.V.	The Netherlands, Heerlen	EUR	11,344,500	100
■ ■ Borealis Plastomers 2 B.V.	The Netherlands, Heerlen	EUR	18,100	100
■ ■ ■ Borealis Plastomers V.O.F.	The Netherlands, Heerlen	EUR	0	100
■ Rosier S.A.	Belgium, Moustier	EUR	2,550,000	77
■ ■ ROSIER Netherlands B.V.	Netherlands, Sas Van Gent	EUR	11,141,000	100
■ ■ Rosier France S.A.S.	France, Beaumetz-Les-Loges	EUR	516,600	100
■ ■ Union pour le Négoce en Produits Chimiques S.A.	Belgium, Moustier	EUR	0	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 France S.A.S.	France, Nanterre	EUR	109,477,216	100
■ ■ Borealis Services S.A.S.*	France, Nanterre	EUR	5,000	100
■ ■ Borealis PEC-Rhin S.A.S.	France, Ottmarsheim	EUR	20,010,000	100
■ ■ Borealis Chimie S.A.S.	France, Nanterre	EUR	220,000,000	100
■ ■ ■ Borealis Gratecap S.A.S.*	France, La Rochelle	EUR	752,500	100
■ ■ ■ Borealis L.A.T. Sobelagro S.A.S.*	France, Clevilliers	EUR	233,200	100
■ ■ ■ AGRIPRODUITS S.A.S.*	France, Courbevoie La Defense	EUR	952,000	100
■ ■ ■ GIFIAM G.I.E.*	France, Grand Quevilly	EUR	0	100
■ ■ ■ STOCKAM G.I.E.*	France, Grand Quevilly	EUR	0	100

* Excluded from the consolidation due to immateriality

Company name	Country, City	Currency	Issued share capital	Percentage of shares owned
■ 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	7,570,600	100
■ Borealis Compounds Inc.	US, Rockport	USD	2,000	100
■ Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Sirketi*	Turkey, Istanbul	TRL	10,000	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
■ Borealis L.A.T GmbH	Austria, Linz	EUR	35,000	100
■ ■ Borealis L.A.T Hungary Kft.	Hungary, Budapest	HUF	500,000,000	100
■ ■ Borealis L.A.T Bulgaria EOOD*	Bulgaria, Sofia	BGN	10,000	100
■ ■ Borealis L.A.T 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
■ ■ Borealis L.A.T Romania s.r.l.*	Romania, Bucharest	RON	5,306,650	100
■ ■ Borealis L.A.T Beograd d.o.o.*	Serbia, Belgrade	EUR	800,000	100
■ ■ Borealis L.A.T 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 the Group:

EUR	2013	2012
Audit of Borealis AG’s subsidiaries	731,710	755,665
Audit of consolidated financial statments	275,500	284,075
Other audit related services	70,000	72,090
Other services	97,650	52,262
Total	**1,174,860**	**1,164,092**

34. Executive Board and Supervisory Board

Executive Board

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

Supervisory Board

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

Vienna, 11 February, 2014

Executive Board:

Mark Garrett
Chief Executive

Daniel Shook
Chief Financial Officer

Markku Korvenranta

Martijn van Koten

Herbert Willerth

Alfred Stern

Statement of 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.

Vienna, 11 February, 2014

Executive Board:

Mark Garrett
Chief Executive

Daniel Shook
Chief Financial Officer

Markku Korvenranta

Martijn van Koten

Herbert Willerth

Alfred Stern

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OUR COMMITMENT TO SUSTAINABILITY