Borealis Annual Report 2014

20 YEARS

BOREALIS

Keep Discovering

Borealis in Stenungsund, Sweden

Contents

Milestones

1. World-class safety standards maintained with a TRI (Total Recordable Injuries) frequency of 1.3
2. Record net profit of EUR 571 million in 2014
3. Borouge 3: production of commercial volumes at EU3 cracker as of July, start-up of three polyolefin plants in the second half of 2014
4. Contract with Antero Resources for supply of competitively-priced ethane from the US to further increase feedstock flexibility
5. Plant turnarounds in Burghausen, Grandpuits, Grand-Quevilly and Kallo
6. Acquisition of Speciality Polymers Antwerp N.V. in Zwijndrecht, Belgium
7. Celebration of 20 Years Borealis
8. European roll-out of the innovative N-Pilot® diagnostics tool
9. Launch of high voltage direct current (HVDC) innovation based on the Borlink™ technology platform
10. Investments in Itatiba, Brazil facility to help further grow presence in South America
11. Launch of Daplen™ portfolio of polypropylene (PP) compound solutions with post-consumer recycled content for the automotive industry
12. Mark Tonkens joined the Executive Board as Chief Financial Officer in November; Herbert Willerth, Deputy CEO and Executive VP Middle East & Asia, retired at end of year

Executive Board

Daniel Shook
Chief Financial Officer from June 2007 – October 2014

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

Mark Garrett
Chief Executive

Markku Korvenranta
Executive Vice President, Base Chemicals

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

Martijn Arjen van Koten
Executive Vice President Operations, PTS & HSE

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

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

Mark Tonkens,
Chief Financial Officer as of 1 November 2014

Strategy

Borealis Innovation Headquarters in Linz, Austria

Our strategy is clear

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

Continue

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

Exceed

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

Explore

growth opportunities in other geographies/related businesses.

Strengthen

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

Pursue

operational excellence, considering safety at all times.

Achieve

a step change in innovation.

Expand

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

Continue

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

Outperform financially

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

40 – 60% debt to equity ratio.

Values

Responsible

We are leaders in Health, Safety and the Environment

We are good neighbours wherever we operate

We do business according to high ethical standards

Respect

We involve people and communicate in a straightforward way

We work together – helping and developing each other

We are 'One Company' – building on diversity

Exceed

Our customers' and owners' success is our business

We win through commitment and innovation

We deliver what we promise – and a little bit more

Nimblicity™

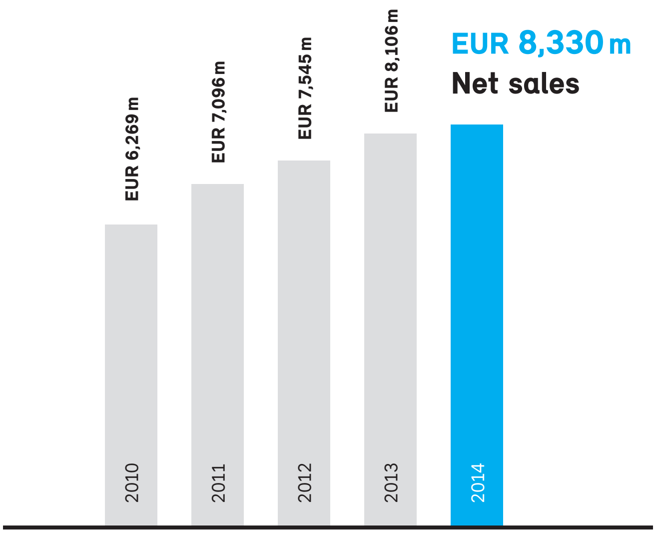
We are fit, fast and flexible

We create and capture opportunities

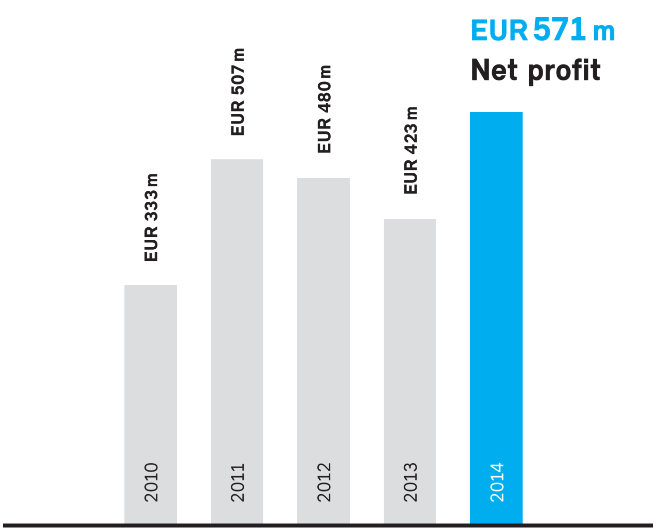
We seek the smart and simple solutions

2014 at a glance

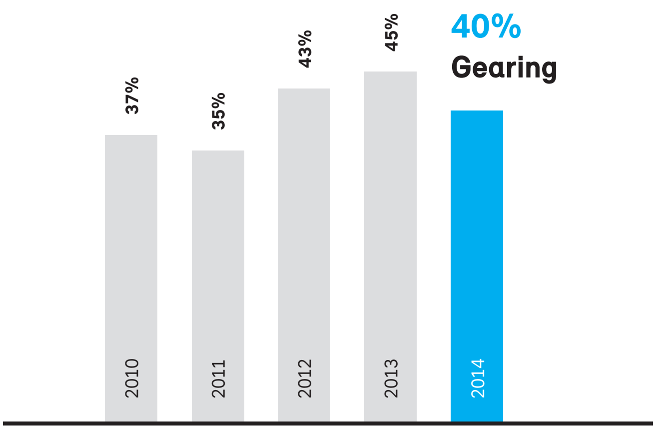
EUR 8,330 m
Net sales



EUR 571 m
Net profit



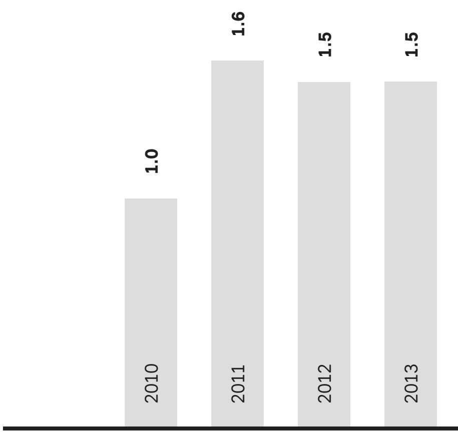
40%
Gearing



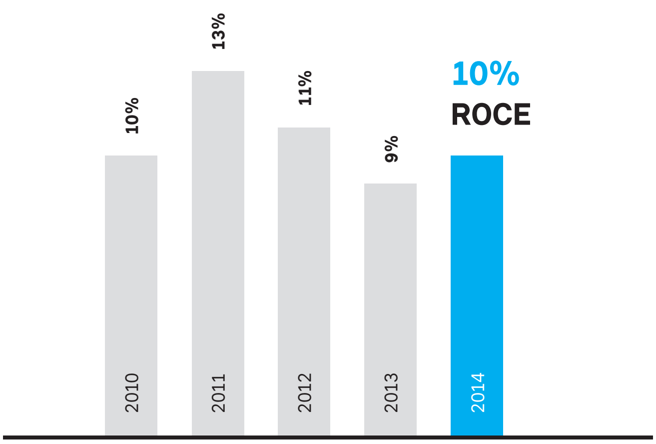
1.3
Occupational safety performance

Number/ million work hours

Includes own employees and contractors



10%
ROCE



Borealis worldwide

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 2014, the global economic environment improved slightly but remained vulnerable. In Europe, structural factors combined with weak demand hindered growth, while emerging economies have struggled in a volatile price environment and increasing geopolitical tension. The bright spot has been the US economy which "turned a corner" in 2014 with growth improving to levels not seen since the onset of the credit crunch. "Keep Discovering" was the theme for Borealis in 2014 as it celebrated its twentieth anniversary which has seen the company evolve from its early Nordic roots as a plastics manufacturer to a global provider of chemical solutions with worldwide operations. For Borealis, 2014 was a year of consolidation with the start-up of Borouge 3 and the completion of the integration of the major acquisitions made in 2012 and 2013. While faced with challenges, Borealis delivered its best result ever in 2014 as it has continued to prosper from its strategy of developing multiple but related profit centres in Polyolefins, Base Chemicals and the Borouge joint venture.

Borouge 3 start-up

By mid-June, Borouge marked a major milestone when it started up its third ethane cracker as part of the company's Borouge 3 expansion. Following the start-up of the cracker, two polyethylene (PE) plants and one polypropylene (PP) plant also started up in 2014 and commercial sales from the PE plants commenced in the fourth quarter. The remaining PP plant, the low density polyethylene (LDPE) and the crosslinked polyethylene (XLPE) plants will start up sequentially in 2015. With Borouge 3 operational, Borouge's total annual production will increase to 4.5 million tonnes of polyolefins, making Borouge the biggest integrated polyolefins complex in the world.

Integration and acquisitions

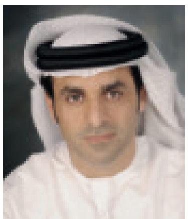
Borealis made a number of strategic acquisitions in 2012 and 2013 which were fully integrated and consolidated into the Borealis Group in 2014. In the polyolefins business, the integration of Borealis Plastomers was completed and the integration of Borealis Chimie into the fertilizer business was a key priority during the year. As part of the Borealis Chimie integration, Borealis divested its Biosuper business and the Le Havre urea production plant and related ammonia storage facility, both strategic steps taken to focus on the core fertilizer business.

In September 2014, Borealis announced that it had acquired DuPont Holding Netherland B.V.'s shares of Speciality Polymers Antwerp N.V. Prior to this acquisition Speciality Polymers Antwerp N.V. had been a common shareholding between DuPont Holding Netherlands B.V. (67%), Borealis Polymers N.V. and Borealis Kallo N.V. (together 33%). The acquisition is in line with Borealis' strategy to grow its polyolefin business in specific market areas.

Strategic investments for the long term

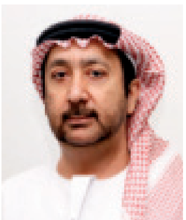
In 2014, Borealis continued to invest in Europe to build on its competitive position. In August, Borealis announced a ten-year agreement with Antero Resources to supply ethane from the United States for its flexible steam cracker in Stenungsund, Sweden. The project also includes a shipping agreement with Navigator Holdings and a related multi-million investment in an upgrade of the cracker and construction of an ethane storage tank.

In Porvoo, Finland, Borealis has announced its intention to join, together with partners Neste Oil and Veolia, in a joint project to modernise and operate the power plant in the



Khadem Al Qubaisi
Chairman

David C. Davies
Vice Chairman



Mohammed A. Al-Azdi
Board Member

Kilpilahti petrochemical cluster. The joint project, which, which would be co-owned by Neste Oil (40%), Veolia (40%) and Borealis (20%), will implement a modernisation programme between 2015 and 2017 with the result being new power-generating facilities complying with the most current environmental regulations, including the European Commission's Industrial Emissions Directive (IED).

In Itatiba, Brazil, Borealis completed a EUR 45 million investment, expanding its production capacity as it consolidates production and grows production capacity in Itatiba to better capitalise on long-term growth opportunities in Brazil and South America.

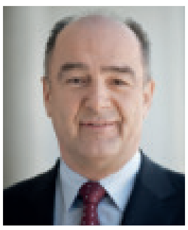
Finally, major turnaround and improvement activities were carried out at Borealis' production facilities in Grandpuits, Grand-Quevilly (France), Kallo (Belgium) and Burghausen (Germany).

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

Improved safety performance and Corporate Social Responsibility

Borealis improved on its world-class safety performance in 2014. The leading safety indicator, the Total Recordable Injuries (TRI) frequency, improved to 1.3 in 2014 from 1.5 in 2013. The 2014 result was one of the best in the company's history. Safety remains the top priority for Borealis with the goal of zero incidents. Borealis and Borouge continued their strong commitment to Corporate Social Responsibility through initiatives like Water for the World™ as well as the Borealis Social Fund. Water for the World™, launched in 2007, aims to secure access to safe water and adequate sanitation around the world while the Borealis Social Fund supports social projects in Europe, Asia and the Middle East. A number of significant donations were made throughout the year by way of this fund.

Mohamed H. Al Mehairi
Board Member



Manfred Leitner
Board Member

Record financial performance

Borealis reports its best financial result ever for the year 2014. All three profit centres Polyolefins, Base Chemicals and the Borouge joint venture, saw an improved performance from the previous year. Within Base Chemicals, the Fertilizer business had an improved contribution compared to 2013, but suffered from operational challenges following a prolonged turnaround in Grand-Quevilly. Borouge's contribution improved considerably following the start-up of Borouge 3, contributing significantly to the overall Borealis result.

Executive management changes

In October, Borealis announced the reappointment of Mark Garrett as Borealis Chief Executive Officer (CEO) effective through June 2019. Under the new contract extension, Mark Garrett will stay on through at least another five years, reflecting Borealis' commitment to stability and continuity following a recent period of transformation and growth.

On 1 November 2014, Mark Tonkens took over as Chief Financial Officer (CFO) and member of the Executive Board, succeeding Daniel Shook. Mark Tonkens joined Borealis in 2009 and last held the position of Senior Vice President Group Controlling.

At the end of December, Herbert Willerth, Borealis Deputy Chief Executive Officer and Executive Vice President Middle East & Asia, retired from the company. Herbert Willerth has served the Borealis Executive Board for 15 years and most recently oversaw the finalisation of the Borouge 3 expansion project in Abu Dhabi. No successor will be named to the Borealis Executive Board at present as Herbert Willerth will continue to be active as a Senior Advisor on behalf of the company.

Solid results as the leading provider of chemical and plastics solutions

Borealis' management and its employees remain committed to being the leading provider of chemical and plastics solutions. The success of Borealis is based on the four pillars of innovation, operational and commercial excellence and safety. The Supervisory Board and Borealis' management expect to see a solid result for 2015, but the falling price environment will lead to a lower profitability compared to 2014. The European economic climate will remain challenging, but Borealis has built a resilient base which will deliver solid results despite uncertainties. By staying committed to the company's mission of being the leading provider of chemical and plastics solutions that create value for society, the Supervisory Board and Borealis' management are confident that Borealis again will deliver solid results.

Going forward, the real challenges for the new Borealis Executive Board have to do with these human aspects: loyalty, experience, and relationship building.

Mark Garrett, Chief Executive

Looking back on 2014, what were the most significant events and developments for Borealis as a company?

Overall, this past year has been a period of active consolidation following a period of real transformation. We have focussed on finalising the projects we started in the past several years. Our important European growth activities, including our most recent acquisition in September, Speciality Polymers Antwerp N.V. Assuming full ownership from DuPont Holding Netherlands B.V. enables us to grow our polyolefin business in specific markets. We also continued work on earlier acquisitions like Borealis Plastomers (the former DEXPlastomers) and Borealis Chimie (formerly GPN). We had a massive and encouraging turnaround at Grand-Quevilly in France which required a lot of effort from many people. We also continued to expand our footprint in South America, most specifically in Brazil, where we have invested heavily in our Itatiba complex near Sao Paulo in order to better exploit growth opportunities in pioneering applications in the automotive and appliance industries.

And of course we have had the Borouge 3 start-up this year – no small feat by any stretch of the imagination!

We now have the world's two largest ethane crackers standing next to each other – and both are operating smoothly. With the Borouge 3 start-up progressing well, initial commercial polymer production commenced in the third quarter. Once fully operational, Borouge 3 will be the largest integrated polyolefins complex in the world, with a total annual production of 4.5 million tonnes. This is, of course, a real highlight of 2014.

Our celebration of "20 Years Borealis" has also been an important milestone. An anniversary of this kind is a good opportunity to emphasise the importance of stability and continuity, even as we are in a period of renewal in regard to our Executive Board. For me personally, the very positive results reported in our People Survey 2014 confirm the extent to which our values are shared throughout the company.

Please tell us more about the changes to the Borealis Executive Board.

On the one hand, we've gotten a bit younger recently. Following Martijn van Koten's appointment as Executive Vice President Operations at the end of 2013, we have another new board member in Mark Tonkens, who

"'Keep Discovering' is especially apt today, because Borealis is no longer shaping the future just with plastics: we now have multiple areas in which we can positively impact the future of people's lives and livelihoods."

succeeded Daniel Shook as Chief Financial Officer at the beginning of November. Mark Tonkens of course has been at Borealis since 2009, having held the position of Senior Vice President Group Controlling up until his appointment. We are very pleased to welcome him in his new role. But it is always a challenge to step on to an executive board. At this level, the degree of exposure to shareholders and owners may easily be underestimated. It is always a learning experience for everybody when the composition of the board changes.

On the other hand two recent departures mean the "loss" of 53 years of Borealis experience at one stroke. Dan Shook has moved on after a record seven years as Borealis Chief Financial Officer. And Herbert Willerth, Deputy Chief Executive Officer and Executive Vice President Middle East & Asia announced his plans to retire as of the end of December this year after 15 years as a board member and 46 years of experience in the industry. Although Herbert Willerth will be retained as a Senior Advisor, and will still represent Borealis as a member of the supervisory boards of both Borouge ADP and Borouge Pte, it is easy here as well to underestimate what it means to no longer have constant access to someone with such extensive Borealis experience.

What is more, Herbert has always embodied all it means to be part of Borealis – he "bleeds Borealis blue" and always strives to help build a better company. He has guided the enormously complex Borouge 3 project to successful completion across a period of several years, always striving for behavioural excellence in a consistent way and over the long haul.

For many people within Borealis, Herbert Willerth is closely associated with Borealis' Corporate Cooperation Council, the works council implemented by Borealis before such bodies were mandated by EU legislation. What comes to mind – on a personal level – when you look back on the time you spent on the Borealis Executive Board with Herbert Willerth?

Three things come to mind when I think of Herbert Willerth. The first is loyalty, and the intense discussions we had back in 2007, when Herbert declared that I was going to be his "last CEO." We spoke in depth about where we wanted to go with the company, the importance of loyalty, and core company values. Herbert's pledge of loyalty and his desire to move the company forward, and not put his own interests first, was highly motivating, and something I really valued.

The second aspect is that Herbert has served as our institutional memory. He has an unbelievable filing system and can find any document from the last two decades, and of course throughout the whole time he has been on the Executive Board. Herbert would often say, "I think I know something about this!" on a given topic, and less than five minutes later he would come back from his office with exactly the thing we had been looking for. Despite the initial impression some might have that he is a bit chaotic at times, Herbert in fact has a filing system – and a mind – like a steel trap.

The third aspect that characterises Herbert is of course his relationship-building skills. He has established and nurtured many relationships, for example with both of our shareholders IPIC and OMV, and with many of our partners in the Abu Dhabi National Oil Company (ADNOC). And I should mention here as well that like Herbert, Dan Shook also has skills that we will sorely miss: his ability to relax people for example, to put people at ease, and to interject a bit of humour into what might otherwise be an unbearably tense situation. Just how good Dan Shook is at forming lasting relationships became clear to me at the multiple farewell parties thrown for him this past autumn around the world, from Vienna to Abu Dhabi.

"We've been working to capture strategic opportunities to remain robust in our traditional European base, giving the company multiple sources of profit while at the same time building Borouge."
Mark Garrett, Chief Executive

Going forward, the real challenges for the new Borealis Executive Board have to do with these human aspects: loyalty, experience, and relationship building. The energy and drive is there, but experience has to be gained, and relationships built and sustained.


Borouge 3 plant expansion project in Abu Dhabi, UAE

You mentioned stability and continuity in conjunction with Borealis' 20th year anniversary. Looking back on 20 Years Borealis, what else stands out?

By far, the most important thing over the years has been our ability to know ourselves as a company. During the turmoil of the 1990s – when companies like Statoil, Neste Oil and OMV were combining their assets – people in the organisation dedicated themselves to answering the questions, "What is Borealis?" and "What does Borealis stand for?" I think this was very, very important. By laying out our approach to safety, our ethics, and our core values – and by these I mean Responsible – Respect – Exceed – and Nimblicity™, a solid foundation was created for the company. And these are the cultural aspects that really drive a company forward and help to drive the decisions you take.

The other thing that has been very important for me, personally, and also for many people who work here, is the way that we've been able to shift the focus of the company since 2007. From our roots as a European polyolefins company with a small joint venture in Abu Dhabi, to where we are in 2014: a global company with three main profit centres – Polyolefins, Base Chemicals, and Borouge – and the world's largest single olefin/polyolefin site.

The development of one of our profit centres, Base Chemicals, is a good example of how we have evolved over recent years. Within Base Chemicals we not only have our cracker assets, but also the ability to leverage feedstocks in a way that Borealis didn't necessarily exploit in the 1990s. We started with caverns, then flexible feedstock purchasing and trading. Then we moved on to where we are this year with our new contracts with Statoil and Antero Resources, with the latter for North American ethane for our Stenungsund complex. So we have really turned Base Chemicals into a profit centre in its own right. And similar developments are taking place in the Fertilizer business within Base Chemicals, whereby 2014 was marked by efforts to consolidate and improve our portfolio after the numerous acquisitions of 2013.

We've been working to capture strategic opportunities to remain robust in our traditional European base, giving the company multiple sources of profit while at the same time building Borouge. For me personally, this is a true highlight. But for the company as a whole, it's our values, ethics and our approach to safety which remain the absolute mainstays.

Looking ahead to 2015 and beyond, which are the most important challenges facing us as a society, and which solutions can Borealis offer to address them?

This is a tricky question, because in my opinion, the biggest challenge facing society, and mankind, is one Borealis can't address: man's own inhumanity to man. Without getting too philosophical, I must say that it never, ever ceases to amaze me how we can continue doing such things to ourselves all over this planet. In the past 12 months alone, war and political strife in Syria, Iran and Iraq; the things which have been happening in Ukraine,

Borealis in Linz, Austria

> “The most important thing over the years has been our ability to know ourselves as a company.”
>
> **Mark Garrett,** Chief Executive

including the shooting down of an aeroplane filled with people who had nothing to do with the conflict there. Or the inexplicable disappearance of an airliner over the Indian Ocean, with no one having any idea what really happened. The economy in tatters and the price of oil dropping like a lead balloon: you have to ask yourself, “What in the world are we doing?”!

But on a more hopeful note: Borealis can of course play an important role in addressing other significant challenges. When we changed our corporate tagline in 2013 from “Shaping the Future with Plastics” to “Keep Discovering” we were reflecting the transformation taking place at Borealis. Yet “Keep Discovering” is especially apt today, because Borealis is no longer shaping the future just with plastics: we now have multiple areas in which we can positively impact the future of people’s lives and livelihoods.

For example, if we are moving towards cleaner, more efficient energy sources, then some of the new products we’ve brought on the market recently will make a significant contribution to improving the efficiency of energy transmission and thus ultimately enhance general sustainability. I’m thinking specifically of our step-change high voltage direct current (HVDC) cable innovation launched in August this year. It will help deliver more power from renewable sources – such as offshore wind farms – over longer distances more efficiently. Our innovation will also help promote interconnections among countries in civil engineering projects.

Another prime example of a challenge for which Borealis has solutions is food packaging. Some studies indicate that up to 40% of food is thrown away, uneaten, somewhere between the farm, fridge and the dining room table. We can help the agricultural industry get fresher food to consumers, faster than ever. Polyolefins safeguard the quality and shelf-life of food better than any other materials. At the end of the day, keeping foods fresher longer means less waste.

Other Borealis innovations – such as lightweight solutions for the automotive industry or high-performance grades containing post-consumer recycled (PCR) content – also have a role to play in enhancing sustainability.

And I think that it is in all these sorts of areas – energy transmission, food packaging, lightweight solutions for automotive applications, improved pipes for safe and efficient water supply, feeding more people on this planet – that Borealis can make significant contributions. We won’t necessarily be able to solve the dilemma of man’s own inhumanity to himself, but I think that we can indeed help make the world a better place.

Celebrating 20 years of Borealis

Our Strategic Foundation

Cornerstones of Sustained Success in 2014

As a leading provider of innovative chemicals and plastics solutions, Borealis has evolved considerably over the past decades: from its early Scandinavian roots as a plastics manufacturer, to a global provider of plastics and chemicals solutions with operations in Europe, the Middle East & Asia, and an expanding presence in North and South America. On the occasion of its twentieth anniversary in 2014, Borealis carried out a series of rebranding and communication efforts which reinforced awareness of the company's transformed foundation of Polyolefins, Base Chemicals and Borouge. The tagline "Keep Discovering" serves to underscore the company's aim to keep discovering new ways of doing business in its traditional European base whilst capitalising on other promising market opportunities in the Middle East, Asia, North and South America. The annual People Survey carried out among employees confirmed widespread approval of Borealis' growth, productivity and efficiency programmes as well as pronounced support of the Winning through Excellence programme.

Polyolefins

In Europe, completion and consolidation of key strategic acquisitions as well as ongoing investments continue to bolster the company's leading market position in Polyolefins. The full acquisition of Speciality Polymers Antwerp N.V. in Zwijndrecht, Belgium in the third quarter of 2014 allows Borealis to grow its business in specific markets. The consolidation of 2013's acquisition of Borealis Plastomers is ongoing, yielding synergistic effects with existing Borealis businesses and new growth opportunities in high-performance plastomers solutions. Seizing the opportunity to grow its asset footprint in South America, Borealis has invested EUR 45 million in its Itatiba facilities near Sao Paulo, enabling a significant increase in annual production volumes of high-performance, high-quality polypropylene (PP) compounds in order to meet rising demand for pioneering applications coming from leading automotive manufacturers and Original Equipment Manufacturers (OEMs) in South America.

Value Creation through Innovation continued to underpin Polyolefins in 2014, most notably through the unveiling of high voltage direct current (HVDC) cable innovation based on the Borlink™ technology platform. As a true step-change innovation, Borlink LS4258DCE will support the further integration of renewable energies into the grid and the establishment of more interconnections among countries in major infrastructure projects around the world. Other 2014 highlights include the launch of new lightweight Fibremod™ and Daplen™ grades as well as a portfolio of new PP compound grades composed of post-consumer recycled (PCR) and virgin content.

Borealis and Borouge

As of the end of 2014, Borealis and its joint venture partner, the Abu Dhabi National Oil Company (ADNOC), have entered the final phase of the start-up of the Borouge 3 project. With the world's largest cracker now fully operational, commercial polymer production commenced in the third quarter. Two Borstar® polyethylene (PE), a low density polyethylene (LDPE) and two Borstar PP plants are presently being started up in sequence. The result of this enormously complex expansion project is a twofold increase in total production capacity to 4.5 million tonnes of polyolefins, making Borouge the largest integrated olefins/polyolefins complex in the world. With the commissioning of the Borouge 3 Container Terminal in Ruwais, the additional equipment available will allow Borouge to handle a throughput of up to 1 million twenty-foot equivalent units (TEUs) annually.

Borealis and Borouge have reaffirmed their commitment to sustainable business development, on the one hand by way of the joint initiative Water for the World™, which seeks to promote the sustainable use of water and improvements in sanitation; and on the other by promoting Emiratisation in cooperation with ADNOC.

The Borouge Innovation Centre in Abu Dhabi continues its close cooperation with Borealis in Europe, focussing primarily on innovative, value-added solutions in the areas of infrastructure, automotive, and advanced packaging solutions.

Base Chemicals

Opportunities in maximising light feedstock supply were capitalised upon with the renewal of the Statoil contract for North Sea ethane and a ten-year contract with Antero Resources for the supply of 240,000 tonnes of ethane per year from the US Marcellus and Utica shale formations. By ensuring a supply of competitively-priced ethane to the company's feedstock-flexible cracker in Sweden, Borealis can benefit from the increased ethane availability triggered by the US shale gas boom and strengthen its monomer position in Europe by having flexible feedstock supplies.

Consolidation of acquisitions carried out in recent years and investment in future operations have been the focus of activities in Base Chemicals in 2014. Major turnarounds were carried out in Burghausen, Germany, in Kallo, Belgium, and at Borealis' fertilizer sites in Grand-Quevilly and Grandpuits in France. Although a negative impact on performance was registered in the short term, investing in these facilities is an integral component of Borealis' long-term strategy to drive improved efficiency and reliability in future. By divesting the Le Havre urea plant and the Biosuper business of Borealis Chimie in June and August of 2014, respectively, Borealis will now be better able to concentrate on its own assets in order to ensure reliable, high-quality production, excellent customer service, and the development of sustainability-driven innovations such as the N-Pilot®, an innovative diagnostic tool to help optimise nitrogen fertilizer application which was launched in Europe this year.

Important agreements signed in 2014 include the renewal of cooperation with SKW Stickstoffwerke Piesteritz at Borealis' melamine production location in Piesteritz, Germany, providing a base for operations and a long-term, reliable supply of urea, energy, and other raw materials.

Our Business

Polyolefins

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

Energy & Infrastructure

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

Engineering Applications

As a leading supplier of innovative polyolefin plastics for engineering applications in the **automotive** industry and for **household appliances**, Borealis delivers ideal replacement solutions for traditional materials such as metal and rubber. In **automotive** vehicles, Borealis' leading-edge polyolefin plastics are used in a wide range of exterior, interior, and under-the-bonnet applications. These include bumpers, body panels, trims, dashboards, door claddings, climate control and cooling systems, air intake manifolds and battery cases. Advanced polypropylene solutions are used to make **household appliances** like washing machines, refrigerators and air conditioning units more robust yet lighter, more energy efficient yet visually appealing.

Advanced Packaging & Fibre

Borealis is the leading supplier of superior polyolefin plastics for advanced packaging and fibre solutions. The profound

Innovation Centres

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

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

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

understanding of customer needs and market demands gained in over 50 years experience in the industry enables Borealis to provide a large portfolio of innovative products and services which create real value for clients and partners. Superior and proprietary Borealis technologies make advanced applications possible in flexible packaging (shrink film, geomembranes, frozen food packaging) as well as in rigid packaging (caps and closures, bottles, thin wall packaging, and transport packaging).

New Business Development

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

Base Chemicals

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

Hydrocarbons & Energy

Borealis sources basic feedstock such as naphtha, butane, propane and ethane from the international oil and gas markets and converts these into ethylene, propylene and cracker co-products through its hydrocarbon units. Steam crackers in Finland, Sweden and Abu Dhabi, the latter operated by Borouge, produce both ethylene and propylene, while propylene is also produced in a propane dehydrogenation plant in Kallo, Belgium. A range of co-products from the steam cracking process, including aromatic pygas and C4s (butadiene and raffinate 2), are also sold to local and international markets.

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

Melamine

As the second-largest producer of high-quality melamine in Europe, Borealis produces melamine at its plants in Linz, Austria, and in Piesteritz, Germany. Gained through conversion from urea, melamine is an essential material for the global production of synthetic resins. Around 80% of Borealis' melamine production is destined for the wood-based panel industry, for example for decorative surface coatings of wood-based materials. In the manufacture of everyday objects used in the kitchen or around the house, melamine also plays an important role, for example as one component used to make handles for pots and pans.

Fertilizers

A number of megatrends are making the efficient and effective use of fertilizers more essential than ever. For one, the world population is expected to rise from today's 7.2 billion to over 9 billion by 2050, and an increasing number of people will live in densely-populated urban areas. As incomes in emerging nations rise, more meat is consumed and thus more grain to feed livestock must be produced. Biofuels are also generating demand for increased yields. With limited space for expansion and heightened environmental awareness, low carbon footprint fertilizers are becoming increasingly attractive in Europe.

As one of the leading fertilizer producers in Europe, Borealis is helping make farming more efficient in order to help feed more people and livestock. Borealis supplies over 5 million tonnes of fertilizers and technical nitrogen products each year via its Borealis L.A.T distribution network. With 60 warehouses across Europe and an inventory capacity of over 700,000 tonnes, Borealis L.A.T promotes a broad fertilizer portfolio: nitrogen-based straight fertilizer; complex fertilizer – a combination of nitrogen (N), phosphate (P) and potassium (K); and a range of other technical nitrogen products, from ammonia and ammonium nitrates to nitric acid and urea solutions. The roll-out of the N-Pilot®, an innovative new diagnostic tool to help optimise nitrogen fertilizer application, has begun across Europe, having first been launched in France in September this year.

Acquiring a company is only the first step in a long journey to making it a successful operation.

Mark Tonkens, Chief Financial Officer

Effective 1 November 2014, Mark Tonkens was appointed Borealis Chief Financial Officer (CFO) and member of the Executive Board, succeeding Daniel Shook.

Mark, welcome and congratulations on your new position. You have been at Borealis since 2009 and most recently held the position of Senior Vice President Group Controlling. Looking back on your time at the company up until now, are there any reflections you'd like to share?

Yes, absolutely. Having been able to work closely with Daniel Shook and his team over the last six years means having a strong base to start from. It is a true benefit to already know the company very well as I step into the Chief Financial Officer role.

Since 2009, the global financial crisis has had consequences not only for our company, of course, but for the entire petrochemical industry. And looking back on how the company has grown, especially over the last three years, is testament to how healthy Borealis in fact is.

We have been able to take the necessary steps to become even more resilient, and as a consequence we are prepared for the next downturn – or upturn – in our industry and the economy.

One key development during my time at Borealis is the journey towards excellence driven by our group-wide Winning through Excellence programme. Initially it took a lot of effort to gain momentum, but by defining clear targets and acknowledging that the "soft side" addressed in the Behavioural Excellence project also needs to be part of the journey has made this ongoing initiative a great contributor to our success.

Over the past years we have been able to continue building the organisation – from Borouge 1 and 2 all the way to our most recent milestone, the start-up of Borouge 3. The world's largest petrochemical complex is up and running and generating healthy returns. But looking to our European base: the ongoing execution of our "scrap-and-build" strategy, which involves investment in our facilities, has allowed us to grow and expand in both Fertilizers and

“Within the environment we operate, we are well positioned to continue to play a leading role and generate the returns we would like to see.”

Mark Tonkens, Chief Financial Officer

Polyolefins. When you start to acquire companies, different skill sets must be cultivated in order to exploit these acquisitions in an effective and efficient way. We’ve made a lot of progress with our pre-2014 acquisitions, including Borealis Plastomers, Borealis Chimie and Rosier. It’s important to remember that acquiring a company is only the first step in a long journey to making it a successful operation. Our experience and knowledge from earlier acquisitions flow into each subsequent one, with very positive effects on execution.

Looking back on the year 2014, were there any financial highlights for Borealis as a company?

Ultimately, the most important highlights of a company always have to do with occupational safety: operating safely and with as few incidents as possible. If that foundation of safety is established, then you have the ability to grow your company in the right direction, and also grow financially – meaning improved profitability and cash flow.

In 2014 we saw a solid performance resulting in a record net profit of EUR 571 million. This is thanks to stronger margins for the polyolefins and olefins businesses, but also to the start-up of Borouge 3, which was most definitely the highlight of 2014. The fourth quarter was more difficult due to the sharp decrease in the price of oil and thus our related prices.

Looking at our overall financial position, we continue to have a very strong balance sheet – in spite of our growth, one could even say. The risk that may accompany growth is that too much strain may be put on a company’s financial strength. But at Borealis we have been able to maintain our gearing on the low end of the 40%–60% bandwidth, ending 2014 at 40%, which is very good and important.

In regard to our debt portfolio, we have been able to achieve high liquidity headroom through the refinancing of our EUR one billion Syndicated Revolving Credit Facility, extending our debt maturity to 2019. We furthermore have new loans in place under attractive conditions, including the European Investment Bank loan of EUR 150 million and the KfW IPEX-Bank loan of EUR 75 million, both for investment in R&D on product innovation in advanced polymers.

Have there been other important investments and/or divestments this year?

On the one hand, I would again stress the progress we’ve made in integrating the pre-2014 acquisitions mentioned earlier. One new acquisition is Specialty Polymers Antwerp N.V. In September we acquired 100% ownership from DuPont, who had previously held the majority share. This acquisition is an excellent fit with our strategy of providing a broad and comprehensive portfolio of products in the polyolefin space.

In terms of investments in existing facilities we continue to invest at a level of, or even above our depreciation, which means we are taking the steps allowing for further growth based on a set of reliable assets. It is essential to take the right decisions when deciding upon investments – because you can only invest your money once! We have initiated a number of very sizeable in-house investments which will enable Borealis to maintain the competitive edge within the European landscape. For example, our agreement with Antero Resources to supply North American ethane to Stenungsund entails substantial investments in this facility and will provide us increased flexibility in feedstock sourcing and hence competitiveness at different price scenarios for oil and gas. Furthermore, we have improved our position on the Brazilian market by consolidating our activities at one location, Itatiba, in which we have invested more than EUR 40 million.

“Borealis is in a very auspicious position. But it is essential to keep our focus on excellence in execution.”

In Europe, we are investing in Borealis Chimie in France in order to get to the level of operability – and ultimately, profitability – that we knew was possible when we acquired the company. On the other hand, we divested our joint-ownership share in the urea production plant in Le Havre and ammonia storage facility in Gonfreville l'Orcher. We also transferred ownership of the niche product Biosuper. These actions allow us to focus on fertilizer production, which is the core activity of Borealis Chimie.

Looking ahead to 2015 and beyond, what are the main challenges facing Borealis, and how would you propose addressing them?

For Borealis, like any company, there will always be challenges and opportunities, and our industry is a highly cyclical one. The important thing is to be aware of the challenges, mitigate the existing risks, and have the financial robustness to deal with cyclicality. The key element we need to focus on, both from a financial perspective but also as an overall company, is to strive for excellence in execution. Whether investing in a new plant or acquiring a company: in both instances you need to make sure that the project delivers the returns you expected when you signed the deal. This means delivering the project within budget, and on time. And most importantly, truly realising the full market potential of the project. Having the excellence mindset that we do means that we learn from every success – but we learn even more from every mistake! Having this approach always allows us to increase our rate of success.

We are aware that the European olefin/polyolefin market sees fewer benefits from advantaged feedstocks, especially compared to the Middle East and the US, but within the environment we operate, we are well positioned to continue to play a leading and successful role and to generate the returns we would like to see.

In recent months the world has experienced a drop of more than 50% in the price of oil as well as considerable volatility in exchange rates. We are well positioned to deal with these unexpected and substantial changes in the industrial and economic landscape. It is important to be well aware of your exposure and mitigate risks whilst focusing on the elements you can influence.

Borealis is in a very auspicious position. Over the years to come, the portfolio of companies we have acquired and the progress we have made thanks to our investment projects will further improve our competitive position and ensure healthy financial returns. However, it is essential to keep our focus on executional excellence in all that we do.

"What really stands out is the way in which we've been able to transform the company since 2007."

Daniel Shook,
Borealis Chief Financial Officer 2007–2014

Daniel Shook

Borealis Chief Financial Officer 2007–2014

You have been the longest-serving Chief Financial Officer in Borealis history. Looking back on your seven years with Borealis, which milestones or highlights would you like to commemorate?

The last seven years have been exceptional for Borealis and for me personally. Overall, what really stands out is the way in which we've been able to transform the company since 2007. Borealis has developed into a real "learning organisation" because we continue to explore new territories, find new ways to fund ourselves and new strategies to tackle the many challenges faced by companies operating in Europe. Yet Borealis has become so much more than a European polyolefins business. We've been able to leverage our existing commercial and operational strengths into new geographies through the development of the Borouge JV with ADNOC, and through our own direct activities in the Americas.

But when I look back, three main things stand out. First, our so-called "black zero" year of 2009. Everyone in the company came together to work towards getting us to a positive result that year. I don't think it could have been done without the incredible effort shown by all. This feat shows just how strong the Borealis culture is, and how strong the organisation is.

The second thing is the growth in Borouge during my tenure here: from the start-up of Borouge 2 in 2010 with rapid transition to Borouge 3, whose start-up process is now in full swing. This is another incredible transformation for the organisation, and one which serves as a truly global platform upon which Borealis can continue to build from a position of real strength.

Finally, in more recent years, we've accelerated our growth through acquisitions, particularly in Fertilizers. Although there is still a considerable amount of work ahead in fully integrating our latest acquisitions, like Borealis Chimie, once the process is completed Borealis will have an even stronger base for growth in Europe and beyond.

Which three things come to mind first when you think of Borealis?

Number one: Borealis is truly multinational. It is one of Borealis' main strengths and a huge competitive advantage. I doubt I'll ever work in another organisation that has so many different nationalities coming together to deliver success.

Number two: Borealis values. And the fact that at Borealis, people truly live the values of Responsible, Respect, Exceed and Nimblicity™ in combination with excellence in occupational health and personal safety. These values are absolutely rock solid and unique to Borealis.

And three: the "Winning through Excellence" programme, including Behaviour Excellence. I think the way in which Borealis has developed a foundation to drive excellence through Connect, Learn and Implement is absolutely world-class, and the benefits are already clearly visible.

Is there anything you have learned during your time at Borealis?

Although it's difficult to put into words, I feel I've grown tremendously as a person and as a finance professional over the last seven years. I think my time here has taught me how critical it is to build relationships on a foundation of mutual respect and trust.

> "Being truly multinational is one of Borealis' main strengths and a huge competitive advantage."
>
> **Daniel Shook,** Chief Financial Officer

I've also seen how perseverance can really pay off. If you stick with your goal and keep thinking creatively, there's often a way to still succeed after being initially blocked. I'm thinking here about the acquisition of PEC-Rhin S.A. in Ottmarsheim, today's Borealis PEC-Rhin SAS, where we initially failed to prevail in acquiring the asset but still found a way to realise our goals.

And lastly, I certainly learned that no matter how difficult or problematic a situation is, there is always a benefit to be realised. If nothing else – and here I'm paraphrasing Herbert Willerth – it's never a problem: it's an opportunity to learn! Maintaining that positive framework, even when things don't go to plan, is actually the best way to maximise the value of any situation.

Any final words?

The last seven years have been a tremendous journey, and I'm honoured to have been part of this organisation. While I hope to stay as connected as possible to the many great people I have worked with over the years, I look forward to watching from the outside how Borealis continues to grow successfully into the future.

Looking back on 2014, what were the most significant events and developments in Borouge, Middle East and Asia?

Our primary task and the most significant event of the year by far has been Borouge 3 coming on stream. The complexity and various challenges born of the Borouge 3 expansion are unlike any other in Borouge history. Taking the Borouge 3 project from the conceptual phase to what will be the world's largest integrated polyolefin complex has required five years, more than 24,000 workers and over 200 million man hours! In June of this year, what is now the world's biggest cracker commenced operations. As of the end of 2014, we were close to finalising the biggest integrated polyolefin project in the world. With the start-up of the five polyolefin plants and the compounding unit now nearly completed, the Borouge 3 complex will bring our nameplate capacity to 4.5 million tonnes per year (t/y) in Ruwais. For the most part, these volumes are destined for the Middle East and Asia. To put it another way: Borouge 3

> **The complexity and various challenges born of the Borouge 3 expansion are unlike any other in Borouge history.**
>
> **Herbert Willerth,**
> Deputy Chief Executive Officer,
> Executive Vice President
> Middle East & Asia

can now process one order every six minutes, one container every 1.2 minutes, and will grow by four new employees every week between 2013 and 2016. This is impressive stuff, indeed.

Finding and implementing successful solutions to the unique logistical challenges posed by this expansion have been key to Borouge's present and future success. To be prepared for these challenges, we implemented the Borouge 2015 Transformation Programme back in 2012.

At the time, our marketing, sales and logistics teams were commissioned with building an integrated solution which embeds Borouge's strategy in operations and ensures that the organisation is prepared to handle the enormous complexity of Borouge 3. Our ultimate aim for the Programme – which is still on track today – is to establish a flexible, scalable and transparent logistics set-up that would ensure the appropriate service levels. On the ground, this meant assigning sufficient resources and capabilities and erecting IT systems which support

"Our JV Borouge marked the beginning of a period of growth and a tenfold increase in production capacity since 1998."

our business and organisational growth. It is imperative to ensure the smooth flow of Borouge 3 volumes from the UAE to our customers, to identify solutions to potential bottlenecks long before they might arise, and to source the required capacities.

In 2014, Borealis celebrated "20 Years Borealis." Can you point to a milestone from the past 20 years that in your view serves as a lesson or guide for future efforts?

Without a doubt, a decisive year was 1998, the founding of our joint venture Borouge. This event marked the beginning of a period of growth which has continued steadily and has seen its most recent culmination in the Borouge 3 expansion, and a tenfold increase in production capacity since 1998. To chart a few of the highlights along the way: in 2001, polyethylene (PE) production commenced at 450,000 t/y. We became fully ISO certified in 2002. In 2005, PE production was increased to 600,000 t/y. The second major expansion phase which began in 2010 has made good progress, with another 2 million t/y coming on stream. This phase included the start-up of our first polypropylene (PP) plants as well as our compounding plant in Shanghai – which will exceed the target capacity of 50,000 t/y this year – and establishment of logistics hubs in Shanghai, Guangzhou and Singapore. Having started in parallel with Borouge 2, Borouge 3 has now entered the final start-up phase. By the end of the year, the world's biggest cracker will be running at full capacity and will be followed by individual PE, PP and low-density (LD) plants.

Could you go into more detail about how the Borouge 3 expansion project was approached and implemented?

First off, I would have to say that delivering the Borouge 3 project has been the most extensive project I've been involved in, and one of the most significant personal challenges of the last 20 years. The success of the project shows the benefits of close alignment with our joint venture partner ADNOC as well as with Borouge management. In order to propel the project across the finish line, ongoing audits and alignment with top executives from our key lead contractors were vital to making progress and ensuring performance. Together, we set targets with respect to any number of areas: maintaining the quality of the construction work, being visible at the construction sites, monitoring overall performance and cost development, motivating and supporting the project team, and above all, showing commitment to safety as the number one priority. The complexity of this project was increased even more due to the need for alignment with other major ADNOC projects carried out with GASCO (Abu Dhabi Gas Industries Ltd) and Takreer (Abu Dhabi Oil Refinery Co.) which also have strong links to Borouge.

> "The success of the Borouge 3 project shows the benefits of close alignment with our JV partner ADNOC and Borouge management."
>
> **Herbert Willerth,** Deputy Chief Executive Officer, Executive Vice President Middle East & Asia

A main component of our long-term strategy with our partner ADNOC is our commitment to growing our business in the Middle East and Asia. Borouge 2 was a huge step in 2010, and only four years later an even bigger leap is being made with Borouge 3. This is a tremendous achievement made possible by all the people who worked on this growth agenda: the project team, operations, maintenance, the supply chain, marketing and sales organisation and so many others. In addition to the 150 Borealis employees assigned to Borouge and directly involved in the Borouge 3 project and start-up, there are also hundreds of others in Europe who have supported Borouge along the way. So this is also their achievement, and we are very grateful to them, too.

Broadening our scope and looking ahead to 2015 and beyond, which are the most important challenges facing us as a society? In its joint venture with Borouge, which solutions can Borealis offer to address them?

Borealis and Borouge will uphold their commitment to ongoing and close cooperation in demonstrating sustainable business development. We will in particular focus on stepping up our commitment to a balanced approach, heeding the "people, planet and profit" pillars of sustainability in all areas of our business.

Our track record in this area is well established. Together with Borouge, in 2006 we were the first company in the Gulf region to sign the Responsible Care Global Charter, reinforcing our dedication to advancing sustainability in the petrochemicals and plastics industries. And since the launch of our joint initiative Water for the World™ in 2007, we have shown our ability to use our expertise and network of partners to offer effective and innovative solutions for the global challenges of water supply and sanitation. And more specifically, insights gained through this initiative have enabled Borealis and Borouge to better address two especially critical issues in the UAE: the sustainable use of water and improvement of sanitation. What is more, our partnership with the Emirates Foundation helps support research efforts into major environmental projects – and in particular water sustainability initiatives – across the UAE.

The "people" pillar of sustainable development is also being promoted through our ongoing Emiratisation efforts in cooperation with ADNOC, as we continue to seek out and train talented minds to improve the performance of individuals and to produce responsible citizens of their own countries and the world community.

Having shepherded the Borouge 3 project to a successful close, what is next on the agenda?

I joined the company in 1998, have been a member of the Executive Board for 15 years, and it is no exaggeration to say that by now I have blue Borealis blood in my veins. Yet with the finalisation of this project, I've been able to achieve the goals I'd set for both myself and the company and have announced my retirement as of the end of 2014. My next major challenges lie elsewhere, and in putting my family and personal life first. As a Senior Advisor to the Executive Board and member of both the Borouge ADP and Borouge Pte supervisory boards, it will be an honour to continue to work closely with Mark Garrett, our owners, ADNOC and Borouge management, and all the excellent people at Borealis.

Our Visioneering Philosophy is our way of turning engineering visions into business realities.

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

Looking back on 2014, what were the most significant events and developments for Polyolefins and Innovation?

The year 2014 saw a slightly improved business environment in which we were able to successfully launch several key innovations such as our step-change high voltage direct current (HVDC) innovation based on our Borlink™ technology platform, several new lightweight Fibremod™ and Daplen™ grades, a new portfolio of polypropylene (PP) compound grades with post-consumer recycled (PCR) content, and continued development of our recently-launched specialty PP Bormed™ grades.

Overall, we have kept our strategic focus firmly on Value Creation through Innovation by continuing to grow our specialty business and moving forward with certain key investments to help support these growth activities. A significant event was the acquisition of DuPont's shares of the Speciality Polymers Antwerp N.V. in September. Full ownership will now help us grow our market, in particular in the wire and cable and pipe segments. The integration of Borealis Plastomers is already delivering the expected benefits, and synergistic effects with our other existing businesses have yielded many growth opportunities – and even faster than we had anticipated. We are very happy

with the market response and the growth of our new Queo plastomers product line.

We have also continued to grow our asset footprint in Brazil through the expansion of our Itatiba production facilities. This upgrade increases our capacity for high-quality PP compounds, meaning we will be able to better serve the growing demand for high-performance materials from the automotive and appliance sectors in South America. In Stenungsund we have invested in our crosslinked polyethylene (XLPE) capacity to support growth in our wire and cable business and to make sure we can continue to support the growth ambitions of our customers.

Please tell us more about the key Polyolefins innovations launched this year.

In August, we launched one of the most exciting innovations of the year at the 2014 Cigré Session in Paris: our new grade Borlink LS4258DCE is a step-change innovation being produced at our state-of-the-art facilities in Stenungsund. When used with the HVDC semicon Borlink LE0550DC, it enables the use of extruded cable technology at significantly higher voltage and transmission levels. In fact, a world-record level of 525 kV has been achieved in successful type test qualification. This breakthrough innovation will help our customers increase efficiency, support the integration of renewables into the grid, and help establish interconnections among countries.

At the Wire Düsseldorf in April, we promoted our Borouge 3 expansion project as well as investment in low density polyethylene (LDPE) and XLPE capacities in Stenungsund. We also launched several important new grades. One is Borlink LS4201EHV, which makes the benefits of our Supercure process available for the most demanding extra high voltage (EHV) power cable applications. We also launched the next generation thermoplastic semiconductive compound Borealis LE0563 for power cable applications in which excellent grounding and diagnostics are essential.

This year saw a lot of activity in the automotive sector as well. We unveiled two new lightweight grades at the IZB Wolfsburg trade show in October. These grades are excellent examples of our commitment to delivering multi-faceted and high-performance solutions to automotive OEMs around the world. Fibremod WE380HP is a new hybrid PP compound made of 20% glass fibre reinforcement and 10% mineral filler. It can be used in a variety of under-the-bonnet (UTB) and high-end applications, and as a lightweight material it makes a valuable contribution to reducing fuel consumption and CO_2 emissions without compromising on visual appearance or haptics. Daplen EE058AI is lightweight yet also offers the benefits of our tiger stripe-free technology. Earlier this year, at the VDI Mannheim in April, we showcased our surface aesthetics solutions – including Daplen EF150HP for moulded in colour solutions for body panels – as well as our primerless paintability know-how which, in conventional paint systems, allows for the elimination of an entire layer. This results in a reduced environmental footprint, lower cost and reduced weight.

A notable milestone along the way to enhancing sustainability in the automotive industry was this year's launch of a new portfolio of PP compound grades composed of PCR and virgin content. We are among the first leading PP suppliers to make such grades available for interior, exterior and UTB automotive applications.

Finally, our Healthcare Group within our New Business Development has been able to build on the successful 2013 launch of our step-change innovation, soft PP Bormed SB815MO, with two innovative specialty PP grades, Bormed SC876CF and Bormed HJ875MO. Excellent thermal and optical stability during and after steam sterilisation as well as an excellent balance of high toughness at low temperature makes Bormed SC876CF an attractive grade for use in primary and secondary pharmaceutical packaging and in films for medical device packaging.

"Our step-change HVDC innovation is a key enabling technology to make the energy market transformation happen in a more economical way."

In 2014, Borealis celebrated "20 Years Borealis". Can you point to a milestone from the past 20 years that in your view serves as a lesson or guide for future efforts?

Creating value through innovation has always been at the heart of what we do. But if pressed to select one especially significant event from the past 20 years, I would single out our Borstar® bimodal process technology as one of the foundations of Borealis as a company. Originating from efforts to produce polyethylene (PE100) pipe materials, this breakthrough innovation was first implemented in 1995 at our first Borstar PE plant in Porvoo, Finland, enabling us to enter an important market space and take a huge step forward with our pipe customers. Looking back nearly two decades later, we continue to propel this technology forward through ongoing investments and are now working on launching the third generation (3G) Borstar technology. We have also seen compelling benefits from combining our Borstar technology with proprietary catalyst technology, which is in fact why we developed our own Borealis Sirius Catalyst Technology and subsequently built a plant in Linz.

Although we didn't call it that at the time, the events surrounding the launch of our Borstar technology are a perfect example of what we now call our Visioneering Philosophy™. Our Visioneering Philosophy is our way of turning engineering visions into business realities. As a

"In Polyolefins, our so-called 'Winning Triangle' demands seamless cooperation among three stakeholders: Marketing & Sales, Operations, and Innovation. From the Innovation perspective, it is all about determining which key technologies should be our focus, managing our R&D pipeline, and ultimately delivering innovations that truly make a difference to people's lives."

Martyna Matelska-Jucha, General Sales Manager, CEE, Nordic, UK

complement to our corporate positioning, it neatly summarises our efforts to Keep Discovering in all that we do – not just in technological innovation, but in the way we think and operate in all aspects of everyday life. It calls for us to work closely with our customers to fully understand their products and applications, where they have opportunities or problems, and to allow this understanding to flow into the chemistry of our products. This means we need to find as many ways as possible to create solutions that help address even unmet market needs.

Looking ahead to 2015 and beyond, which are the most important challenges facing us as a society? And which products and solutions can Borealis Polyolefins and Innovation offer to address them?

In my opinion we are actually in an ideal position at Borealis, because the products we make and the applications and market segments we serve are engaged in solving the key challenges facing society. First I would mention the transformation of the entire energy market, particularly in Europe. As we shift from conventional and nuclear power generation to newer technologies such as wind and solar, we need electricity to be transported more efficiently over longer distances. But Europeans also don't want more overhead wires transporting high voltage electricity. Thus we need solutions which allow for the undergrounding of cables and more efficient delivery of increased capacity. Borlink LS4258DCE is exactly the kind of solution we need in order to accelerate this energy transformation. Our step-change HVDC innovation is a key enabling technology to make the energy market transformation happen in a more economical way.

A second area of concern is resource scarcity – in particular, water. While nearly a billion people around the world are without access to safe, potable water, in industrialised nations the ageing infrastructure means that we are wasting far too much of this precious resource. Our pipe solutions provide meaningful answers to this important challenge.

Third, reduction of CO_2 emissions, in particular in transportation, is extremely important. We all value mobility but we also want to pollute less. Reducing the weight of a vehicle is key to reducing emissions, and our innovative PP solutions can actually achieve this very efficiently. Furthermore, value-added solutions such as our new Daplen grades with PCR and virgin content also promote enhanced sustainability in the automotive industry.

Finally, an ageing society means more pressure on our healthcare system to deliver innovative applications. Our Bormed concept has an important role to play when it comes to creating packaging solutions that are convenient, easy to use, and safe. Because we care, we will continue to embed our Visioneering Philosophy in all that we do in order to address these societal challenges.

Looking back on 2014, what were the most significant events and developments in Base Chemicals?

Overall, 2014 was an exciting year for Base Chemicals. We have made significant progress in delivering on our strategic objectives in all our business areas. In Hydrocarbons & Energy I would highlight two major developments in regard to our light feedstock strategy: the Statoil contract renewal for North Sea ethane, and our new ten-year contract with Antero Resources.

These agreements and the related investments will further enhance the competitiveness of our Stenungsund petrochemical complex.

In Fertilizers we have focussed on the transformation of our recent acquisitions in France. Our primary goal is to turn these site assets into a productive part of our 5.5 million tonne fertilizer business. In order to do so, we have cleaned up our business portfolio, for example by divesting our share in the Le Havre urea plant and

Our primary goal is to turn our site assets in France into a productive part of our 5.5 million tonne fertilizer business.

Markku Korvenranta,
Executive Vice President,
Base Chemicals

Biosuper business. We have also entered into a new technology partnership with Casale SA for the commercialisation of fertilizer process technologies. These divestments enable us to better focus on our core business of Borealis fertilizers.

In Melamine the most significant development in 2014 was our agreement with SKW Stickstoffwerke Piesteritz to continue cooperation at our melamine production location in Piesteritz, Germany. This renewal of the urea supply will give us a basis for operations on the site for years to come.

Could you tell us more about the feedstock strategy mentioned earlier?

Cracker feedstock development is one of our core topics. We have been actively working to broaden the feedstock and the sources over the years. Because profitability improvement through growth is difficult to

“We are continuing the process of strengthening the third ‘leg’ of the Borealis foundation alongside Polyolefins and Borouge.”

come by in Europe, we have to concentrate on costs in order to stay competitive. This is where the 2014 contract renewals I mentioned earlier come into play. The contract for the supply of competitively-priced ethane from Norwegian Statoil’s gas plant in Kårstø, Norway guarantees significant ethane volumes for our Stenungsund complex. Complementing the ethane volumes from the North Sea is the ten-year contract with Antero Resources for the supply of ethane from US Marcellus and Utica shale formations as well as additional multi-million investments in a cracker upgrade and the construction of an additional storage tank. This contract enables us to exploit the cost benefits made possible by the huge shift in availability of ethane thanks to the US shale gas boom. Stenungsund is one of the most feedstock-flexible crackers in Europe, and these two agreements will help us remain one step ahead of the competition.

In 2014 Borealis celebrated its twentieth anniversary. Can you point to an event or development from the past 20 years that in your view serves as a guide for future efforts?

I was in fact around when Borealis was established in 1994, and a lot has happened since that year! The spirit of the company is unchanged, but Borealis has developed into a different enterprise in several significant ways. In the first 13 years, Borealis was strictly an integrated polyolefins company, with activities mainly focussed in Europe. It was only quite recently, in 2007, that Fertilizers became a part of Borealis, but since then we have been able to grow this business and become a significant player on the market with our fertilizers, melamine, and technical nitrogen products. The relative size of Fertilizers within Borealis has increased, and we are currently in the middle of the transformation of our 2013 acquisitions, mainly GPN and Rosier, into productive parts of our overall Fertilizers business. So we are continuing the process of strengthening the third "leg" of the Borealis foundation, supporting the company alongside Polyolefins and Borouge.

Looking ahead to 2015 and beyond, which are the most important challenges facing us as a society, and which solutions can Borealis Base Chemicals offer to address them?

Two important challenges come to mind: energy efficiency and population growth.

The first challenge is core to Borealis' business. We continue to invest significant amounts of money and effort to improve our energy efficiency. One prime example is the upgrading of our Porvoo, Finland complex. We have already invested EUR 25 million in the installation of a new hot oil heater unit at the phenol complex, thus enabling a substantial reduction in energy consumption in the phenol process. We also recently announced our intention to form a joint project with Neste Oil and Veolia for the modernisation and operation of the power plant in the Kilpilahti petrochemical cluster. This upgrade programme is scheduled to be implemented between 2015 and 2017, and after completion the complex will fulfil stringent European emissions requirements and ensure a safe, reliable and sustainable supply of energy.

"The N-Pilot® is just one example of how Borealis is contributing to more sustainable agricultural practices in order to feed the world's growing population."

Markku Korvenranta,
Executive Vice President, Base Chemicals

At our petrochemical complex in Stenungsund, the C4 project has involved a EUR 21 million investment in upgrading our existing raffinate-1 and raffinate-2 streams to meet required product specifications for the delivery of n-butenes. But we are also revamping ageing furnaces with a new technology, which translates into a meaningful contribution to energy efficiency.

The second societal challenge is the growing global population. Our nitrate fertilizers help the agricultural industry produce higher yields in a more sustainable way. The key is to apply the optimal levels of nitrogen to crops in a direct and efficient way. This is the idea behind the innovative N-Pilot® which was launched by Borealis L.A.T in France. The N-Pilot is a new diagnostic tool to help optimise nitrogen fertilizer application. As a hand-held device, the N-Pilot produces a similar kind of field analysis as a satellite would, but can literally be "walked" through the field by the farmer. It can provide instant recommendations on fertilizer application timing and amounts. This device is just one example of how Borealis is contributing to more sustainable agricultural practices in order to feed the world's growing population.

Looking back on 2014, what were the most significant events and developments in Operations?

There are several highlights worth mentioning. In Hydrocarbons & Energy, we demonstrated good operational excellence at the Porvoo and Stenungsund crackers, a particularly important achievement due to the good margins achieved there. In Polyolefins, important highlights include the very professional turnaround performance at Burghausen as well as a strong start in Geleen on the Borealis Plastomers "Going for Gold" strategy. This three-year programme was launched in April of this year and focusses on growing Borealis as a global player, cementing

Borealis can be proud of its leadership position in safety and operational excellence performance, but we can never be complacent.

Martijn Arjen van Koten,
Executive Vice President Operations, PTS & HSE

our strong number two position in Europe and continuing our development of technology platforms for growth.

In Fertilizers, the Linz team performed well during this transformative year. One major challenge of 2014 has involved our new fertilizer locations in France. Despite our best team efforts in turnarounds taking place at Grand-Quevilly in the second, and Grandpuits in the third quarter of this year, respectively, availability still lags behind plan. Yet we have seen signs of improvement in the second half of 2014, and overall safety has also improved. Our single biggest challenge of 2015 will be to improve our plant availability at these two locations.

In 2014, Borealis celebrated "20 Years Borealis". As one of the newer Borealis Executive Board members, having joined the Board in 2013, what would you say has characterised Operations at Borealis over the years?

Over recent years there has been a successful focus on safety and operational excellence. In my opinion, leadership in safety and process safety performance goes hand in hand with true operational excellence. In the previous five years, the petrochemical industry has experienced several major process safety incidents. These are sobering events and serve as cautionary tales, warnings of what can happen when companies lose sight of excellence in operations. Borealis can be proud of its leadership position in safety and operational excellence

"We must strive to achieve 'Goal Zero': a workplace with no injuries, plants with no process safety incidents, and true excellence in operations."

Martijn Arjen van Koten,
Executive Vice President Operations

performance, but we can never be complacent. We must continue to drive even better performance and strive to achieve "Goal Zero": a workplace with no injuries, plants with no process safety incidents, and true excellence in operations. Solid asset management and safe design are also pillars of our continued success. Everyone at Borealis has a role to play in achieving zero incidents and I truly believe that every accident is avoidable.

Is there an event from the more recent past which could in your opinion serve as a lesson for future efforts?

Indeed there is. Earlier this year, we learned how essential it is to maintain a constant and pro-active dialogue with our key stakeholders in order to communicate more effectively how Borealis goes about its business. Borealis takes seriously its responsibility for ensuring that all operations are environmentally sound. Plastics do not belong in the waters of our planet. Borealis plastic pellets are converted into high-quality products, and unintentional pellet loss is something we actively prevent, with "Zero Pellet Loss" as our ultimate aim. To this end, we have invested in our plants, including around EUR 4 million in state-of-the-art facilities in Schwechat. The unintentional

"When it comes to energy consumption and environmental performance, we continually monitor, adapt and upgrade our activities to achieve better results. With our 'Goal Zero' 2015 plan we strive to achieve true excellence on all operational levels."

Salla Roni-Poranen, Operations Manager, Porvoo discharge of pellets from this facility into the Danube River which took place during very heavy rainfalls in 2010 was a lesson in the importance of continuous and rigorous improvement in worksite set-ups but also how essential it is to maintain a constant dialogue with the media and the general public. To this end, we have taken another step on the road to "Zero Pellet Loss" by signing the "Operation Clean Sweep®" pledge, which among other things entails drafting clear action plans for improving worksite set-up, implementing procedures to monitor performance, training employees, auditing performance regularly and working closely with Borealis partners to promote and achieve the goal of "Zero Pellet Loss."

Looking ahead to 2015 and beyond, which are the most important challenges facing us as a society? And which solutions can Operations offer to address them?

Both society as a whole and the marketplace in particular are demanding safer, more reliable and more environmentally sound practices. Energy efficiency is also becoming increasingly relevant, because at the same time energy costs are also continuing to rise. At Borealis, we must fulfil these complex expectations by achieving operational excellence and developing our capability to operate more efficiently than our competitors. Over time, we must design our plants to be benchmarks of energy efficiency.

In the past two years, improvements generated through the Operational Excellence II Programme and one of our core values, Nimblicity™ have been inspirational, serving for example as a base for energy efficiency improvements in Beringen and 5S housekeeping efforts in Schwechat. In 2014, we drafted an energy efficiency roadmap with the aim of improving our energy efficiency by as much as 20% over the next ten years, and we have gotten off to a good start in 2014. The gains we make in energy efficiency will make our products more competitive in Europe – and our outstanding Operations and HSE teams are prepared to take on this challenge!

"Leadership in safety and process safety performance goes hand in hand with true operational excellence."

Sustainability

Our Approach to Sustainability

Borealis' approach to sustainability is based on three main drivers:

Responsibility

Responsibility has always been the foundation of Borealis' way of doing business. Borealis acts responsibly and with respect for the needs of present and future generations, to support economic and social progress, and reduce its environmental footprint. We also recognise our responsibility to protect the health and safety of our employees and to offer them job security, to conduct business ethically, and to ensure our products are safe. This approach is rooted in Borealis' core values and laid down in its ethics policy and our commitment to Responsible Care.

Business imperative

Borealis' understanding of sustainability is, however, much broader than morality or responsibility. Business is ever more affected by externalities, the increasing complexity of social, environmental and economic challenges, including new and more stringent regulations and taxes, and political and economic instability.

As a business, Borealis needs to sustainably manage strained resources such as finite feedstock, energy consumption, as well as controlling its emissions and preventing pollution. Improving our sustainability performance enables us to be more efficient, reduce costs, mitigate long-term business risks and protect our license to operate.

New challenges are also emerging. For example, there is an increasing public concern about the potential for chemicals to harm people and the environment. It is our responsibility to fully understand the potential risks of certain chemicals, closely follow the latest scientific findings and potentially replace these chemicals with improved alternatives.

An opportunity to grow

Innovation has always been society's response to the challenges it faces and this is the case for the chemicals and plastics industry, whose products have become indispensable to daily life. Borealis' products and solutions have a positive impact on society, by addressing challenges such as climate change or access to energy, water, food and healthcare.

Borealis has a clear role in addressing emerging sustainability challenges such as the need to reduce plastic waste and increase recycling rates and we see this as a business opportunity to discover new market and business opportunities that ultimately will support our ambition to grow.

Sustainability benefits of Borealis products

- The entire energy network relies on plastic materials, from power cable insulation to pipeline coating and natural gas supply. Borealis' advanced Energy & Infrastructure solutions play a key role in securing access to energy, by making power grids more robust, reliable and efficient and by allowing the transportation of renewable energy over long distances.
- Plastics also make a key contribution to reducing greenhouse gas emissions along their life cycle. For example, one kilogramme of polypropylene used in an automotive application such as a bumper can prevent more than eight kilogrammes of carbon emissions over the life of the vehicle.
- Borealis' BorSafe™ and BorECO™ materials make an important contribution to the production of efficient and reliable water and sanitation network systems. Compared to alternative materials, modern polyethylene systems reduce water losses by a factor of eight and trenchless technology reduces installation costs by up to 60%.
- Plastic packaging makes a substantial contribution to protecting and preserving food during every processing stage, from farm to fork. It helps keep food fresh longer, protects it during transportation and storage, and increases shelf life. Innovative plastics also help processors avoid food spoilage and contamination through leak-resistant packaging and efficient filling systems.
- High-end fertilizers provide efficient utilisation of fields, improve the quantity and quality of harvests and guarantee high nutrient safety with regard to content and effect.
- From disposable syringes to new injection devices for insulin, unbreakable transparent bottles to one dose packaging eye treatments, advanced polyolefins are making healthcare packaging and applications safer, more affordable and easier to use for patients and professionals.

Developing our strategy and roadmap

Understanding and planning for the increasingly complex risks and opportunities associated with environmental, social and economic challenges requires a systematic and strategic approach, with clear priorities and objectives and a well-defined activity portfolio. Borealis has therefore developed its first Group-wide sustainability strategy and roadmap, through a three-stage process:

Analyse

Analysing external drivers
– Megatrends
– Regulation
– Global challenges
– Stakeholder views

Analysing internal drivers
– Risk & opportunities
– Current activities
– Business impact
– Business capabilities

Build

Defining our
– Sustainability principles
– Strategic objectives
– Material issues and focus areas
– Roadmap & activities

Implement

Setting up
– Governance & organisational structure
– Tools & training
– Internal and external communications

Assessing material issues
To identify the most significant issues to focus on, Borealis undertook a comprehensive materiality assessment. This included an analysis of major global and industry trends, as well as a comprehensive stakeholder survey, including customers, suppliers, academia, NGOs and investors, as well as series of group discussions with key internal stakeholders. The survey contained a set of questions covering environmental, social and economic sustainability issues, and asked participants to rank these issues on the basis of their impact on them and on Borealis.

We then evaluated the results against its current activity portfolio, clearly showing Borealis' strengths and the areas where we should maintain our current performance, as well as highlighting those areas where Borealis wants to increase its focus, so as to improve performance in the years to come. These focus areas are reflected in our Sustainability Roadmap, which outlines activities, projects and programmes to ensure better performance and progress in these areas.

Borealis materiality issues

Ethical Business Practices

Human Capital Development & Retention

Employee Health & Safety

Product Safety & Consumer Protection

Eco-Design & Innovation

Emission reduction & energy efficiency

Resource & material efficiency

Wast reduction (Reduce, Re-use, Recycle)

Sustainability in Supply Chain & Transportation

Strategy Implementation – Highlights 2014

During 2014, as part of implementing its sustainability strategy, Borealis worked on embedding sustainability criteria into the Borealis Management System and key business processes. The Borealis Management System sets out how the Company makes decisions and runs its business. During 2014, Borealis reviewed its policies and procedures and incorporated sustainability aspects where they were relevant.

Embedding sustainability in innovation
Borealis does not just make raw materials. We have the ambition to look at the entire life cycle of how these materials are being processed, deployed, used and ultimately recovered, thus fulfilling Borealis' mission to be the leading provider of chemical and innovative plastics solutions that create value for society.

To promote the generation of more innovative projects with high sustainability value, in 2014 Borealis integrated key sustainability criteria into our innovation project selection process.

Every new innovation project is now analysed against a set of qualitative sustainability criteria, before it enters the next step of the innovation process. Once an innovation project reaches the development phase, Borealis undertakes a further quantitative assessment, using tools such as life cycle analysis, to quantify the innovation's sustainability impact.

Embedding sustainability in procurement
Borealis' supplier selection and assessment process includes an internal assessment. In the past, this has incorporated economic and governance criteria, as well as sustainability aspects such as ethics, human rights and safety. During 2014, Borealis included a broader range of environmental and social criteria, including how suppliers manage sustainability aspects such as energy and climate change, as well as their use and handling of raw materials or packaging.

During 2015, Borealis will continue to embed sustainability aspects into its procurement processes, rolling out the sustainability assessment to more supplier categories.

Enhancing Stakeholder Engagement
Borealis knows the importance of engaging with its stakeholders. Stakeholder dialogue helps Borealis to learn about and address their concerns and expectations, better anticipate business risks and opportunities, and develop the right solutions to respond to them.

Collaborating with key stakeholders throughout the value chain, including customers, suppliers, brand owners and academia, is intrinsic to Borealis' approach to value creation through innovation and is also anchored in the Responsible Care® charter.

Borealis takes an active role in a number of industry and trade organisations, such as the European Chemical Industry Council (CEFIC); the European Association of Plastics Manufacturers (PlasticsEurope); the Association of Petrochemicals Producers in Europe (Petrochemicals Europe); and the European Fertilizer Industry Association (Fertilizers Europe), as well as their branches across Europe and numerous other local or regional organisations.

As Borealis understands that stakeholder engagement has a key role in driving its sustainability agenda, we decided to develop an even more systematic and strategic approach and to broaden and intensify our dialogue with stakeholders beyond our core value chain.

In 2014, Borealis therefore started mapping and analysing its stakeholders at a corporate and location-specific level and will continue this in 2015, with defined stakeholder engagement plans for each business area and local community.

Ethics

Borealis' commitment to ethical business conduct is firmly rooted in Borealis' core values. Our Ethics Policy lays the foundation for maintaining the highest standards of integrity, which is essential for securing the trust of customers, business associates and the general public, and in turn brings security for the company and its employees.

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

Key elements of our Ethics Policy

- How we compete – Borealis is committed to vigorous, lawful, straightforward and ethical competition, and its policy is to ensure that as a minimum its business practices fully comply with competition laws wherever it does business.
- Gifts and entertainment – It is a violation of Borealis' Ethics Policy to offer or accept any gift or entertainment, regardless of value, that makes the recipient feel obligated. It is acceptable to give or receive reasonable gifts and entertainment that have a valid business rationale.
- How we apply human rights standards – Borealis seeks to increase awareness of human rights issues throughout the company. It takes seriously any allegations that human rights are not properly protected within its sphere of influence.
- Zero tolerance for corruption: Borealis' zero tolerance for corruption allows no exceptions. Infractions result in disciplinary measures or dismissal of compromised employees and the termination of contracts with suppliers.

To help employees apply these policies and guidelines and to support them when they are unsure of what to do, we have established a comprehensive network of ethics ambassadors across all countries, hierarchies and functions. These ambassadors run ethics training courses for all employees. As well as general training courses, Borealis conducts training sessions focusing on specific high-risk functions or particular countries. In addition, Borealis provides all new employees with information about ethics and Borealis' practices during their first few weeks on the job. Further, an ethics e-learning course as well as a classroom training are mandatory for all new employees.

Borealis' commitment to ethics goes beyond its employees. All of our agents, suppliers and distributors are obliged to comply with its ethical principles and their contracts include an ethics clause. Ethics assessment is part of large and medium sized projects, and an annual evaluation highlights the areas that need further guidance and support.

The 'QuestionLine' whistleblowing channel provides an opportunity for employees or anyone outside Borealis to report unethical behaviour and raise concerns with full confidentiality. All alerts received are registered, evaluated, documented and investigated, and appropriate actions are taken.

Highlights 2014

Borealis launched a revised Ethics Policy, aligned with the latest national and international legislation and guidelines. The policy also contains new topics, such as guidelines related to issuer compliance and potential conflicts of interest. Borealis also focused on informing all employees about its revised gifts and hospitality guidelines. This included a new online tool, the Gift and Hospitality Register, to ensure transparency and enhanced awareness.

Since 2011, Borealis has run ethics and governance reviews, in which a team of Internal Audit and Legal Department members visit specific locations to assess local ethics and compliance issues, and run ethics workshops for all relevant employees. In 2014, Borealis performed reviews in Russia, Turkey and Brazil.

In addition, we ran refresher training on anti-corruption and bribery. This continued our efforts in recent years, following the launch of its first anti-corruption and bribery awareness campaign in 2011, extensive training in 2012 and compulsory corruption and bribery assessments for new business partners since 2013.

Health & Safety

Occupational Safety

Chemicals operations involve highly flammable and hazardous substances, so Borealis strives to provide a safe, well-designed working environment, with effective safety management systems.

The company's goal of achieving zero accidents is encapsulated in the motto, "if we can't do it safely, we don't do it at all." To help meet its goal, Borealis undertakes observation tours, awareness campaigns, safety training, audits and continuous, systematic learning. This approach goes far beyond the company's operations. It also addresses safety issues in the office and beyond, for example through awareness campaigns on safety when travelling or at home.

2014 Performance

Recordable injuries are those requiring medical treatment, restricted work or resulting in lost time. Borealis tracks its total recordable injuries (TRI) frequency, which is the number of TRIs per million working hours, as well as near-misses. This covers both employees and contractors.

In 2014, Borealis achieved a TRI frequency of 1.3. Although a TRI frequency below 2 is considered world-class in the industry, Borealis has set an ambitious target of a TRI frequency of 1.1 and will continue to work towards zero injuries.

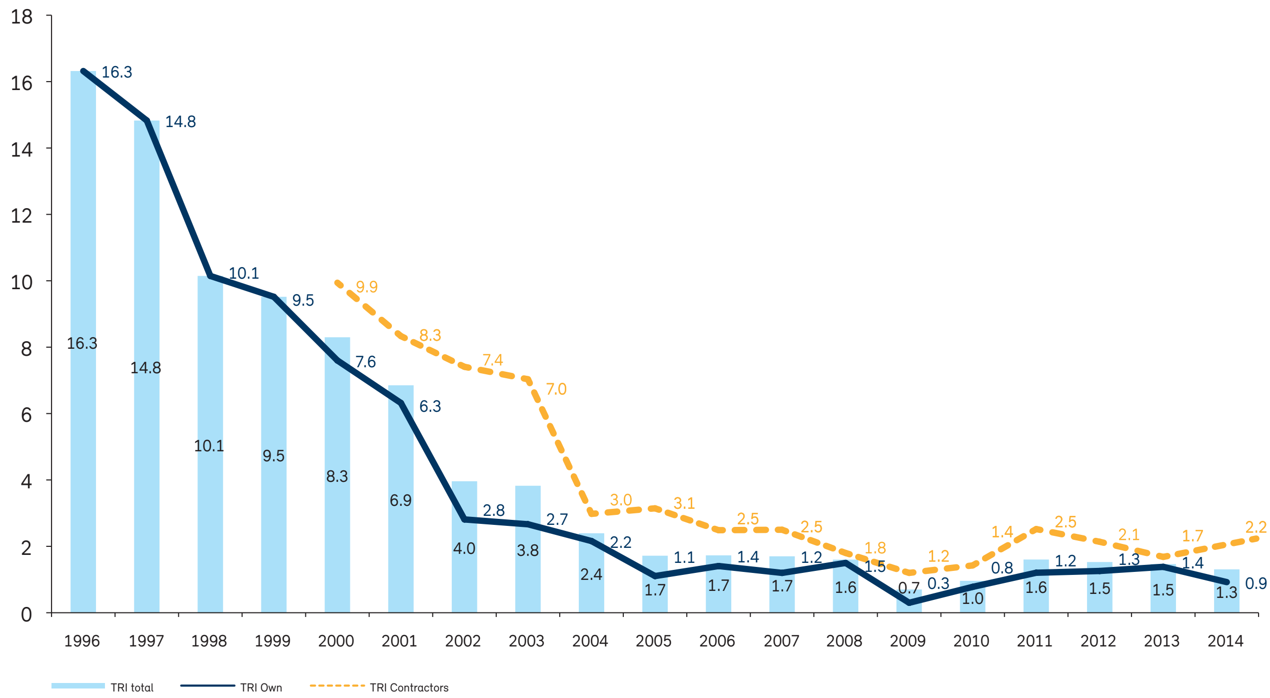
2014 Highlights

In 2014, Borealis started the Goal Zero journey, to further reduce accidents. The aim of this initiative is to increase awareness, improve procedures and compliance, ensure effective communication and tools, and increase competences.

Under the title "Falling can kill", Borealis also introduced several initiatives to improve haulier safety awareness at its premises. The campaign included posters and leaflets distributed to truck drivers, illustrating the right and wrong ways of safely securing truck loads.

Borealis granted its 2014 HSE award to the materials handling department at the company's plant in Porvoo, Finland. This award recognised the plant's successful safety campaign across a range of areas, including training days focused on safety, safe use of forklifts and exercising during breaks. The programme contributed to more than 1,800 days without a TRI.

TRI Frequency,
Own vs Contractors 1996 – December 2014



Occupational Health

Borealis recognises that its business success depends on its employees' contribution and in particular their work satisfaction, motivation and commitment. This approach benefits employees, as well as reducing absences and their associated costs.

Borealis therefore actively promotes employee health. For example, it conducts a company-wide workplace health survey every five years and introduces initiatives based on the results. The company's efforts to keep employees healthy vary from location to location and depend on local need, but they typically include addressing issues such as back pain, blood pressure and weight management. Employees can receive on-site flu vaccinations, learn about stress prevention, find help to quit smoking and consult a company psychologist. Borealis also encourages healthy eating, by providing fresh fruit and healthy snacks in many locations.

2014 Performance

Borealis targets a sick leave rate of 3.2% or lower, which is generally below the industry average in the countries where the company operates. After poor performance in 2013, when the rate deteriorated to 3.5%, the company introduced a greater, country-specific focus which helped to reduce the rate to 3.1% in 2014.

2014 Highlights

Borealis also cares for employees' health and safety outside the workplace. Via its "24 hour care" programme, the company provides monthly health and safety topics on leisure time activities and safety at home.

During 2014, Borealis began a wellbeing project that builds on its 2013 initiative, "Getting older, working longer". The project's target is to build a common framework around health, competence, job engagement and work-life balance. The aim is for the project to be up and running in the second quarter of 2015.

Process Safety

Borealis' operations handle large quantities of flammable materials at high pressure and temperatures. Any leaks, fires or explosions could have a major impact on the company and its stakeholders. Process safety is therefore of prime importance, to protect the company's employees, assets and neighbouring communities, as well as the environment. Borealis regards it as its moral duty to invest in preventing process safety incidents and to ensure that all plants are properly designed, maintained and operated to avoid accidents.

Borealis is a member of the European Process Safety Centre and actively supports industry-wide efforts to enhance process safety. A dedicated Process Safety department has developed special tools that enhance risk identification. It also conducts process safety training and courses in safety management. Internal safety audits, known as 'Borealis Blue Audits', are being rolled out on a regular basis in operations, plant availability, engineering and health and safety in every Borealis location. In 2014, four such audits were carried out at the company's sites, two of them in Porvoo, Finland, one in Piesteritz, Germany, and one in Itatiba, Brazil.

2014 Performance

To assess its process safety performance, Borealis measures two main parameters. These are the number of reported low, medium or high process safety incidents, and the process safety response rate.

The number of reported low severity process safety cases increased from 644 in 2013 to 759 in 2014. This was the result of a number of awareness and education initiatives that Borealis has undertaken during the year, leading to a much higher awareness of process safety and more openness to learning from all incidents. Consequently, more low severity process incidents are being reported.

In total, 13 medium or high severity cases were reported in 2014, which included the newly acquired locations in Geleen, Grand-Quevilly and Grandpuits. This was a notable improvement on 2013, when 20 medium or high severity cases were reported. All cases were thoroughly investigated, in order to capture learning points which were then shared across all locations.

Borealis has taken a step towards its goal of zero medium and high severity cases, by involving its people in learning from incidents and improving competences, to run the company's plants better. Some of the company's locations even reached the zero goal in 2014.

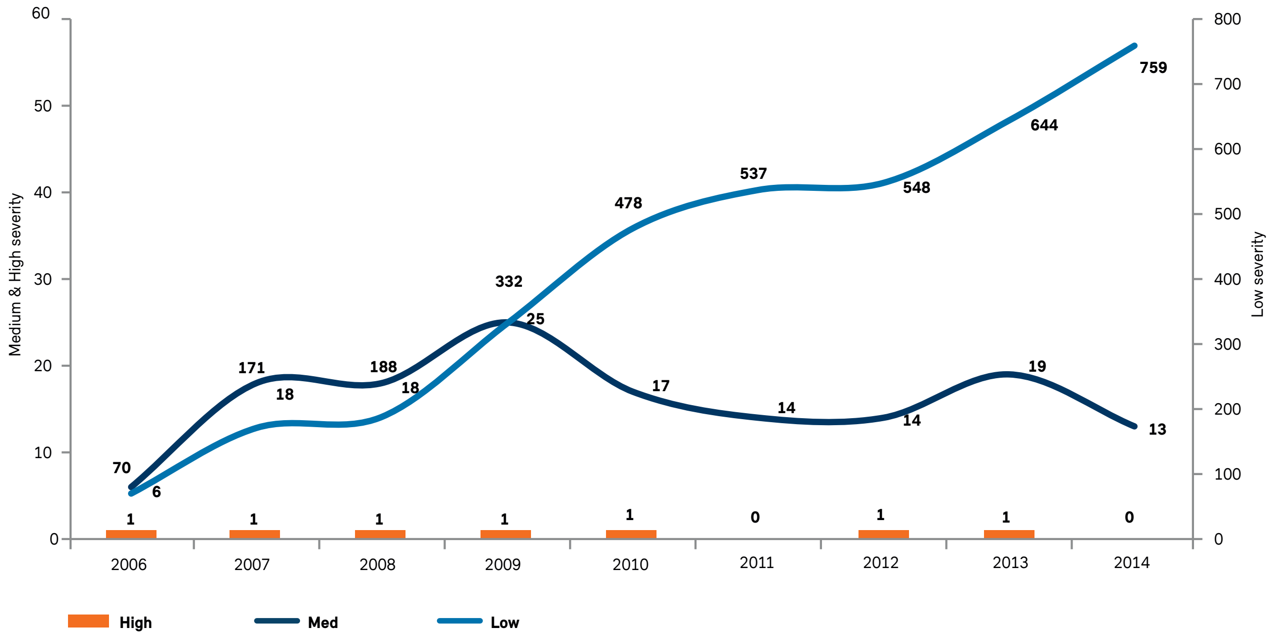
The process safety response rate, which measures the implementation of agreed corrective actions in due time, was 97.3%. This was an improvement on the 2013 response rate of 95.5%.

2014 Highlights

Borealis kicked off its "Goal Zero Journey" initiative in Process Safety during 2014. This initiative is based on the principle that even one accident is too many. The Goal Zero Journey increases the company's education and awareness raising efforts, to prevent accidents from happening. The company has developed five key areas in process safety, which its operations must comply with at all times. These key areas, known as Borealis' pillars of process safety, are:

- Knowledge of the process safety risks at my plant
- Introducing change
- Permit to work
- Safe start-up
- Safety critical systems

Number of process safety incidents (2006–2014)*



(*) Figures Geleen, Grandpuits and Grand-Quevilly included

Borealis has created a more comprehensive product safety education and awareness tool kit around these pillars, with examples of accidents linked to them. The tool kit will be used in employee training.

During 2015, the company will conduct a full assessment of compliance with its process safety procedures, as well as workshops with shift teams and front line leaders. The workshops will focus on improving understanding of risk scenarios and how each individual and the team as a whole can prevent them from ocurring.

Product Safety

Ensuring that its products do not pose any risks to people or the environment, at every stage of their life cycle, is core to Borealis' commitment to Responsible Care®. The company therefore applies strict chemicals management rules and enforces high Product Stewardship standards. Borealis fully complies with the European regulations on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) as well as Classification, Labelling and Packaging of substances and mixtures (CLP).

In addition, Borealis publishes 'Black' and 'Grey' lists of banned or restricted substances. The Grey list includes hazardous substances that are still in use but are being phased out and replaced by less hazardous alternatives, which includes potential endocrine disruptors, phthalates and brominated flame-retardants. Borealis regularly updates the Black and Grey lists, to encompass more recent risk assessments or re-classifications of chemicals. In 2014, the company updated the lists twice, to reflect the European Chemicals Agency's amended list of Substances of Very High Concern (SVHC) and the amendment of REACH annex XVII.

2014 Highlights

Enhanced risk management process

As part of its Product Stewardship, Borealis assesses the potential health and safety risks of all chemicals, taking account of their application, use and exposure. The company then identifies and implements risk mitigation measures, as a direct result of this process.

In 2014, Borealis enhanced its approach to chemicals risk management, to ensure an even more rigorous evaluation of chemical substances. Borealis will now evaluate substances in three stages:

- **Step 1:** substances are reviewed by the Product Stewardship team, using a ranking tool developed by Borealis to decide which substances need further in-depth evaluation.
- **Step 2:** substances entering the second step are evaluated by the newly created Product Stewardship Board. This cross-functional team brings together experts from across the company and ensures Borealis takes a broad view of the subject and can bring in a holistic and balanced view of the different risks involved. The Board also decides which substances to include in the Black and Grey lists.
- **Step 3:** substances identified in step 2 as being high risk or opportunity for the company are further evaluated using Borealis' risk management system. This helps to determine risk management actions or a possible substitution plan.

This process will be used from 2015 onwards, enabling the company to identify risks earlier, manage them better and anticipate opportunities.

Improved raw material documentation

Borealis uses a sophisticated Incoming Materials System to evaluate all the raw materials it uses. This system ensures that the company does not purchase any substance before the Product Stewardship team has controlled and approved it. In addition to performing a risk assessment, all materials are analysed, documented and archived. This means the company knows the exact composition of every product or substance, giving it the basis to provide high-quality product statements.

In 2014, Borealis developed a new IT tool and an improved work process for raw material documentation. This new system allows for easier searching of data, such as which locations and plants currently use a certain chemical, and up-to-date safety information on it. The company also took the opportunity to go through a re-approval process, checking all incoming raw materials' background information and completing information for each material in the system.

Environment

Energy & Emissions

Borealis recognises the need to address the global energy challenge and does so through continuous efforts to reduce its energy footprint, as well as by developing innovative plastics solutions that save energy along the value chain.

As an energy-intensive company with an ambitious growth strategy, secure and reliable access to energy at a competitive price is vital to ensure Borealis has a sustainable business and operations. In addition, energy consumption accounts for about 70% of Borealis' greenhouse gas emissions. This means that improving energy efficiency is the most effective way to reduce the company's direct carbon footprint, as well as cutting the company's energy costs.

An Energy & CO_2 Committee, chaired by the Executive Vice President Operations & HSE, develops the company-wide energy strategy and is the governing body for Borealis' carbon management. The committee assesses the related risks and opportunities and coordinates actions across the company.

Most of Borealis' manufacturing units are certified to ISO 9001 and ISO 14001. All locations have dedicated environmental and energy experts, as well as an energy management system integrated with the existing ISO 14001 environmental management system. Plants that focus on raw materials for the automotive industry are also certified and regularly audited to ISO/TS 16949.

2014 Performance

Borealis strives for a group-wide improvement in energy efficiency of 1.4% each year, to deliver a 20% reduction by 2020, compared to 1990 levels. In 2014, Borealis' primary energy consumption amounted to 31,400 gigawatt hours (GWh) compared to 22,100 GWh in 2013. The major increase was because of including the three new fertilizer production locations in France and the Borealis Plastomers plant in Holland in the statistics.

2014 Highlights

Energy & Flaring Roadmap

In order to reach the company's energy efficiency goals, in 2014 a cross-functional team was formed to develop a comprehensive Borealis Group Energy & Flaring Roadmap. Workshops were held across different Borealis locations, to review ongoing actions and identify new ways to increase energy efficiency. The roadmap highlights focus areas for the period to 2020/2021 and identifies activities to increase energy efficiency and reduce flaring, by optimising equipment, process operations, technology changes and sites.

Borealis Linz Energy Efficiency Award

"klimaaktiv" is a climate protection initiative launched by the Austrian Federal Ministry of Environment in 2004. In 2014, Borealis Linz received a klimaaktiv award to recognise its energy efficiency efforts. By optimising CO_2 washing in ammonia production, Borealis Linz reduced its annual electricity consumption by 13.3 GWh, equivalent to the consumption of more than 1,000 households. This success resulted from Borealis' strong cooperation with its local technology and engineering partner, VTU.

Emissions to air

Borealis' emissions result from its production processes and combustion for energy generation. Its major emissions to air are:

- CO_2 emissions from fuel combustion to produce heat
- CO_2 emissions from reactors, cracker furnaces and ammonia production plants
- CO_2 emissions from flaring in PO plants and crackers
- N_2O emissions from nitric acid production plants
- NO_x emissions created by the burners in steam boilers and furnaces
- Fugitive emissions of hydrocarbons (volatile organic compounds)
- Dust emissions from handling solid material in fertilizer plants

Flaring

Flaring is a necessary safety measure, involving the burning of excess gas during operations. It affects surrounding communities through noise and air emissions and results in costs for the company. Borealis strives to reduce the need for flaring and continuously improves its plants' operational performance, reducing the number of plant upsets and incidents. The company has a monthly flaring performance reporting tool, makes plant-by-plant inventories of the sources of flaring and sets targets for each production location.

2014 Performance

Borealis' flaring performance has improved significantly in recent years. While flaring losses in 2014 were slightly higher than in 2013, at 38 kt, taking into account the addition of the new Borealis Plastomers plant there was an underlying decrease in flaring losses.

In 2014, the company's operations avoided major disruptions, making it possible to maintain and even slightly reduce flaring on a comparable basis. Borealis has identified further reduction opportunities, such as the activity currently under way at the polyolefin pilot plant in Schwechat, where excess gas is re-used as feedstock. During 2014, Borealis also introduced a number of measures in Kallo, Belgium, which are expected to lead to further flaring reduction in 2015. These actions together have the potential to reduce flaring by about 2.5 kt per annum.

CO_2 emissions

In 2014, Borealis' emissions totalled 4,250 kilotonnes of CO_2 equivalents, compared to 2,480 kilotonnes in the previous year. This significant increase was solely attributable to the inclusion of the new fertilizer production locations and the Borealis Plastomers plant.

Volatile Organic Compound (VOC) emissions

In 2014, the company's VOC emissions amounted to 3,250 tonnes, a reduction on the 3,660 tonnes reported in the previous year. Borealis continuously strives to detect and repair potential leaks in its production processes. For example, the company took action in 2014 to reduce VOC emissions from the ejector unit in Kallo, Belgium.

Nitrogen oxides (NO_x) emissions

NO_x emissions in 2014 were 3,400 tonnes, compared to 1,460 tonnes in 2013. The major cause of the increase was the inclusion of the new fertilizer production locations and the Borealis Plastomers plant.

Nitrous oxide (N_2O) emissions

N_2O emissions from nitric acid plants increased from 159 tonnes in 2013 to 1,160 tonnes in 2014. This was the result of including several new nitric acid production plants at the newly acquired locations.

Water

Borealis requires industrial water for cooling, steam generation and 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 the main source of water, while other locations primarily use surface water.

All Borealis locations are connected to wastewater treatment installations, comprising internal treatment units, external plants or both. The company carefully monitors wastewater flows and contaminants, to ensure all parameters are within permitted levels. During recent years, Borealis has gone through several assessments of its water consumption – from plant-by-plant inventories to water footprint analyses and environmental impact evaluations – forming the basis for efficient water management.

2014 Performance

Borealis' water consumption in 2014 was 316 million cubic metres, compared to 161 million cubic metres in 2013. The significant increase in volume in 2014 was the result of including the new locations.

Operational waste

Borealis generates waste during production and through plant turnarounds. Responsible Care® commits the company to waste management that minimises the company's environmental impact and ensures the most efficient use of resources.

Borealis has waste management plans for each location, coordinated by local environmental specialists. The company adopts a waste management hierarchy, aiming to prevent waste whenever possible. Where waste prevention is not possible, Borealis fosters reuse. Examples include re-usable packaging with efficient return systems, as well as material and energy recovery from waste. Waste often has a high energy content that can be recovered but it needs to be handled by approved contractors, so Borealis develops partnerships with waste companies. The company classifies all waste according to the European waste catalogue (unless contradicted by local law) and waste transportation and disposal is executed by properly licensed companies. Borealis only resorts to waste disposal when there is no other option.

2014 Performance

In 2014, the company's total waste volume increased from 19,000 to 44,600 tonnes, following the inclusion of the newly acquired locations and a more harmonised company-wide approach to account for all waste streams. In addition, shutdowns in two of the fertilizer locations increased waste amounts.

Reducing and better managing the company's waste streams is one of the focus areas in the company's sustainability roadmap. In 2014, Borealis therefore has begun to implement better tracking of the company's waste streams, with the goal of increasing material recycling and energy recovery from its waste.

Plastic waste and littering

Plastic is made from valuable resources that must be used efficiently and responsibly, given growing demand and the world's limited resources. Plastic waste should therefore be reused, recycled or recovered for energy, rather than discarded or sent to landfills.

Borealis develops solutions that reduce or prevent littering, such as new products that cut the amount of waste or better fit recycling needs. The latest generation of polyethylene, for example, reduces material use by up to 25%, leading to less waste for packaging applications.

The company is an active member of Packaging and Packaging Waste, as well as PlasticsEurope's Marine Litter taskforce. It is also a partner of Waste-Free Ocean, an industry-led initiative to clean up Europe's coastlines and waters by developing innovative solutions and advancing education.

It's in your hands – Zero Pellet Loss
Preventing industrial pellets from escaping is an important challenge for the industry. Plastic pellets released unintentionally can end up in streams, rivers and oceans. Borealis is committed to zero pellet loss in and around its operations. In Schwechat, Austria, the company has invested considerable sums in its plants, including around EUR 4 million in state-of-the-art facilities.

In 2014, Borealis rolled out a company-wide awareness and education campaign called "It's in your hands – Zero Pellet Loss", aimed at employees and logistic partners. The company also signed up to Operation Clean Sweep, a programme launched by PlasticsEurope. This provides an action plan to prevent pellet spills, including procedures for monitoring, performance evaluation and audits.

Our commitment to Responsible Care®

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

Responsible Care

Responsible Care® commits our company to:

- A Corporate Leadership Culture which proactively supports safe chemical management through the global Responsible Care initiative.
- Safeguarding People and the Environment by continuously improving the environmental, health and safety performance and security of our facilities, processes and technologies and by driving continuous improvement in chemical product safety and stewardship throughout the supply chain.
- Strengthening chemicals management systems by participating in the development and implementation of lifecycle oriented, science and risk-based chemical safety legislation and best practices.
- Influencing Business Partners to promote the safe management of chemicals within their own operations.
- Engaging Stakeholders, understanding and responding to their concerns and expectations for safer operations and products and communicating openly on our performance and products.
- Contributing to Sustainability through improved performance, expanded economic opportunities and the development of innovative technologies and other solutions to societal challenges.

Responsible Care Key Performance Indicators:

Issue	Definition	2014	2013	2012	2011	2010
Total Recordable Injuries	number/million work hours	1.3	1.5	1.5	1.6	1.0
Response rate on HSE incidents	% of approved and closed cases	99	98	98	99	99
Sick leave	% of total hours worked	3.1	3.5	3.2	3.4	3.4
Response rate on process safety incidents	% actions timely completed	97	96	96	99	99
Flaring losses	tonnes	38,000	38,000	57,900	52,200	50,800
Volatile organic compound emissions	tonnes	3,250	3,660	2,940	3,250	3,762
NO_x emissions	tonnes	3,400	1,460	1,675	1,710	1,740
Water consumption	m^3 (million)	316	161	185	187	188
Waste generation	tonnes	44,600	19,000	17,900	18,200	16,140
Primary energy consumption	GWh	31,400	22,100	21,700	20,200	22,300
EU ETS CO_2 emissions	kilotonnes	4,250	2,480	1,480	1,530	1,600
N_2O emissions	tonnes	1.160	159	169	152	198

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 current year.

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).

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.

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.

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).

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).

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.

Borealis supports the UAE Disabled Sports Federation with AED 1.5 million

Social Engagement

Borealis believes that businesses can only grow sustainably in a healthy environment and a stable society. Social engagement is therefore a core element of Borealis' sustainability strategy. Our social engagement is reflected in two core programmes, the Borealis Social Fund and Water for the World™:

Borealis Social Fund

Borealis' business success is closely aligned with the progress and welfare of the communities in which we operate and the relationships we maintain. Borealis therefore established the Borealis Social Fund in 2008. A portion of Borealis' net profit is dedicated to the fund each year, to support social projects in Europe, Asia and the Middle East.

Europe
In Europe, the Borealis Social Fund mainly finances projects to promote and support education. In 2014 Borealis has kicked-off two new partnerships:

In 2014, Borealis has signed a partnership with Teach for Austria, a non-profit organisation that aims to ensure all children have access to excellent education, regardless of their backgrounds. It brings highly skilled university graduates ("fellows") to teach in schools with a high percentage of migrants or underprivileged children. Fellows receive a two-year contract and benefit from an intensive leadership programme. This way, the programme increases not only opportunities for socially disadvantaged children but will also help to develop the next generation of leaders and innovators.

Another new initiative Borealis has joined is "Technikqueens", a campaign founded by OMV, to encourage Austrian girls to pursue a career in the field of science and engineering. Nearly 90% of Austrian companies have difficulties finding skilled people in this field and women currently fill only 15% of such jobs. Next to financial support, Borealis provides content for the programme, and one of the company's female researchers serves as a mentor and jury member to select the Technikqueens.

Middle East & Asia
In the Middle East, where Borealis is expanding its petrochemical operations through its Joint Venture Borouge, the Borealis Social Fund supports a number of renowned organisations. In 2014, the Borealis Social Fund presented AED 2.5 million to the Emirates National School. The Emirates National School teaches children from kindergarten to grade 12. The funding will help it to further develop its educational programmes in science and engineering. Another AED 1 million was granted to the Emirates Foundation and AED 1.5 million were dedicated to support the UAE Disabled Sports Federation, helping to raise awareness of disabled people's needs and to facilitate their integration into society.

Water for the World™

For billions of people, water and sanitation are the most pressing challenges. 1.8 billion people 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 run the Water for the World programme, a partnership 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, and focuses 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

By focusing its efforts on initiatives that are closely linked to the company's core business, Borealis ensures that its contributions are sustainable for both society and business.

©WSUP/Frederic Courbet

Another core element of the Water for the World concept is to work in cross-sector collaboration. Project partners include NGOs, academia and members of Borealis' value chain, such as water pipe producers.

The programme's key partner is Water and Sanitation for the Urban Poor (WSUP), a non-profit organisation that brings together skills and expertise from the private sector, civil society and academia. WSUP is active in several countries in Africa as well as in Bangladesh working with service providers to demonstrate and scale up successful models to improve water and sanitation services for low income consumers. Besides Borealis and Borouge, WSUP Board members are WaterAid, Unilever, Thames Water, Halcrow, CARE, Vitens Evides and Cranfield University.

In 2014, WSUP together with Borealis and Borouge and OFID, the OPEC Fund for International Development, jointly initiated a project in Nairobi, Kenya that will provide safe, affordable water supplies for approximately 56,000 people. Through a planned approach to network design, using high-quality PE pipes and pre-paid water dispensers, people living in two informal settlements in Nairobi will be able to access drinking water at a much lower cost than before. The project will take around two years to complete.

In the Middle East and Asia, Water for the World works with a number of partners, including HEED, Tearfund, LienAid and Sushma Koirala Memorial Trust, collaborating with them on suitable projects in the different countries where they operate. For example, Borouge and Tearfund worked together to provide improved sanitation facilities to a school in Ethiopia that will help protect students' health and prevent them from missing school. The project was part of a larger scheme to provide a safe water supply to 4,000 people in the local village, which started in 2012.

Financial Statements

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 1 January 2014 to 31 December 2014. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2014, 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 31 December 2014, 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 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 31 December 2014 and of its financial performance and its cash flows for the fiscal year from 1 January 2014 to 31 December 2014 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, 12 February 2015

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner
Wirtschaftsprüfer / Certified Auditor

Mag. Walter Krainz
Wirtschaftsprüfer / Certified Auditor

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

Management Report

Worldclass safety performance

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

Improved market conditions

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

2014 – a year of consolidation and transition

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

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

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

Securing the future, positioned to grow

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

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

Solidifying its leadership position in Energy & Infrastructure

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

Keep Discovering – Borealis celebrates 20 years

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

Record financial performance

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

The polyolefins industry is currently experiencing a structural change in Western Europe that will not result in a typical recovery from the current economic downturn, thus leading to a prolongation of relatively low margins. Despite this subdued environment, Polyolefins margins improved in 2014 compared to 2013. The improvement was primarily due to lower volatility in the underlying feedstock market in the first half of the year as well as higher margins in the second half due to increased competitiveness of European polyolefin producers in the falling price environment. The Polyolefins business segment therefore delivered a significantly improved profit contribution compared to last year. In the Fertilizer business, the European fertilizer market and margins were better than anticipated in 2014. The low natural gas price in particular contributed favourably to the Fertilizer result, but the ammonia price and nitrate premium were also at healthy levels throughout the year. While the Fertilizer business achieved a significantly improved result over 2014, the performance was below expectations due to some disappointing plant performances, reliability and an extended turnaround.

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

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

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

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

Finnish tax re-assessment to be appealed

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

Commitment to R&D

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

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

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

Improving energy effectiveness

Borealis is committed to reducing its environmental footprint by lowering CO_2 emissions and increasing energy efficiency, both of which are key deliverables on the road towards sustainability excellence. Borealis has announced a number of investments to help achieve these goals. In Finland, Borealis is intending to participate in a joint project for the construction of an energy-efficient power generation unit. The new unit will replace infrastructure dating back to 1971 and thus nearing the end of its operating life. The joint project, which would be co-owned by Neste Oil (40%), Veolia (40%) and Borealis (20%), involves the implementation of a modernisation programme between 2015 and 2017. The result will be new power-generating facilities comprising three steam boilers which are in compliance with the most current environmental regulations, including the European Commission's Industrial Emissions Directive (IED). Another investment in Finland is the replacement of an ageing hot oil heater at Borealis' phenol complex in Porvoo. The investment project is scheduled to be completed in 2015 at a cost of EUR 25 million and is a key step in improving efficiency and site integration. The new unit will reduce maintenance requirements and CO_2 emissions whilst securing safe, continuous, reliable and cost-competitive operations.

In December, Borealis received special recognition from the Austrian climate protection initiative "klimaaktiv" which honours outstanding examples of energy efficiency in the Austrian industry. Amongst the 25 nominees, Borealis Linz was recognised for its submission related to optimisation of CO_2 washing in ammonia production which resulted in a 13.3 GWh reduction in annual energy consumption. The energy savings realised are equivalent to the consumption of over 1,000 households.

People Survey 2014

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

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

2015 – the year of resilience

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

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

Review of results

Sales

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

Cost development

Despite a higher sales volume and full year consideration of the companies acquired in the course of 2013 (Borealis Chimie S.A.S., Rosier S.A. and Borealis Plastomers B.V.), the production costs were unchanged compared to 2013 due to the falling prices seen in the second half of the year. Sales and distribution costs increased by 12% following the increase of sales volume, administration costs of EUR 231 million increased from EUR 207 million in 2013, mainly due to the full year cost base of above mentioned companies acquired in the course of 2013. Research and development costs amounted to EUR 129 million, where the increase compared to EUR 109 million in 2013 is attributable mainly to write-off of development costs of several projects, which did not prove viable. The number of full-time equivalent employees (FTE) as per year end 2014 was 6,290, an increase of 63 compared to last year, mainly due to the acquisitions of Speciality Polymers Antwerp N.V.

Operating profit

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

Return on capital employed

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

Financial income and expenses

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

Taxes

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

Net profit and distribution of dividend

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

Financial position

Total assets/capital employed

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

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

Cash flows and liquidity reserves

Cash flow from operations was EUR 428 million, driven by operating profitability and partially offset by increased working capital. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,208 million at year-end 2014, compared to EUR 1,163 million at year-end 2013.

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

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

Capital expenditure

Investments in tangible fixed assets amounted to EUR 370 million in 2014, compared to EUR 264 million in 2013. The largest portion of the total investment was related to the turnaround projects of Borealis Chimie, Burghausen and Kallo, the light feed modification to the cracker in Stenungsund and the upgrade of the Porvoo PE2 plant to Borstar 3G. HSE capital expenditure amounted to EUR 20 million (EUR 17 million in 2013). Depreciation and amortisation amounted to EUR 361 million, compared to EUR 322 million in 2013.

Shareholders' equity

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

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

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

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

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

Financial risks can be associated with liquidity, interest rate, foreign exchange rate, credit, commodity price, and insurance. The assessment of financial risk management is described in detail in note 16 of the consolidated financial statement. The Director Treasury shall be responsible for reporting and for coordinating the management of all financial risks.

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

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

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

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

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

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

		2014	2013	2012	2011
Health, Safety and Environment (HSE) [1)]					
Total Recordable Injuries	number/million work hours	1.3	1.5	1.5	1.6
Sick leave	% of total hours worked	3.1	3.5	3.2	3.4
EU ETS CO_2 emissions	kilotonnes	4,250	2,480	1,480	1,530
Primary energy consumption	GWh	31,400	22,100	21,700	20,200
Volatile organic compounds emissions	tonne	3,250	3,660	2,940	3,250
Waste generation	tonne	44,600	19,000	17,900	18,200
Number of employees (Full-time equivalent)		6,290	6,227	5,339	5,160
Income and profitability					
Net sales	EUR million	8,330	8,106	7,545	7,096
Operating profit	EUR million	280	195	158	285
Operating profit as percentage of net sales	%	3	2	2	4
Net profit	EUR million	571	423	480	507
Return on capital employed, net after tax	%	10	9	11	13
Cash flow and investments					
Cash flow from operating activities	EUR million	428	482	214	242
Investments in tangible assets	EUR million	370	264	312	242
Financial position					
Net interest-bearing debt	EUR million	1,798	1,770	1,545	1,142
Equity attributable to owners of the parent	EUR million	4,511	3,882	3,617	3,276
Gearing	%	40	45	43	35

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

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, 12 February 2015

Executive Board:

Mark Garrett
Chief Executive

Mark Tonkens
Chief Financial Officer

Markku Korvenranta

Martijn Arjen van Koten

Alfred Stern

Consolidated Financial Statements

Consolidated Income Statement

EUR thousand	2014	2013	Note
Net sales	**8,329,994**	**8,106,258**	1
Production costs	-7,057,526	-7,035,411	5, 12, 13
Gross profit	**1,272,468**	**1,070,847**	
Sales and distribution costs	-667,241	-597,490	5, 12, 13
Administration costs	-230,705	-207,101	5, 12, 13
R&D costs	-129,219	-108,974	2, 5, 12, 13
Other income	35,032	37,969	29
Operating profit	**280,335**	**195,251**	
Net results in associated companies and joint ventures after tax	408,399	351,053	7
Financial income	11,730	12,623	17
Financial expenses	-82,707	-82,528	17
Profit before taxation	**617,757**	**476,399**	
Taxes	-46,582	-53,717	9
Net profit for the year	**571,175**	**422,682**	
Attributable to:			
Non-controlling interest	1,003	495	
Equity holders of the parent	570,172	422,187	

Consolidated Statement of Comprehensive Income

EUR thousand	2014	2013	Note
Net profit for the year	**571,175**	**422,682**	
Items that may be reclassified subsequently to the income statement			
Net gain/loss on translation of financial statements of foreign operations	258,933	-112,007	
Reclassifications during the period to the income statement	0	0	
Tax effect recognised in other comprehensive income	0	0	
Net gain/loss on long-term loans to foreign operations	-3,408	-6,034	18
Reclassifications during the period to the income statement	0	4,234	18
Tax effect recognised in other comprehensive income	852	450	
Net gain/loss on loans and financial contracts to hedge investments in foreign operations	-34,108	12,242	18
Reclassifications during the period to the income statement	0	0	18
Tax effect recognised in other comprehensive income	8,527	-3,061	
Fair value adjustments of cash flow hedges	-60,612	-14,367	18
Reclassification during the period to the income statement	522	26,104	18
Tax effect recognised in other comprehensive income	15,023	-2,934	
Fair value adjustments of available for sale assets	734	-226	18
Reclassification during the period to the income statement	0	0	18
Tax effect recognised in other comprehensive income	-184	56	
Items that will not be reclassified to income statement			
Actuarial gains and losses	-76,956	-3,586	13
Tax effect recognised in other comprehensive income	18,836	281	
Net income/expense recognised in other comprehensive income	**128,159**	**-98,847**	
Total comprehensive income	**699,334**	**323,835**	
Attributable to:			
Non-controlling interest	926	-1,479	
Equity holders of the parent	698,408	325,314	

Consolidated Balance Sheet

EUR thousand	31.12.2014	31.12.2013[1)]	Note
Assets			
Non-current assets			
Intangible assets	352,028	346,668	2, 3
Tangible assets			4
Production plants	2,534,112	2,553,801	
Machinery and equipment	35,306	33,131	
Construction in progress	255,058	177,467	
	2,824,476	2,764,399	
Investments in associated companies and joint ventures	2,638,194	2,026,024	7, 27
Other investments	30,251	20,288	8, 27
Other receivables and other assets	17,344	26,568	20, 27
Deferred tax assets	219,277	193,372	9
Total non-current assets	**6,081,570**	**5,377,319**	
Current assets			
Inventories	1,126,594	1,145,381	10
Receivables			
Trade receivables	544,538	653,631	25, 26, 27
Receivables from associated companies	88,491	83,129	27, 30
Income taxes	13,956	5,654	
Other receivables and other assets	455,040	386,138	20, 27
Total receivables and other assets	1,102,025	1,128,552	
Cash and cash equivalents	42,425	60,266	
Total current assets	**2,271,044**	**2,334,199**	
Total assets	**8,352,614**	**7,711,518**	

1) Adapted for the finalisation of the purchase price allocation see note 6

Consolidated Balance Sheet

EUR thousand	31.12.2014	31.12.2013[1)]	Note
Total Equity and Liabilities			
Shareholders' equity			
Share capital and contributions by shareholders	1,599,397	1,599,397	11
Reserves	-30,180	-158,416	
Retained earnings	2,941,604	2,441,432	
Shareholders' equity	4,510,821	3,882,413	
Non-controlling interest	20,745	19,881	
Total equity	**4,531,566**	**3,902,294**	
Liabilities			
Non-current liabilities			
Loans and borrowings	1,594,982	1,676,784	19, 20, 27
Deferred tax	204,816	264,771	9
Employee benefits	382,930	306,193	13
Provisions	61,825	66,062	14
Government grants	18,440	19,510	15
Other liabilities	17,829	51,802	20, 27
Non-current liabilities	**2,280,822**	**2,385,122**	
Current liabilities			
Loans and borrowings	245,810	153,819	19, 20, 27
Trade payables	740,379	920,081	20, 27
Income taxes	57,196	18,870	
Provisions	3,395	7,405	14
Other liabilities	493,446	323,927	20, 27
Current liabilities	**1,540,226**	**1,424,102**	
Total liabilities	**3,821,048**	**3,809,224**	
Total equity and liabilities	**8,352,614**	**7,711,518**	

1) Adapted for the finalisation of the purchase price allocation see note 6

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 31 December 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 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 31 December 2013	**1,599,397**	**-106,238**	**-13,821**	**-38,356**	**2,441,432**	**3,882,413**	**19,881**	**3,902,294**
Profit of the period	0	0	0	0	570,172	**570,172**	1,003	**571,175**
Other comprehensive income	0	-58,120	-45,069	231,424	0	**128,236**	-77	**128,159**
Total comprehensive income	0	-58,120	-45,069	231,424	570,172	**698,408**	926	**699,334**
Dividend payment to equity holders of the parent	0	0	0	0	-70,000	**-70,000**	0	**-70,000**
Acquisition of additional interest in a subsidiary	0	0	0	0	0	**0**	-62	**-62**
Balance as of 31 December 2014	**1,599,397**	**-164,358**	**-58,890**	**193,068**	**2,941,604**	**4,510,821**	**20,745**	**4,531,566**

* 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	2014	2013	Note
Cash flows from operating activities			
Payments from customers	8,477,367	8,161,956	
Payments to employees and suppliers	-7,919,361	-7,545,315	
Interest received	907	2,388	17
Interest paid	-60,952	-59,475	17
Other financial expenses paid	-13,286	-16,593	17
Income taxes paid	-57,107	-60,632	9
	427,568	**482,331**	
Cash flows from investing activities			
Investments in tangible assets	-369,655	-264,332	4
Investments in intangible assets and other investments	-47,467	-53,399	3, 8
Acquisitions of subsidiaries	-23,097	-343,687	6
Purchase price adjustment of acquisition of subsidiaries	20,495	0	6
Dividends / capital repayments of associated companies	130,442	51,816	7
Capital contributions to associated companies	-59,736	-51,816	7
	-349,018	**-661,418**	
Cash flows from financing activities			
Long-term loans obtained	76,800	509,201	
Short-term loans obtained	50,000	0	
Long-term loans repaid	0	0	
Short-term loans repaid	-153,494	-269,373	
Acquisition of non-controlling interest	-62	-1,307	
Dividends paid	-70,000	-60,000	
Dividends paid to non-controlling interest	0	0	
	-96,756	**178,521**	
Net cash flow of the period	**-18,206**	**-566**	
Cash and cash equivalents as of 1 January	60,266	64,523	
Effect of exchange rate fluctuations on cash held	365	-3,691	
Cash and cash equivalents as of 31 December	**42,425**	**60,266**	

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 the Polyolefins segment Borealis' focuses 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 12 February 2015.

Basis of preparation

The consolidated financial statements are presented in Thousand Euro (EUR), rounded to the nearest thousand, hence 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, available for sale assets 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. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Companies in which the Group has significant influence (interest of 20% or more) but no control nor joint control are considered associated companies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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 companies and joint ventures 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 joint ventures 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 1 January using the closing rate on 31 December, 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, 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 and joint ventures

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 and for annual impairment tests of goodwill and intangible assets with an indefinite useful life, 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 cash generating unit at the moment of the calculation, based on a three year business plan and long term projection for the expected remaining useful life of the assets or indefinite useful life for goodwill, using a growth rate of 1.5%. 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, 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.

Associated companies and joint ventures
Associated companies and joint ventures 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
Deferred tax assets and liabilities are 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 within a period of five years, based on a three year business plan and a long term projection for further two years. 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.

The uncertain tax positions, for example tax disputes, are accounted for by applying the most likely amount. The most likely amount is the single most likely amount in a range of realistically possible options. The company evaluates the unit of account related to the uncertain tax positions on a case-by-case basis.

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.

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 to 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 the 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 can be 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, or to realise the assets and settle the liabilities simultaneously.

Other investments and other assets
Other investments and other assets include available for sale assets and are valued at fair value or at cost if fair value cannot be reliably estimated. The changes of available for sale assets 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, Borealis deems the 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 2014, the following accounting standards and interpretation became effective and have been adopted by the Group:

- 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

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

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 requires 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 accounts 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.

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.

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 adoption of IFRS 10 and IFRS 11, effective as of 1 January 2014, does not change the consolidation group of Borealis nor are there any entities becoming or ceasing to be investment entities in accordance with IFRS 10 and does not impact the Group's financial position or performance. The additional disclosure requirements according to IFRS 12 are reflected in the financial statements.

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 adoption of the amendments did not have an impact on 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 qualifies 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 adoption of the amendments did not impact the Group's financial position or performance and there are no entities becoming or ceasing to be investment entities in accordance with IFRS 10.

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 require 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 is effective for annual periods beginning on or after 1 January 2014. The adoption of the amendments did not have an impact on 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. The adoption of the amendments did not have an impact on the Group's financial position or performance.

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). The adoption of the amendments did not have an impact on the Group's financial position or performance.

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 (amended), effective 1 January 2018*
- IFRS 14 Regulatory deferral accounts (issued on 30 January 2014), effective 1 January 2016*
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014), effective 1 January 2017*
- IAS 19 (amended) Employee contributions, effective 1 February 2015
- IFRS 11 (amended) Accounting for Acquisitions of Interests in Joint Operations, effective 1 January 2016*
- IAS 16 (amended) and IAS 38 (amended) Clarification of Acceptable Methods of Depreciation and Amortisation, effective 1 January 2016*
- IAS 16 (amended) and IAS 41 (amended) Bearer plants, effective 1 January 2016*
- IAS 27 (amended) Equity Method in Separate Financial Statements, effective 1 January 2016*
- IFRS 10 (amended) and IAS 28 (amended) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, effective 1 January 2016*
- Annual Improvements to IFRSs 2010–2012 (Dec 2013), effective 1 February 2015
- Annual Improvements to IFRSs 2011–2013 (Dec 2013), effective 1 January 2015
- Annual Improvements to IFRSs 2012–2014 (Sep 2014), effective 1 January 2016*
- IFRIC 21 Levies, effective 17 June 2014
- IFRS 10 (amended), IFRS 12 (amended) and IAS 28 (amended) Investment Entities: Applying the Consolidation Exception, effective 1 January 2016*
- IAS 1 (amended) Disclosure initiative, effective 1 January 2016*

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

The new standard IFRS 9 Financial Instruments: Classification and Measurement (amended) will become effective from 1 January 2018 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. 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 only relate to principal and interest payments.

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.

IFRS 9 introduces a new model for the recognition of impairment losses, the expected credit losses model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month expected credit loss or lifetime expected credit loss on initial recognition of financial assets. The model includes operational simplifications for lease and trade receivables.

The entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

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 contractual cash flows and often give rise to only payments of principal and interest.

Borealis is currently evaluating the impact of the new standard and amendments to the IFRS 9 Financial Instruments on the consolidated financial statements.

The new standard IFRS 14 Regulatory deferral accounts was issued in January 2014 and will become effective for annual periods beginning on or after 1 January 2016. IFRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted International Financial Reporting Standards (IFRS). Its purpose is to allow rate-regulated entities adopting IFRS for the first-time to avoid changes in accounting policies in respect of regulatory deferral accounts. The standard is not expected to have any impact on the Group's financial statements.

The new standard IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and will become effective for annual periods beginning on or after 1 January 2017. The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. Borealis has not yet completed its evaluation of the impact on the consolidated financial statements.

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 amendment will become effective for annual periods beginning on or after 1 July 2014. Borealis is currently evaluating the impact of this amendment on the consolidated financial statements.

The amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations gives new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment will become effective for annual periods beginning on or after 1 January 2016. Borealis does not expect a material impact of this amendment on the consolidated financial statements.

The amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments will become effective for annual periods beginning on or after 1 January 2016, but are not expected to impact the Group's financial position or performance.

The amendments to IAS 16 and IAS 41 Bearer plants change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment. The amendments will become effective for annual periods beginning on or after 1 January 2016, but are not expected to impact the Group's financial position or performance.

The amendment to IAS 27 Equity Method in Separate Financial Statements allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment will become effective for annual periods beginning on or after 1 January 2016, but is not expected to impact the Group's financial position or performance.

The amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. As a consequence a full gain or loss is recognised when a transaction involves a business and a partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The amendment will become effective for annual periods beginning on or after 1 January 2016. 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 that will become effective for annual periods beginning on or after 1 January 2015 (annual improvements to IFRSs 2011–2013) and 1 February 2015 (annual improvements to IFRSs 2010–2012). Borealis has not yet completed its evaluation of the impact on the consolidated financial statements.

In September 2014, the IASB issued an omnibus of amendments to its standards (annual improvements to IFRSs 2012–2014) primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard that will become effective for annual periods beginning on or after 1 January 2016. Borealis has not yet completed its evaluation of the impact 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 17 June 2014. Borealis is currently evaluating the impact of this amendment on the consolidated financial statements.

The amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception was issued on 18 December 2014 and clarifies the requirements when accounting for investment entities. The amendments will become effective for annual periods beginning on or after 1 January 2016. Borealis is currently evaluating the impact on the consolidated financial statements.

The amendments to IAS 1 Presentation of Financial Statements were issued on 18 December 2014 and are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The amendments will become effective for annual periods beginning on or after 1 January 2016. Borealis is currently evaluating 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	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Net sales by business:								
Total sales	5,158,499	5,168,275	7,514,853	7,324,641	124,331	88,379	12,797,683	12,581,295
Group internal sales	–	–	(4,467,689)	(4,475,037)	–	–	(4,467,689)	(4,475,037)
	5,158,499	**5,168,275**	**3,047,164**	**2,849,604**	**124,331**	**88,379**	**8,329,994**	**8,106,258**

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

	Polyolefins 2014	Polyolefins 2013	Base Chemicals 2014	Base Chemicals 2013	Non-Allocated 2014	Non-Allocated 2013	Consolidated 2014	Consolidated 2013
Result:								
Operating profit	103,225	41,317	387,500	331,668	(210,390)	(177,734)	280,335	195,251
Net result in associated companies and joint ventures					408,399	351,053	408,399	351,053
Net financial items					(70,977)	(69,905)	(70,977)	(69,905)
Income tax					(46,582)	(53,717)	(46,582)	(53,717)
Non-controlling interest					(1,003)	(495)	(1,003)	(495)
Net profit for the year attributable to equity holders of the parent							**570,172**	**422,187**
Other information:								
Segment assets:	3,129,405	3,209,677	2,415,616	2,080,394	2,807,593	2,421,447	8,352,614	7,711,518
thereof Austria	1,756,159	2,020,667	1,268,292	937,626	2,624,480	2,015,829	5,648,931	4,974,123
Segment liabilities	–	–	–	–	3,821,048	3,809,224	3,821,048	3,809,224
Investment in tangible assets	97,193	41,961	242,786	167,703	29,676	54,668	369,655	264,332
Depreciation and amortisation	142,938	141,879	146,748	123,348	71,391	56,945	361,077	322,172

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

	Polyolefins 2014	Polyolefins 2013	Base Chemicals 2014	Base Chemicals 2013	Non-Allocated 2014	Non-Allocated 2013	Consolidated 2014	Consolidated 2013
Net sales by geographic segment (by delivery destination):								
EU countries:	3,631,515	3,674,254	2,783,501	2,624,103	50,384	14,455	6,465,400	6,312,812
thereof Austria	178,264	131,602	140,957	153,606	35,924	6,408	355,145	291,616
Non-EU countries in Europe	510,230	561,077	67,715	82,365	299	2	578,244	643,444
USA	131,982	117,545	17,578	5,799	–	–	149,560	123,344
Middle East and Asia	390,573	346,451	95,915	50,955	69,868	73,922	556,356	471,328
Other regions	494,199	468,948	82,455	86,382	3,780	–	580,434	555,330
	5,158,499	**5,168,275**	**3,047,164**	**2,849,604**	**124,331**	**88,379**	**8,329,994**	**8,106,258**

2. Research and development

At the end of the year, 504 people were engaged in research and development, compared with 515 in 2013. The total cost of these activities amounted to EUR 129,219 thousand (EUR 108,974 thousand). Development costs amounting to EUR 26,331 thousand (EUR 25,675 thousand), were capitalised as intangible assets.

3. Intangible assets

	Goodwill		Development costs		Capitalised software		Others	
EUR thousand	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Cost								
As of 1 January	124,622	67,414	238,938	216,083	53,208	43,209	178,915	156,029
Exchange adjustments	0	0	0	-8	3	-17	-1,846	-1,305
Additions	0	0	26,331	25,675	7,291	8,505	57,126	15,287
Additions through business combinations	2,953	57,208	0	0	0	1,712	203	21,231
Disposals	0	0	0	-2,812	-608	-201	-38,299	-12,335
Transfers	0	0	0	0	3,568	0	130	8
	127,575	**124,622**	**265,269**	**238,938**	**63,462**	**53,208**	**196,229**	**178,915**
Accumulated amortisation								
As of 1 January	0	0	121,494	98,105	34,188	27,466	93,334	83,784
Exchange adjustments	0	0	0	0	-3	-4	-425	-326
Disposals	0	0	0	-2,812	-429	-200	-2,118	-1,495
Amortisation and impairment	0	0	34,784	26,201	7,366	6,926	12,316	11,370
	0	**0**	**156,278**	**121,494**	**41,122**	**34,188**	**103,107**	**93,333**
Carrying value as of 31 December	**127,575**	**124,622**	**108,991**	**117,444**	**22,340**	**19,020**	**93,122**	**85,582**

Borealis invested EUR 97,602 thousand into intangible assets in 2014 (EUR 129,618 thousand).

The goodwill arising from business combinations in 2014 refers to the acquisition of Speciality Polymers Antwerp N.V. (see note 6).

Goodwill relating to cash generating unit polyethylene amounts to EUR 51,744 thousand (EUR 48,791 thousand), fertilizer and melamine EUR 47,375 thousand (EUR 47,375 thousand), polypropylene EUR 22,000 thousand (EUR 22,000 thousand) and Brazil EUR 6,456 thousand (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 26,331 thousand (EUR 25,675 thousand). Intangible assets received by the way of government grant as allowances for emissions (EU Emissions Trading System) amounted to EUR 46,980 thousand (EUR 0 thousand). No additional emission rights were acquired from external parties. An equivalent of EUR 21,218 thousand (EUR 9,842 thousand) was returned to the respective EU ETS regulatory authorities for the emitted emissions in 2013. The carrying value of other intangible assets is in line with their fair value.

4. Tangible assets

EUR thousand	Production plants 2014	Production plants 2013	Machinery and equipment 2014	Machinery and equipment 2013	Construction in progress 2014	Construction in progress 2013
Cost						
As of 1 January	6,013,203	5,719,467	133,938	127,551	177,467	191,549
Exchange adjustments	-107,069	-62,064	-690	-1,015	-3,427	-1,234
Additions	96,491	178,794	5,554	0	273,661	95,417
Additions through business combinations	36,041	141,651	122	3,743	3,296	56,117
Disposals	-137,925	-120,352	-2,129	-4,978	-63	-38
Transfers	186,494	155,707	5,684	8,637	-195,876	-164,344
	6,087,235	**6,013,203**	**142,479**	**133,938**	**255,058**	**177,467**
Accumulated depreciation						
As of 1 January	3,459,402	3,335,976	100,807	98,544	0	0
Exchange adjustments	-67,168	-35,533	-686	-750	0	0
Disposals	-136,644	-112,060	-2,026	-3,637	0	0
Depreciation and impairment	297,533	271,019	9,078	6,650	0	0
	3,553,123	**3,459,402**	**107,173**	**100,807**	**0**	**0**
Carrying value as of 31 December	**2,534,112**	**2,553,801**	**35,306**	**33,131**	**255,058**	**177,467**

The figures for production plants include capitalised finance leases with a net value of EUR 1,144 thousand (EUR 2,293 thousand) comprising acquisition costs of EUR 2,613 thousand (EUR 2,631 thousand) and accumulated depreciation of EUR 1,469 thousand (EUR 338 thousand). The lease obligation is included in loans and borrowings (see note 19).

In 2014, borrowing costs amounting to EUR 2,352 thousand (EUR 3,775 thousand) have been capitalised, using a 2.8% (3.2%) interest rate. There were no material additions to tangible assets that were not paid at the end of the reporting period.

Major projects advanced in 2014 relate to the turnaround project in Grand-Quevilly, France, the light feed modification to the cracker in Stenungsund, Sweden, the upgrade of the PE2 plant to Borstar 3G in Porvoo, Finland and investments into new production capacities in Itatiba, Brazil.

Future capital expenditure approved (tangible and intangible assets) by the Executive Board totals EUR 303,226 thousand (EUR 283,802 thousand), out of which EUR 129,138 thousand (EUR 137,993 thousand) is contractually committed (see note 20).

Assets pledged

Assets pledged amount to EUR 13,535 thousand (EUR 14,376 thousand) and relate to tangible assets. The liabilities covered by the above assets amounted to EUR 5,116 thousand (EUR 5,886 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	2014	2013
Production costs	276,282	253,399
Sales and distribution costs	10,780	11,516
Administration costs	22,915	23,799
Research & development costs	51,100	33,458
Total	**361,077**	**322,172**

The 2014 depreciation charge for tangible assets includes the impairment of EUR 0 thousand (EUR 1,352 thousand), using a weighted average cost of capital of 9% (8%).

The depreciation charge further includes an impairment of EUR 22,535 thousand (EUR 11,140 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

The determination of the fair values needed for the purchase price allocation of two acquisitions made in 2013, namely GPN and Rosier, remained preliminary as at year end 2013 and has been finalised by 30 June 2014. The changes are reported below.

Borealis made one acquisition in 2014.

6.1. 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., referred to herein 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, respectively associated companies, have 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 final.

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	2013 adapted	2013 reported
	Fair value recognised on acquisition[2)]	Fair value recognised on acquisition[1)]
Assets		
Tangible and intangible assets	175,361	173,357
Other investments	5,712	6,865
Deferred tax assets	10,000	10,000
Inventories	53,161	53,161
Trade receivables	57,260	57,260
Other current receivables and other assets	42,906	40,933
Cash and cash equivalents	2,366	2,366
Total assets acquired	**346,766**	**343,942**
Liabilities		
Employee benefits	20,595	20,470
Provisions non-current	24,694	23,974
Trade payables	61,822	61,822
Other current liabilities	32,293	27,393
Total liabilities	**139,404**	**133,659**
Total identifiable net assets at fair value	**207,362**	**210,283**
Goodwill arising on acquisition	7,016	5,603
Total purchase consideration	**214,378**	**215,886**
Percentage acquired	**100.00%**	**100.00%**

1) Due to ongoing assessments the fair value recognised at year end 2013 was preliminary and subject to finalisation.
2) The determination of the fair values needed for the purchase price allocation was finalised by the end of June 2014 and adapted in the comparatives of 2013.

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 an initial cash payment in June 2013 of EUR 177,485 thousand, including debt repayment amount to the former owner of EUR 69,109 thousand, subsequent purchase price reduction in March 2014 of EUR 20,495 thousand (31.12.2013 EUR 18,843 thousand), including interest payment of EUR 144 thousand, a contingent consideration liability of EUR 57,244 thousand and costs of EUR 1,446 thousand directly attributable to the acquisition.

The cash acquired in 2013 with this acquisition amounted to EUR 2,366 thousand, resulting in net cash outflow in 2013 on the acquisition of EUR 175,119 thousand and a net cash inflow in 2014 of EUR 20.495 thousand. The transaction costs of EUR 1,446 thousand have been expensed and are included in administrative expenses in the income statement 2013 and are part of operating cash flows in 2013.

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 of 31 December 2014, 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 18-month period from the acquisition date. The fair value of the contingent consideration determined at the reporting date reflects this development and the discount rate effect, and amounts to EUR 0 thousand (EUR 31,032 thousand). A re-measurement income of EUR 31,032 thousand (EUR 26,212 thousand) has been recognised through profit or loss.

The goodwill of EUR 7,016 thousand comprises the value of the expected synergies and other benefits from combining the assets and activities of Borealis Chimie with those of Borealis and has been allocated to the cash generating unit fertilizer and melamine. None of the recognised goodwill is deductible for income tax purposes.

The finalisation of the determination of the fair values needed for the purchase price allocation resulted in no significant changes to the financial statements.

6.2. 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 final. The fair value of the non-controlling interest has been determined in line with the stock share price value on the day of acquisition.

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	2013 adapted	2013 reported
	Fair value recognised on acquisition[2)]	Fair value recognised on acquisition[1)]
Assets		
Tangible and intangible assets	19,170	19,170
Deferred tax assets	2,327	1,425
Inventories	41,426	41,426
Trade receivables	43,078	43,078
Other current receivables and other assets	2,564	2,565
Cash and cash equivalents	2,284	2,284
Total assets acquired	**110,849**	**109,948**
Liabilities		
Employee benefits	4,621	0
Provisions non-current	0	1,683
Trade payables	31,190	31,190
Other current liabilities	3,926	4,563
Total liabilities	**39,737**	**37,436**
Total identifiable net assets at fair value	**71,112**	**72,512**
Non-controlling interest measured at fair value	-12,726	-12,726
Goodwill arising on acquisition	1,400	0
Total purchase consideration	**59,786**	**59,786**
Percentage acquired	**75.05%**	**75.05%**

1) Due to limited information exchange during the mandatory takeover bid, the fair value recognised at year end 2013 was preliminary and subject to finalisation.
2) The determination of the fair values needed for the purchase price allocation was finalised by the end of June 2014 and adapted in the comparatives of 2013.

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 a cash payment in 2013 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, all incurred in 2013.

The cash acquired with this acquisition amounted to EUR 2,284 thousand in 2013, resulting in net cash outflow in 2013 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 in 2013 and are part of operating cash flows in 2013.

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, when Borealis acquired an additional 2.42% of the shares issued by Rosier S.A.

The goodwill of EUR 1,400 thousand comprises the value of the expected synergies and other benefits from combining the assets and activities of Rosier with those of Borealis and has been allocated to the cash generating unit fertilizer and melamine. None of the recognised goodwill is deductible for income tax purposes.

The finalisation of the determination of the fair values needed for the purchase price allocation resulted in no significant changes to the financial statements.

6.3. Acquisition of Speciality Polymers Antwerp N.V.
On 1 September 2014, Borealis (via Borealis Polymers, N.V., in Beringen, Belgium, a 100% subsidiary of Borealis AG, Vienna, Austria) acquired 670 shares of Speciality Polymers Antwerp N.V., Zwijndrecht, Belgium (hereafter 'SPA'), from DuPont Holding Netherlands B.V. (the Seller).

Together with 330 shares (33%) already owned before the latest acquisition by Borealis Polymers N.V., Belgium, and Borealis Kallo N.V., Belgium (directly or indirectly 100% subsidiaries of Borealis AG, Vienna, Austria), Borealis became 100% owner of SPA.

SPA is a producer of acrylate based co- and ter-polymers and ethylene vinyl acetate (EVA). The acrylate copolymers, which are part of a broader portfolio of speciality polymers produced at SPA, are an important building block for Borealis' value-added products sold into the core Energy & Infrastructure market.

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 SPA for the 4-month period from the acquisition date.

Assets acquired and liabilities assumed

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

EUR thousand	Fair value recognised on acquisition[1)]	Note
Assets		
Tangible and intangible assets	39,662	3, 4
Inventories	2,892	
Trade receivables	18,061	
Other current receivables and other assets	573	
Cash and cash equivalents	903	
Total assets acquired	**62,091**	
Liabilities		
Deferred taxes	3,074	9
Employee benefits	8,462	13
Provisions non-current	140	14
Trade payables	16,831	
Other current liabilities	4,383	
Total liabilities	**32,890**	
Total identifiable net assets at fair value	**29,201**	
Non-controlling interest measured at fair value	-8,154	
Goodwill arising on acquisition	2,953	3
Total purchase consideration	**24,000**	
Percentage acquired	**67.00%**	

1) Due to ongoing assessments the fair value recognised at year end 2014 is preliminary and subject to finalisation.

The total acquisition costs of 67% of the share capital of SPA are comprised a cash payment in September 2014 of EUR 24,000 thousand and costs of EUR 640 thousand directly attributable to the acquisition.

The cash acquired with this acquisition amounted to EUR 903 thousand, resulting in net cash outflow on the acquisition of EUR 23,097 thousand. The transaction costs of EUR 640 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.

The fair value of the trade receivables acquired through this business combination amounted to EUR 18,061 thousand. This amount was fully collected during the year. From the date of acquisition until the end of the year, SPA has contributed EUR 55,668 thousand of revenue and EUR 1,143 thousand profit to the net result of the Group. If the combination had taken place at the beginning of the year, the revenue contribution from SPA would have been EUR 152,776 thousand and the contribution to the net profit would have been EUR 1,609 thousand.

The goodwill of EUR 2,953 thousand comprises the value of the expected synergies and other benefits from combining the assets and activities of SPA 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.

6.4. Other changes

In 2014, Borealis established a new 100% subsidiary named Borealis Chile SpA, Santiago de Chile, Chile, to support sales activities in Chile. Borealis Plastomers 1 B.V., Borealis Plastomers 2 B.V. and Borealis Plastomers V.O.F. were liquidated in 2014.

7. Investments in associated companies and joint ventures

	Shares in associated companies and joint ventures	
EUR thousand	**2014**	**2013**
Cost		
As of 1 January	341,014	333,805
Investments	0	7,209
Disposals	-8,616	0
	332,398	341,014
Adjustments		
As of 1 January	1,685,010	1,417,307
Exchange adjustments	280,829	-83,349
Dividends received	-21,855	-51,816
Capital repayments of associated companies	-108,587	0
Capital contributions to associated companies	59,736	51,816
Net result of associated companies and joint ventures, after tax	408,399	351,053
Disposals	2,264	0
	2,305,796	1,685,010
Carrying value as of 31 December	**2,638,194**	**2,026,024**

The Group presents the investments in associated companies and joint ventures as follows:

EUR thousand	2014	2013
Material associated company (Abu Dhabi Polymers Company Limited (Borouge))	2,579,592	1,964,919
Non-material associated companies	51,115	53,366
Non-material joint ventures	7,487	7,739
Carrying value as of 31 December	**2,638,194**	**2,026,024**

Investments in associated companies and joint ventures are part of the non-allocated segment.

The Group has the following investments in associated companies:

		Ownership in %	
Associates	**Country**	**2014**	**2013**
Abu Dhabi Polymers Company Limited (Borouge)	United Arab Emirates	40.00	40.00
Borouge Pte Ltd	Singapore	50.00	50.00
Speciality Polymers Antwerp N.V.**	Belgium	100.00	33.00
FEBORAN AD	Bulgaria	40.00	40.00
Chemiepark Linz Betriebsfeuerwehr GmbH*	Austria	47.50	47.50
AZOLOR S.A.S.*	France	34.00	34.00
Société d'Intérêt Collectif Agricole par Actions Semplifiée de Guaix (SICA)*	France	25.00	25.00
Société Industrielle Commerciale et Agricole de Maiziéres La Grande Paroisse S.A.S.*	France	33.99	33.99
Société Champenoise pour le Développement des Engrais Liquides S.A.S. (SCEL)*	France	49.98	49.98
Société d'Intérêt Collectif Agricole Laignes Agrifluides (SICA)*	France	49.90	49.90
Franciade Agrifluides S.A.S. (FASA)*	France	49.98	49.98
Société Centre Ouest Agrifluide S.A.S. (SOCOA)*	France	49.98	49.98

* Excluded from consolidation at equity due to immateriality.
** The Group acquired as of 1 September 2014 the remaining 67% of the shares (see Note 6).

Abu Dhabi Polymers Company Limited (Borouge) is a leading provider of innovative, value creating plastic solutions for infrastructure, automotive and advanced packaging applications.

The following table illustrates the summarised full financial information of the Group's investment in Abu Dhabi Polymers Company Limited (Borouge):

EUR thousand	2014	2013
Current assets	1,343,721	1,131,107
Non-current assets	8,072,000	7,057,853
Current liabilities	437,994	408,829
Non-current liabilities	2,509,268	2,880,306
Equity	**6,468,459**	**4,899,825**
Share of Borealis	40%	40%
Share of net assets	2,587,384	1,959,930
Adjustments	-7,792	4,989
Carrying value as of 31 December	**2,579,592**	**1,964,919**
Net profit for the year	1,010,301	833,529
Other comprehensive income	0	0
Total comprehensive income	1,010,301	833,529
Dividends received by Borealis from Borouge	21,855	51,816
Repayments of shareholder loan received by Borealis from Borouge	108,587	0
Capital contributions by Borealis to Borouge	59,736	51,816

Summary in financial information for non-material associates, adjusted for the ownership by the Group:

EUR thousand	2014	2013
Net profit for the year as share of ownership by the Group	3,009	17,120
Other comprehensive income	0	0
Total comprehensive income as share of ownership by the Group	3,009	17,120

The Group has the following investments in joint ventures:

		Ownership in %	
Joint ventures	**Country**	**2014**	**2013**
PetroPort Holding AB	Sweden	50.00	50.00
BTF Industriepark Schwechat GmbH*	Austria	50.00	50.00

* Excluded from consolidation at equity due to immateriality

Summary in financial information for non-material joint ventures, adjusted for the ownership by the Group:

EUR thousand	2014	2013
Net profit for the year as share of ownership by the Group	-20	521
Other comprehensive income	0	0
Total comprehensive income as share of ownership by the Group	-20	521

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	2014	2013
Taxes		
Income tax payable	35,328	61,910
Change in deferred tax	-8,588	-23,063
Adjustment to prior year's tax charge	19,842	14,870
Tax expense (+)/benefit (-)	**46,582**	**53,717**

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

EUR thousand		2014		2013
Tax expense at statutory rates (weighted average tax rate of the Group)	**24%**	**151,056**	**26%**	**122,398**
Tax effect of result in associated companies	-17%	-102,070	-18%	-87,763
Tax effect of permanent differences	0%	-3,016	-1%	-5,214
Adjustment of valuation allowance/Re-assessment of unrecognised tax losses	-4%	-25,612	8%	37,974
Change due to changes in tax rates	0%	0	-3%	-15,189
Prior year's adjustments and other	5%	26,224	0%	1,511
Tax expense	**8%**	**46,582**	**11%**	**53,717**

	Balance sheet		Income statement	
EUR thousand	**2014**	**2013**	**2014**	**2013**
Deferred tax assets				
Tangible assets	4,468	5,064	-597	3,688
Intangible assets	8,193	6,362	1,831	-1,600
Adjusted depreciation for tax purposes	**12,661**	**11,426**		
Revaluation of cash flow hedges	19,870	7,141	-2,110	1,670
Net gain on hedge of a net investment	8,841	0	-355	-23
Valuation of inventories for tax purposes	9,020	5,261	3,759	908
Fair values compared to tax values	**37,731**	**12,402**		
Employee benefits	76,701	54,376	617	16,175
Other provisions	3,966	5,263	-1,297	-12,240
Other assets and liabilities	12,533	31,654	-18,580	17,580
Other timing differences	**93,200**	**91,293**		
Losses available for offsetting against future taxable income	**208,416**	**193,695**	14,720	-4,560
Netting with deferred tax liabilities	**-132,731**	**-115,444**		
Deferred tax assets	**219,277**	**193,372**	**-2,012**	**21,596**

	Balance sheet		Income statement	
EUR thousand	**2014**	**2013**	**2014**	**2013**
Deferred tax liabilities				
Tangible assets	-245,207	-249,517	2,649	9,660
Intangible assets	-39,903	-39,214	-703	1,347
Accelerated/adjusted depreciation for tax purposes	**-285,110**	**-288,731**		
Revaluation of cash flow hedges	0	-2,278	2,279	-1,726
Valuation of inventories for tax purposes	-19,830	-10,584	-9,246	-3,094
Fair values compared to tax values	**-19,830**	**-12,862**		
Employee benefits	-5,571	-6,311	2,395	1,478
Other provisions	-13,996	-19,869	5,867	6,757
Other assets and liabilities	-13,040	-52,442	7,360	-12,955
Other timing differences	**-32,607**	**-78,622**		
Netting with deferred tax assets	**132,731**	**115,444**		
Deferred tax liabilities	**-204,816**	**-264,771**	**10,600**	**1,467**
Net tax asset/liability	**14,461**	**-71,399**	**8,588**	**23,063**

In addition to the tax assets capitalised, the Group has unrecognised tax assets of EUR 141,436 thousand (EUR 181,098 thousand), due to current forecasts indicating insufficient future profits.

EUR thousand	2014	2013
Deductible temporary differences	41,805	58,134
Tax losses carried forward	99,631	122,964
– Taxable temporary differences	0	0
Total unrecognised net tax assets	**141,436**	**181,098**

The tax losses carried forward have no expiry date.

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 25,612 thousand (EUR 1,793 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 132,496 thousand (EUR 123,952 thousand), for which no deferred tax liability has been recognised in accordance with IAS 12.39 Income Taxes.

Tax contingencies

On 29 December 2014, the management of Borealis Technology Oy (TOY), Finland, has received a re-assessment decision by the Finnish Tax Authority (FTA) for the year 2008. Based on this re-assessment the taxable income of TOY has been increased by an amount of EUR 700,000 thousand. This leads to a requested additional total payment of EUR 281,747 thousand, comprising of taxes, late payment interest and penalties. The payment obligation has been suspended pending TOY's appeal.

The FTA claims that the exclusive licence agreement under which TOY licensed its polyolefin technology to Borealis AG in the year 2008 is to be regarded as a sale of business. The management of Borealis believes that the FTA's decision is unjustified as, in fact, it constitutes an attempt to re-characterise a valid and legitimate licence deal into a sale deal that never took place. Furthermore, Borealis believes that TOY's licensed technology constitutes assets and cannot be regarded as a fully-fledged business. Borealis is confident that it is very likely that the decision of the FTA will be reversed in the next phases of the proceeding.

TOY's income for the year 2010 in regards to the licence agreement between TOY and Borealis AG for the catalyst technology is still under evaluation by the FTA.

Several other 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.

10. Inventories

EUR thousand	2014	2013
Finished products	784,896	860,772
Raw materials and consumables	341,698	284,609
Total	**1,126,594**	**1,145,381**

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 6,114,566 thousand (EUR 6,178,168 thousand), including impairment cost of EUR 16,603 thousand (EUR 14,879 thousand) and reversal of impairment of EUR 0 thousand (EUR 3,976 thousand).

The carrying amount of inventories carried at fair value less costs to sell is EUR 189,996 thousand (EUR 167,823 thousand).

11. Share capital

EUR thousand	Share capital 2014	Share capital 2013	Contributions by shareholders 2014	Contributions by shareholders 2013
Balance as of 1 January	300	300	1,599,097	1,619,097
Capital increase (decrease)	0	0	0	-20,000
Balance as of 31 December	**300**	**300**	**1,599,097**	**1,599,097**

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 1,599,097 thousand). EUR 0 thousand (EUR 20,000 thousand) were transferred to retained earnings.

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. As per year-end the gearing stands at 40% (45%).

12. Personnel

EUR thousand	2014	2013
Cost		
Salaries and wages	451,760	404,947
Pension costs and other long term employee benefit costs	39,628	38,521
Social security costs	120,407	102,719
Other personnel expenses	30,580	26,706
Total	**642,375**	**572,893**
Average number of employees by country		
Austria	1,684	1,691
Belgium	1,046	936
Finland	900	878
France	896	897
Germany	306	310
Sweden	902	926
Other	557	589
Total	**6,290**	**6,227**

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

EUR thousand	2014	2013
Salaries and wages management (Executive Board)	7,065	5,585
Pension and severance costs management (Executive Board)	735	528
Salaries and wages other key management	1,385	1,521
Pension costs other key management	131	115
Total	**9,316**	**7,749**

From the pension and severance costs of the Executive Board of EUR 735 thousand (EUR 528 thousand), EUR 0 thousand (EUR 0 thousand) were 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 856 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	2014	2013
Funded post-employment benefit plans		
Present value of funded defined benefit obligation	280,469	227,961
Fair value of plan assets	-194,305	-159,523
Funded status	86,164	68,438
Unfunded post-employment benefit plans		
Present value of unfunded defined benefit obligation	214,813	169,263
Other long-term employee benefit plans	27,078	22,694
Severance plans	54,875	45,798
Net liability recognised in the balance sheet	**382,930**	**306,193**

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. The pension plans typically 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	2014	2013
Change in benefit obligation		
Defined benefit obligation as of 1 January	397,224	335,846
Net current service cost	12,658	12,850
Interest cost on defined benefit obligation	13,204	11,199
Actual plan participants' contributions	35	34
Past service cost	-465	0
Settlements	-1,929	-2,557
Net increase in liabilities from acquisitions	14,936	67,597
Net Increase/decrease (-) in liabilities as a result of internal transfers	0	-224
Actual benefits paid directly from the plan assets	-11,038	-7,690
Actual benefits paid directly by employer	-7,194	-6,005
Actual expenses/taxes and premiums paid	-876	-731
Gains (-)/losses due to changes in demographic assumptions	455	276
Gains (-)/losses due to changes in financial assumptions	81,282	-19,015
Experience gains (-)/losses	5,934	10,352
Exchange rate gains (-)/losses	-8,944	-4,708
Defined benefit obligation as of 31 December	495,282	397,224
Change in plan assets		
Fair value of plan assets as of 1 January	159,523	120,364
Interest income on plan assets	5,646	4,514
Return on plan assets excluding amounts included in interest income	19,693	-8,198
Actual employer contributions	14,890	11,976
Actual plan participants' contributions	35	34
Actual benefits paid directly from the plan assets	-11,038	-7,690
Actual admin expenses paid	-226	-180
Actual taxes paid	-876	-731
Settlements	-915	-1,427
Net increase in assets from acquisitions	7,861	41,504
Exchange rate gains/losses (-)	-288	-643
Fair value of plan assets as of 31 December	194,305	159,523

The plan assets in 2014 and 2013 consist of insurance contracts. Settlements as per above relate to wind down of residual operations 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	2014	2013
Change in benefit obligation		
Defined benefit obligation as of 1 January	22,694	21,366
Net current service cost	1,863	2,048
Interest cost on defined benefit obligation	723	646
Actual plan participants' contributions	0	0
Past service cost	139	0
Net increase in liabilities from acquisitions	1,387	1,261
Net increase/decrease (-) in liabilities as a result of internal transfers	0	224
Actual benefits paid directly from the plan assets	-64	-15
Actual benefits paid directly by employer	-3,527	-3,114
Actual expenses/taxes and premiums paid	-1	0
Gains (-)/losses due to changes in demographic assumptions	-1	933
Gains (-)/losses due to changes in financial assumptions	2,682	-339
Experience gains (-)/losses	1,184	-327
Exchange rate gains (-)/losses	-1	11
Defined benefit obligation as of 31 December	27,078	22,694

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	2014	2013
Change in benefit obligation		
Defined benefit obligation as of 1 January	45,798	47,404
Net current service cost	759	854
Interest cost on defined benefit obligation	1,584	1,527
Actual benefits paid directly by employer	-2,532	-3,207
Gains (-)/losses due to changes in financial assumptions	8,371	-1,289
Experience gains (-)/losses	895	509
Exchange rate gain/loss (-)	0	0
Defined benefit obligation as of 31 December	54,875	45,798

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	2014	2013
Change in Balance Sheet		
Net asset (-)/liability recognised as of 1 January	306,193	284,251
P&L charge/credit (-)	28,183	24,251
Total amounts recognised in the other comprehensive income	76,956	3,586
Effect of acquisitions	8,462	22,923
Actual employer contributions (including direct benefit payments)	-28,207	-24,749
Exchange rate gains (-)/losses	-8,657	-4,069
Net asset (-)/liability recognised as of 31 December	382,930	306,193

EUR thousand	2014	2013
Analysis of amounts recognised in the Income Statement		
Service cost	13,940	15,043
Net interest on the net defined benefit liability/asset (-)	9,864	8,914
Immediate recognition of gains (-)/losses arising over the year	4,152	100
Total administration expenses recognised in profit and loss	226	194
Total expense recognised in profit and loss	28,183	24,251
Actual return on plan asset	25,340	-3,573

The aggregated benefit costs charged to the income statement for 2014 amounted to EUR 39,628 thousand (EUR 38,521 thousand) and relate to:

EUR thousand	2014	2013
Defined benefit plans	28,183	24,251
Defined contribution plans	11,445	14,270
Total	**39,628**	**38,521**

Total expense, with its constituents, in respect of the defined benefit plans is recognised in the production costs with EUR 16,572 thousand (EUR 13,590 thousand), sales and distribution costs with EUR 3,937 thousand (EUR 3,829 thousand), costs of administration with EUR 5,353 thousand (EUR 4,695 thousand) and research & development costs with EUR 2,321 thousand (EUR 2,137 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:

	2014	2013
Discount rate	2% to 3%	3% to 4%
Projected future salary growth	2% to 4%	3% to 4%
Expected pension increase	2% to 4%	2% to 4%

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

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 7.1%	Increase by 6.0%
Salary growth rate	0.50%	Increase by 3.4%	Decrease by 4.5%
Pension growth rate	0.50%	Increase by 2.5%	Decrease by 3.6%

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.

Expected contributions to post-employment benefit plans for the year ending 31 December 2015 are EUR 25,364 thousand (EUR 22,083 thousand). The weighted average duration of the defined benefit obligation is 14.6 (14.2) years. The defined benefit plans expose the Group to actuarial risks, mainly the longevity risk, interest rate and market (investment) risk.

14. Other provisions

	2014					
EUR thousand	Restructuring	Decommissioning	Legal	Environmental	Other	Total
As of 1 January	8,275	17,709	3,885	28,860	14,738	73,467
Additions	2,849	1,387	2,227	1,018	8,971	16,452
Additions through business combinations	0	0	0	0	140	140
Utilised	-4,417	-3,197	-554	-910	-4,077	-13,155
Reversed	-1,272	0	-2,456	-5,845	-1,842	-11,415
Exchange adjustments	-74	-170	4	-28	-1	-269
Balance as of 31 December	**5,361**	**15,729**	**3,106**	**23,095**	**17,929**	**65,220**
Other provisions current	1,453	0	300	200	1,442	3,395
Other provisions non-current	3,908	15,729	2,806	22,895	16,487	61,825
Balance as of 31 December	**5,361**	**15,729**	**3,106**	**23,095**	**17,929**	**65,220**

	2013					
EUR thousand	Restructuring	Decommissioning	Legal	Environmental	Other	Total
As of 1 January	4,988	18,963	4,077	10,734	15,316	54,077
Additions	2,325	332	245	541	4,365	7,808
Additions through business combinations	1,616	0	0	18,520	3,147	23,283
Utilised	-223	-470	-303	-934	-6,814	-8,744
Reversed	0	-963	-42	-1	-1,530	-2,535
Interest expense	0	99	0	0	0	99
Exchange adjustments	-431	-252	-92	0	254	-521
Balance as of 31 December	**8,275**	**17,709**	**3,885**	**28,860**	**14,738**	**73,467**
Other provisions current	5,920	0	85	1,400	0	7,405
Other provisions non-current	2,355	17,709	3,800	27,460	14,738	66,062
Balance as of 31 December	**8,275**	**17,709**	**3,885**	**28,860**	**14,738**	**73,467**

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

Environmental
Environmental provision covers several environmental exposures in the Group. Several environmental exposures have been settled in the reporting period 2014, resulting in a reversal of the provision mainly in Austria.

Other
Other provisions cover numerous types of long term obligations including long term incentive plans. Several exposures have been settled in the reporting period 2014, resulting in an utilisation of the respective provisions mainly in Austria and reversals mainly in France.

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 2014 Borealis received government grants for research and development and for investments in new production plants. During the year EUR 9,953 thousand (EUR 4,443 thousand) was recognised in the income statement.

The EU ETS emission allowances for 2013 and 2014 were granted in 2014 and amount to EUR 46,980 thousand.

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.

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 from 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.

Financial assets and liabilities are not offset in the consolidated balance sheet and are included separately in assets and liabilities.

17. Financial income/expenses

EUR thousand	2014	2013
Interest income from:		
Cash and cash equivalents	907	2,353
Derivatives	6,159	7,252
Total interest income	**7,066**	**9,605**
Interest expenses to:		
Finance institutions	-60,952	-59,499
Derivatives	-6,970	-11,480
Capitalised interest	2,352	3,775
Exchange adjustments, net	4,035	89
Other financial expenses and income	-16,508	-12,395
Total financial expenses	**-78,043**	**-79,510**
Net financial items	**-70,977**	**-69,905**

18. Gains and losses from financial instruments

EUR thousand	2014	2013
Recognised in profit or loss		
Change in fair value of commodity derivative contracts	-3,238	459
Change in fair value of foreign exchange derivative contracts	3,171	-1,710
Realised result on commodity derivative contracts	2,124	-7,340
Realised result on foreign exchange derivative contracts	1,213	19
Financial assets and liabilities at fair value through profit or loss	**3,270**	**-8,572**
Change in fair value of commodity derivative contracts for feedstock for fair value hedges	743	78
Ineffective portion of change in fair value of cash flow hedge instruments		
Interest derivative contracts	0	113
Amounts recognised in profit or loss for realised cash flow hedges		
Commodity derivative contracts	6,501	-26,173
Interest derivative contracts	-867	-4,341
Foreign exchange derivative contracts	-6,156	4,410
(Hedges of) Net investments in foreign operations	0	-4,234
Hedging instruments	**221**	**-30,147**
Interest income from available for sale assets	230	224
Available for sale financial assets	**230**	**224**
Interest income on cash and deposits	907	2,165
Foreign exchange effects on cash and deposits	3,428	-3,135
Foreign exchange effects on receivables	-18,902	7,778
Impairment losses on receivables	-1,534	-3,239
Loans and receivables	**-16,101**	**3,569**
Interest expenses and other expenses on financial liabilities	-77,690	-71,868
Foreign exchange effects on financial liabilities	21,281	-2,906
Financial liabilities	**-56,409**	**-74,774**

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	2014	2013
Recognised in other comprehensive income		
Commodity derivative contracts designated as cash flow hedge	-9,920	-24,836
Interest derivative contracts outstanding	-1,693	-847
Foreign exchange derivative contracts	-48,999	11,317
Foreign exchange effects on receivables part of net investment in foreign operations	-3,408	-6,034
Foreign exchange effects on financial liabilities and derivatives designated as hedge of investment in foreign operations	-34,108	12,243
Available for sale assets	734	-226
Amounts reclassified to the income statement		
(Hedges of) Net investment in foreign operations	0	4,234
Commodity derivative contracts	-6,501	26,173
Interest derivative contracts	867	4,341
Foreign exchange derivative contracts	6,156	-4,410
Total recognised in other comprehensive income	**-96,872**	**21,955**

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		2014					
Due		**Total**	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed facilities
After	5 years	**416,818**	416,818				
Within	5 years	**417,116**	417,116				1,000,000
	4 years	**170,045**	170,045				
	3 years	**352,585**	352,585				
	2 years	**238,418**	237,252			1,166	
Total long-term debt		**1,594,982**	1,593,816	0	0	1,166	1,000,000
Total short-term debt	1 year	**245,810**	195,810	50,000	0 [1]	0	166,000
Total debt		**1,840,792**	**1,789,626**	**50,000**	**0**	**1,166**	**1,166,000**

[1] Borealis maintains EUR 166,000 thousand in export credit facilities (these facilities were fully undrawn at 31 December 2014). These facilities are economically evergreen in nature, but include a one year notice for cancellation.

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	0	0	2,316	1,000,000
Total short-term debt	1 year	**153,819**	60,481	0	93,338 [2)]	0	102,662
Total debt		**1,830,603**	**1,734,949**	**0**	**93,338**	**2,316**	**1,102,662**

[2)] 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.

The Group's financing mainly comprises 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 2014 and by terming out its debt through diverse funding channels.

In 2014, Borealis concluded a number of strategic financing initiatives. In September 2014, Borealis refinanced its EUR 1 billion syndicated revolving credit facility, that replaces the previous EUR 1 billion financing from 2012 and extends the maturity to 2019 with an additional extension option of up to two years. In October, Borealis received a EUR 75 million term loan from the KfW IPEX-Bank for polymers R&D. The KfW IPEX-Bank loan will run parallel with a EUR 150 million European Investment Bank (EIB) financing package.

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 1,166,000 thousand (EUR 1,196,000 thousand) of which EUR 0 thousand (EUR 93,338 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 1,166 thousand (EUR 2,316 thousand) and relates to payables within one year of EUR 0 thousand (EUR 0 thousand), payables between one and five years of EUR 1,168 thousand (EUR 2,320 thousand) and payables beyond five years of EUR 0 thousand (EUR 0 thousand) less financial charges of EUR 2 thousand (EUR 4 thousand).

Currency Mix	2014	Percent	2013	Percent
Interest bearing (EUR thousand)				
USD	307,693	17%	273,613	15%
EUR	1,494,661	81%	1,520,983	83%
GBP*	38,438	2%	36,007	2%
Interest bearing total	**1,840,792**	**100%**	**1,830,603**	**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	2014						
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	-387,050	**-399,720**	-167,813	-1,642	-57,379	-97,390	-75,497
EUR fixed rate loans	-1,056,445	**-1,214,027**	-22,366	-46,692	-151,991	-798,107	-194,872
EUR financial leases	-1,166	**-1,166**	0	0	0	-1,166	0
USD floating rate loans	-120,527	**-124,251**	-707	-916	-57,561	-65,068	0
USD fixed rate loans	-187,166	**-266,103**	-5,192	-5,341	-20,818	-82,675	-152,076
GBP fixed rate loans	-38,438	**-63,731**	-1,807	-1,807	-3,613	-10,840	-45,665
Trade payables	-740,379	**-740,379**	-740,379	0	0	0	0
Uncommitted facilities	-50,000	**-50,000**	-50,000	0	0	0	0
Total	**-2,581,171**	**-2,859,377**	**-988,263**	**-56,397**	**-291,362**	**-1,055,245**	**-468,109**

EUR thousand	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	2014						
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	-1,770	**-107,836**	-313	-317	-36,632	-35,621	-34,953
Assets/inflow	0	**106,001**	96	205	35,829	34,845	35,026
Cross currency interest rate swaps							
Liabilities/outflow	-1,957	**-47,044**	-1,872	-1,868	-43,304		
Assets/inflow	0	**45,122**	1,807	1,801	41,514		
Foreign exchange contracts							
Liabilities/outflow	-28,604	**-744,216**	-415,068	-329,148			
Assets/inflow	1,065	**716,618**	405,586	311,032			
Feedstock contracts							
Liabilities/outflow	-124,109	**-124,235**	-92,005	-32,230			
Assets/inflow	118,161	**118,336**	62,719	55,618			
Electricity contracts							
Liabilities/outflow	-27,408	**-27,444**	-10,722	-9,685	-6,130	-907	
Assets/inflow	3,638	**3,642**	1,770	1,425	406	41	
Natural gas hedges							
Liabilities/outflow	-4,171	**-4,176**	-1,324	-1,108	-1,237	-507	
Assets/inflow	292	**292**	136	12	88	56	
Total	**-64,863**	**-64,941**	**-49,191**	**-4,264**	**-9,467**	**-2,093**	**73**

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	0	**85,482**	55,115	145	82	30,140	
Cross currency interest rate swaps							
Liabilities/outflow	0	**-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	2014					
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	36,972	22,340	534	410	1,294	12,394
Operating lease payables	44,098	7,328	6,946	9,908	16,469	3,447
Capital commitments – tangible assets	129,138	63,330	19,109	45,899	800	0

EUR thousand	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

For details in respect to off balance sheet liabilities please see note 4, note 28 and note 31.

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	2014						
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	-1,770	**-107,836**	-313	-317	-36,632	-35,621	-34,953
Assets/inflow	0	**106,001**	96	205	35,829	34,845	35,026
Cross currency interest rate swaps							
Liabilities/outflow	-1,957	**-47,044**	-1,872	-1,868	-43,304	0	0
Assets/inflow	0	**45,122**	1,807	1,801	41,514	0	0
Foreign exchange contracts							
Liabilities/outflow	-28,251	**-558,327**	-229,179	-329,148	0	0	0
Assets/inflow	0	**530,015**	218,983	311,032	0	0	0
Electricity, feedstock and natural gas contracts							
Liabilities/outflow	-110,732	**-110,774**	-75,833	-26,160	-7,367	-1,414	0
Assets/inflow	80,591	**80,595**	41,033	38,971	494	97	0
Total	**-62,119**	**-62,248**	**-45,278**	**-5,484**	**-9,467**	**-2,093**	**73**
Fair value hedges							
Feedstock contracts							
Liabilities/outflow	0	**0**	0				
Assets/inflow	743	**743**	743				

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				

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 2014, was EUR 715,894 thousand (EUR 885,980 thousand), of which EUR 556,028 thousand (EUR 566,219 thousand) relates to foreign currency hedging and EUR 159,866 thousand (EUR 319,761 thousand) relates to liquidity management. The total notional value of outstanding foreign exchange options as of 31 December 2014, was EUR 0 thousand (EUR 0 thousand) measured at the strike rate.

Of the foreign exchange cash flow hedges gains (losses) of EUR -6,156 thousand (EUR 4,410 thousand) were removed from hedging reserve during 2014 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 2014 and 2013.

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 2014, was EUR -28,251 thousand (EUR 9,880 thousand).

EUR -28,251 thousand (EUR 9,880 thousand) have been recorded in other comprehensive income at year-end of which EUR 0 thousand (EUR 12,467 thousand) have been recognised in other assets (thereof EUR 0 thousand (EUR 5,766 thousand) in non-current assets) and EUR -28,251 thousand (EUR -2,587 thousand) in other liabilities (thereof EUR 0 thousand (EUR 0 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 307,692 thousand (EUR 271,605 thousand) as of 31 December 2014. EUR/USD cross currency interest rate swaps and foreign exchange swaps of notional EUR 194,315 thousand (EUR 275,755 thousand) were classified as net investment hedges as of 31 December 2014. A foreign exchange loss of EUR -55,162 thousand (gain of EUR 23,941 thousand) was recognised in other comprehensive income during 2014 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 2014, was EUR 712 thousand (EUR -1,213 thousand).

EUR 1,065 thousand (EUR 670 thousand) was recognised in other assets and EUR -353 thousand (EUR -1,883 thousand) in other liabilities. During 2014, a net amount of USD 0 thousand (USD 0 thousand) and EUR 0 thousand (SEK 1,029,470 thousand) of long-term inter-company loans were repaid, resulting in a net loss recognised to the income statement of EUR 0 thousand (EUR 4,234 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 2014. The Group assumes that the prevailing polyolefin market pricing mechanisms reduce the foreign exchange risk in practice.

As of 31 December 2014, 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 600 thousand (increase of EUR 1,444 thousand). The effect of a weakening of one percentage point of the USD against the EUR on Borealis' profit before tax would have been approximately EUR -588 thousand (decrease of EUR -1,181 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 the USD against the EUR would have increased the Group's equity by EUR 20,261 thousand (increase of EUR 14,260 thousand), a weakening of one percentage point of the USD against the EUR would have decreased the Group's equity by EUR -19,860 thousand (decrease of EUR -11,667 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 70% (71%) have a fixed interest rate, and 30% (29%) are based on a floating interest rate before applying interest rate swaps. Approximately 75% (78%) have a fixed interest rate and 25% (22%) 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 2014, Borealis had outstanding interest rate derivatives for a notional amount of EUR 105,000 thousand (EUR 85,000 thousand) with interest rates ranging from 0.55% to 0.70% (0.70% to 2.86%) and maturities up to 2022.

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 for fixed rate financial assets and liabilities 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 2014 was EUR -1,770 thousand (EUR -908 thousand) comprising liabilities of EUR -1,770 thousand (EUR -908 thousand) and assets of EUR 0 thousand (EUR 0 thousand). These amounts were recognised in other liabilities, thereof non-current liabilities EUR -1,770 thousand (EUR -223 thousand).

The cross currency interest rate swaps are included as cash flow hedges and stated at fair value. The total net fair value of those swaps as of 31 December 2014 was EUR -1,957 thousand (EUR 285 thousand) comprising liabilities of EUR -1,957 thousand (EUR 0 thousand) and assets of EUR 0 thousand (EUR 285 thousand). These amounts were recognised in other assets or liabilities, thereof non-current EUR -1,957 thousand (EUR 285 thousand). Of the interest rate swaps, a loss of EUR -867 thousand (EUR -4,341 thousand) was realised in financial expenses during 2014. One interest rate swap matured over 2014. On the interest rate swaps which are used as cash flow hedges, a net gain (loss) of EUR 0 thousand (EUR 113 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	2014		2013	
	Effective interest rate	Carrying amout	Effective interest rate	Carrying amout
EUR floating rate loans	1.3%	-437,050	1.6%	-423,588
Effect on interest rate swaps	-0.1%		-0.2%	
EUR fixed rate loans	3.6%	-1,056,445	3.6%	-1,095,079
EUR financial leases	2.8%	-1,166	2.8%	-2,316
USD floating rate loans	1.1%	-120,527	1.2%	-108,399
USD fixed rate loans	5.6%	-187,166	5.6%	-165,214
GBP fixed rate loans	9.4%	-38,438	9.3%	-36,007
Total interest bearing debt		**-1,840,792**		**-1,830,603**

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 2014. As of 31 December 2014 it is estimated that a general increase of one percentage point in interest rates would have decreased Borealis' profit before tax by approximately EUR -2,168 thousand (EUR -5,683 thousand) and would have increased Borealis' equity by approximately EUR 536 thousand (EUR 290 thousand). The effect of a decrease of one percentage point in interest rates is expected to increase Borealis' profit before tax by approximately EUR 2,178 thousand (EUR 5,710 thousand) and would have decreased Borealis' equity by approximately EUR 538 thousand (EUR 292 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 gross notional volume of contracts held on 31 December 2014 was 1,547,000 tonnes (376,000 tonnes). Part of the contracts, 18,000 tonnes (10,000 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 743 thousand (EUR -107 thousand). Another part of the contracts, 1,256,000 tonnes (283,000 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 -2,492 thousand (EUR 2,435 thousand). No hedge accounting is applied for the remaining contracts. The net fair value of all derivative contracts for feedstock as of 31 December 2014, was EUR -5,948 thousand (EUR 3,085 thousand). EUR -124,109 thousand (EUR -4,357 thousand) have been recognised in other liabilities and EUR 118,161 thousand (EUR 7,442 thousand) in other assets.

Electricity contracts: Borealis hedges its forecasted electricity purchases with maturity up to 2017 using electricity swaps. The notional volume of the contracts held at 31 December 2014, was 6,192 GWh (5,030 GWh) with an average maturity of 18 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 2014 was EUR -23,770 thousand (EUR -33,423 thousand), comprising liabilities of EUR -27,408 thousand (EUR -40,362 thousand), thereof non-current EUR -7,001 thousand (EUR -12,076 thousand) and assets of EUR 3,638 thousand (EUR 6,939 thousand), thereof non-current EUR 443 thousand (EUR 1,360 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 2017 using natural gas swaps. The notional volume of the contracts held at 31 December 2014, was 945 GWh (853 GWh) with an average maturity of 19 months (20 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 2014 was EUR -3,879 thousand (EUR 728 thousand), comprising liabilities of EUR -4,171 thousand (EUR -360 thousand), thereof non-current EUR -1,738 thousand (EUR -24 thousand) and assets of EUR 292 thousand (EUR 1,088 thousand), thereof non-current EUR 143 thousand (EUR 320 thousand). These amounts were recognised in other liabilities, other assets and in other comprehensive income.

Of the commodity cash flow hedges, gains amounting to EUR 6,501 thousand (EUR -26,173 thousand losses) were removed from hedging reserve during 2014 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 2014 and 2013.

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. Borealis 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 2014. The Group assumes that the prevailing market pricing mechanisms reduce the commodity price risk in practice.

As of 31 December 2014 it is estimated that a general increase of one percentage point in commodity prices would have decreased Borealis' profit before tax by approximately EUR -181 thousand (EUR -651 thousand) and would have increased Borealis' equity by approximately EUR 2,593 thousand (EUR 2,225 thousand). The effect of a decrease of one percentage point in commodity prices is expected to impact the profit before tax by approximately EUR 181 thousand (EUR 651 thousand) and would have decreased Borealis' equity by approximately EUR -2,593 thousand (EUR -2,225 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 2014, receivables worth EUR 302,261 thousand (EUR 324,042 thousand) were sold to the purchaser under the securitisation programme. The reserves deducted from the nominal value of the sold receivables amounted to EUR 24,740 thousand (EUR 29,081 thousand) as of 31 December 2014 and are included in other short-term receivables.

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	2014	2013
EU Countries	387,199	478,455
Non-EU in Europe	32,496	39,450
USA	19,033	19,966
Middle East and Asia	39,914	68,975
Other regions	65,896	46,785
Total	**544,538**	**653,631**

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

EUR thousand	2014	2013
Polyolefins	245,031	359,283
Base Chemicals	269,472	271,688
Non-Allocated	30,035	22,660
Total	**544,538**	**653,631**

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

	2014		2013	
EUR thousand	Gross	Impairment	Gross	Impairment
Risk category 1	55,322	0	115,544	0
Risk category 2	165,678	0	122,692	0
Risk category 3	68,311	-737	86,740	-737
Risk category 4	233,456	-6,760	292,453	-6,971
Risk category 5	3,909	0	-1,596	0
Risk category 6	24,985	0	42,035	0
Risk category 7	374	0	3,471	0
Total	**552,035**	**-7,497**	**661,339**	**-7,708**

The ageing of trade receivables at the reporting date was:

	2014		2013	
EUR thousand	Gross	Impairment	Gross	Impairment
Not past due	502,538	0	605,935	0
Past due 0-30 days	37,636	0	38,250	0
Past due 31-90 days	3,396	0	5,846	0
Past due 90-120 days	968	0	3,166	0
Past due 120-180 days	0	0	569	-569
Past due over 180 days	7,497	-7,497	7,573	-7,139
Total	**552,035**	**-7,497**	**661,339**	**-7,708**

The movement in the allowance for impairment in respect of trade receivables:

EUR thousand	2014	2013
Balance as of 1 January	7,708	5,065
Impairment loss recognised	1,534	3,239
Written off	-419	-246
Recoveries	-1,326	-350
Balance as of 31 December	**7,497**	**7,708**

In 2014, 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 145,762 thousand (EUR 176,452 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 its current obligations.

	Credit risk		Impairment losses recognised	
EUR thousand	**2014**	**2013**	**2014**	**2013**
Available for sale financial assets	10,869	10,119	0	0
Financial assets at fair value through profit or loss	41,822	2,373	0	0
Loans and receivables				
Deposits	5,889	8,718	0	0
Other investments	30,251	20,288	0	0
Trade receivables	544,538	653,631	7,497	7,708
Receivables from associated companies	88,491	83,129	0	0
Cash and cash equivalents	42,425	60,266	0	0
Derivative financial assets				
Foreign exchange derivative contracts	0	12,467	0	0
Commodity derivatives contracts	81,333	13,766	0	0
Cross currency interest rate swaps	0	285	0	0
	845,618	**865,042**	**7,497**	**7,708**

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	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Other investments				
Other investments	30,251	n/a	20,288	n/a
Loans and receivables	**30,251**		**20,288**	
Other non-current receivables and assets				
Deposits and other receivables	5,889	5,889	8,718	8,718
Loans and receivables	**5,889**	**5,889**	**8,718**	**8,718**
Long-term deposits for tax requirements	10,869	10,869	10,119	10,119
Available for sale financial assets	**10,869**	**10,869**	**10,119**	**10,119**
Financial assets for which hedge accounting is applied				
Commodity derivative contracts	586	586	1,680	1,680
Cross currency interest rate swaps	0	0	285	285
Foreign exchange derivative contracts	0	0	5,766	5,766
Hedging instruments	**586**	**586**	**7,731**	**7,731**
Total other non-current receivables and assets	**17,344**		**26,568**	
Trade receivables				
Trade receivables	544,538	544,538	653,631	653,631
Loans and receivables	**544,538**	**544,538**	**653,631**	**653,631**
Receivables from associated companies				
Receivables from associated companies	88,491	88,491	83,129	83,129
Loans and receivables	**88,491**	**88,491**	**83,129**	**83,129**
Other current receivables and other assets				
Derivative financial assets for which hedge accounting is not applied				
Commodity derivative contracts	40,757	40,757	1,703	1,703
Foreign exchange derivative contracts	1,065	1,065	670	670
Financial assets at fair value through profit or loss	**41,822**	**41,822**	**2,373**	**2,373**
Financial assets for which hedge accounting is applied				
Commodity derivative contracts	80,747	80,747	12,086	12,086
Foreign exchange derivative contracts	0	0	6,701	6,701
Hedging instruments	**80,747**	**80,747**	**18,787**	**18,787**
Income Taxes	13,956	n/a	5,654	n/a
Other assets	332,471	n/a	364,978	n/a
Other non-financial assets	**346,427**		**370,632**	
Total current receivables and assets	**1,102,025**		**1,128,552**	

EUR thousand	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Loans and borrowings non-current liabilities				
Floating rate loans and borrowings	342,577	342,577	419,862	419,862
Fixed rate loans and borrowings	1,252,405	1,471,199	1,256,922	1,279,046
Financial liabilities	**1,594,982**	**1,813,776**	**1,676,784**	**1,698,908**
Other non-current liabilities				
Other liabilities	3,684	3,684	34,622	34,622
Financial liabilities	**3,684**	**3,684**	**34,622**	**34,622**
Financial liabilities for which hedge accounting is applied				
Commodity derivative contacts	8,739	8,739	12,099	12,099
Interest derivative contacts	1,770	1,770	223	223
Cross currency interest rate swaps	1,957	1,957	0	0
Hedging instruments	**12,466**	**12,466**	**12,322**	**12,322**
Other liabilities	1,679	n/a	4,858	n/a
Other non-financial liabilities	**1,679**		**4,858**	
Total other non-current liabilities	**17,829**		**51,802**	
Loans and borrowings current liabilities				
Floating rate loans and borrowings	215,000	215,000	114,441	114,441
Fixed rate loans and borrowings	30,810	30,810	39,378	39,378
Financial liabilities	**245,810**	**245,810**	**153,819**	**153,819**
Trade payables				
Trade payables	740,379	740,379	920,081	920,081
Financial liabilities	**740,379**	**740,379**	**920,081**	**920,081**
Other current liabilities				
Interest accruals	18,758	18,758	18,331	18,331
Financial liabilities	**18,758**	**18,758**	**18,331**	**18,331**
Derivative financial liabilities for which hedge accounting is not applied				
Commodity derivative contacts	44,956	44,956	947	947
Foreign exchange derivative contacts	353	353	1,883	1,883
Financial liabilities at fair value through profit or loss	**45,309**	**45,309**	**2,830**	**2,830**
Financial liabilities for which hedge accounting is applied				
Commodity derivative contacts	101,993	101,993	32,033	32,033
Interest derivative contacts	0	0	685	685
Foreign exchange derivative contacts	28,251	28,251	2,587	2,587
Hedging instruments	**130,244**	**130,244**	**35,305**	**35,305**

EUR thousand	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Other liabilities	299,135	n/a	267,461	n/a
Other non-financial liabilities	**299,135**		**267,461**	
Total other current liabilities	**493,446**		**323,927**	

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.

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 is determined in accordance with Level 3.

The fair value of the contingent consideration for the acquisition in 2013 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 significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability. The fair value of the contingent consideration as of 31 December 2014 is EUR 3,684 thousand (EUR 3,590 thousand), the fair value was re-measured in 2014 in the amount of EUR -94 thousand (EUR -77 thousand) and is included in administrative costs in the income statement.

The fair value of the contingent consideration for the acquisition in 2013 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. Significant increase (decrease) in the earnings of Borealis Chimie would result in higher (lower) fair value of the contingent consideration liability, while significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability. The fair value of the contingent consideration as of 31 December 2014 is EUR 0 thousand (EUR 31,032 thousand), the fair value was re-measured in 2014 in the amount of EUR 31,032 thousand (EUR 26,212 thousand) and is included in other income in the income statement.

In 2014, 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 a 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:
It is estimated 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 2014 was assessed to be insignificant.

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

Other investments:
In absence of a quoted market price for other investments in other companies, no fair value can be reliably estimated.

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	2014	2013
1 year	14,274	15,921
1-5 years	26,377	22,020
Thereafter	3,447	2,026
Total	**44,098**	**39,967**
Operational lease payments during current year	21,390	17,404

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. Other income

Other income consists of release of contingent consideration in relation to business combinations amounting to EUR 31,032 thousand (EUR 26,212 thousand), proceeds from sale of fixed assets amounting to EUR 4,000 thousand (EUR 0 thousand) and settlement of legal claim of Borealis to a third party amounting to EUR 0 thousand (EUR 11.757 thousand).

For 2013, other income amounting to EUR 37,969 thousand was reclassified from net sales.

30. Transactions with related parties

EUR thousand	2014							
	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans	Borrowings	Interest received	Interest paid
Associates	126,953	437,022	88,491	17,946	0	0	0	0
Parent company	0	98	34	0	0	0	0	0
Companies with significant influence	1,604,731	45,746	4,531	122,463	0	0	0	0
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	14,603	7,064	172	871	0	0	0	0
	1,746,287	**489,930**	**93,228**	**141,280**	**0**	**0**	**0**	**0**

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**

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.

31. 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 36,972 thousand (EUR 29,445 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 them.

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.

32. Subsequent events

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

33. 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
■ ■ Speciality Polymers Antwerp N.V.	Belgium, Zwijndrecht	EUR	16,346,192	100
■ ■ Borealis Antwerpen Compounding N.V.	Belgium, Zwijndrecht	EUR	277,054	100
■ Borealis Plastomers B.V.	The Netherlands, Heerlen	EUR	1	100
■ Rosier S.A.	Belgium, Moustier	EUR	2,550,000	77
■ ■ ROSIER Netherlands B.V.	The 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 Produits et Engrais Chimiques du 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	60,101	100
■ Borealis Chile SpA*	Chile, Santiago de Chile	CLP	4,000,000	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	18,407,000	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 Agrolinz Melamine 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 Hrvatska d.o.o.*	Croatia, Klisa	HRK	21,200	100
■ ■ Borealis L.A.T 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 d.o.o. Beograd*	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

34. Auditor's fees

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

EUR	2014	2013
Audit of Borealis AG's subsidiaries	736,150	731,710
Audit of consolidated and standalone financial statements of Borealis AG	247,680	275,500
Other audit related services	60,750	70,000
Other services	67,409	97,650
Total	**1,111,989**	**1,174 860**

The following fees relate to the Group auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna: audit of consolidated and standalone financial statements amounting to EUR 411,360 (EUR 457,370), other audit related services amounting to EUR 60,750 (EUR 70,000) and other services amounting to EUR 12,500 (EUR 26,300).

35. Executive Board and Supervisory Board

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

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

Vienna, 12 February 2015

Executive Board:

Mark Garrett
Chief Executive

Mark Tonkens
Chief Financial Officer

Markku Korvenranta

Martijn Arjen van Koten

Alfred Stern

Statement of 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, 12 February 2015

Executive Board:

Mark Garrett
Chief Executive

Mark Tonkens
Chief Financial Officer

Markku Korvenranta

Martijn Arjen van Koten

Alfred Stern

Report of the Supervisory Board of Borealis AG

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 Management informed the Supervisory Board regularly, in a timely fashion and comprehensively, both in writing and verbally, on all the 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 31 December 2014, including the management report, and the consolidated financial statements as of 31 December 2014, 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 (Austrian) Business Code (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 discussion 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 2015, the consolidated financial statements, and the consolidated management report were approved/acknowledged.

Vienna, 17 February 2015

Khadem Al Qubaisi
Chairman of the Supervisory Board

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