
Borealis Annual Report 2015



BOREALIS

Keep Discovering

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Our Business



Borstar 3G plant in Porvoo, Finland (construction phase)
©KVM/Eeva Sumiloff

Milestones

1.

Continued focus on safety through the “Goal Zero” journey

2.

Record net profit of EUR 988 million in 2015

3.

Ongoing investment in Stenungsund, Sweden, to upgrade and revamp four cracker furnaces

4.

Plant turnarounds in Porvoo, Finland, and Stenungsund, Sweden

5.

Investment in facilities in Itatiba, Brazil, to expand South American presence

6.

Further embedding of environmental and social criteria in decision-making processes regarding innovation and investment projects

7.

Appointment of His Excellency Suhail Mohamed Faraj Al Mazrouei, Managing Director of IPIC, as Chairman of the Supervisory Board, and of Rainer Seele, CEO of OMV, as Vice Chairman of the Supervisory Board

8.

Successful start-up of the Borouge 3 mega-project, with cracker and all five polyolefin plants now fully operational

9.

Inauguration of new Borouge Innovation Centre in Abu Dhabi, UAE

10.

Extension of successful OMV supply agreement in Austria and Germany to 2028

11.

Joint venture agreement with Neste and Veolia to build new combined heat and power plant in Porvoo, Finland

12.

Agreement with Agrifos Partners LLC to develop ammonia production project on the Texas Gulf Coast

Executive Board



**MARTIJN ARJEN
VAN KOTEN**

Executive Vice
President
Operations,
Projects & Technical
Support and Health,
Safety & Environment

**MARKKU
KORVENRANTA**

Executive Vice
President,
Base Chemicals

MARK GARRETT

Chief Executive

MARK TONKENS

Chief Financial
Officer

ALFRED STERN

Executive Vice
President,
Polyolefins and
Innovation &
Technology

Our Strategy

BOREALIS INNOVATION HEADQUARTERS

Our strategy is clear

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

Grow

our polyolefins business in Infrastructure, Automotive and Consumer Products.

Continue

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

Explore

growth opportunities in other geographies/related businesses.

Pursue

operational excellence, considering safety at all times.

Expand

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

Exceed

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

Strengthen

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

Achieve

a step change in innovation.

Continue

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

OUR BUSINESS

ENVIRONMENTAL
RESPONSIBILITY

SOCIAL
RESPONSIBILITY

Outperform financially

11%+

average return on capital
employed (ROCE) after tax

40–60%

debt
to equity ratio

Our Values



Responsible

We are leaders in Health, Safety and the Environment

We are good neighbours wherever we operate

We do business according to high ethical standards



Respect

We involve people and communicate in a straightforward way

We work together – helping and developing each other

We are 'One Company' – building on diversity



Exceed

Our customers' and owners' success is our business

We win through commitment and innovation

We deliver what we promise – and a little bit more



Nimblicity™

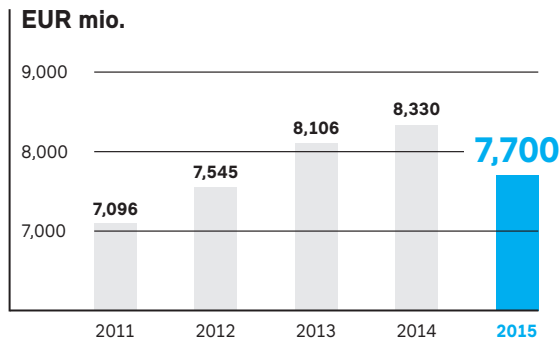
We are fit, fast and flexible

We create and capture opportunities

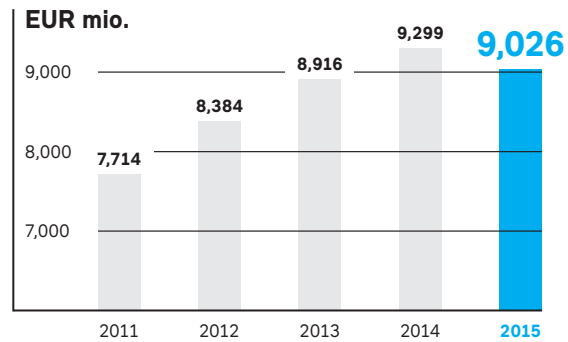
We seek the smart and simple solutions

2015 at a glance

NET SALES

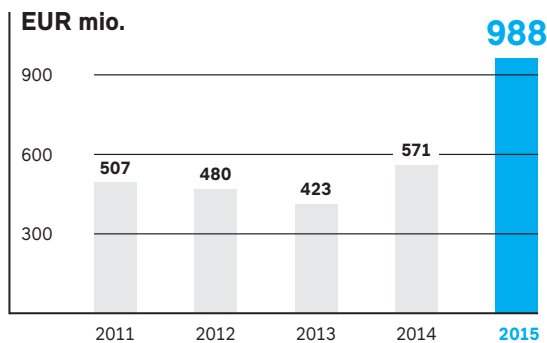


TOTAL SALES*

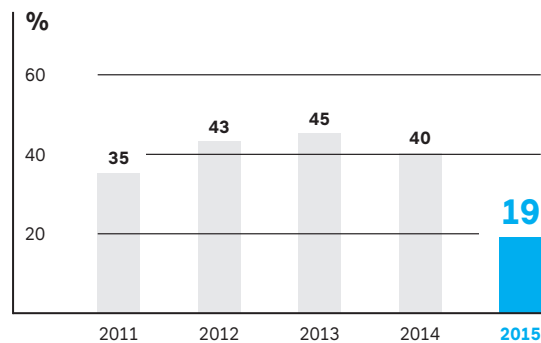


* Total net sales of Borealis and pro-rata sales of at equity consolidated companies

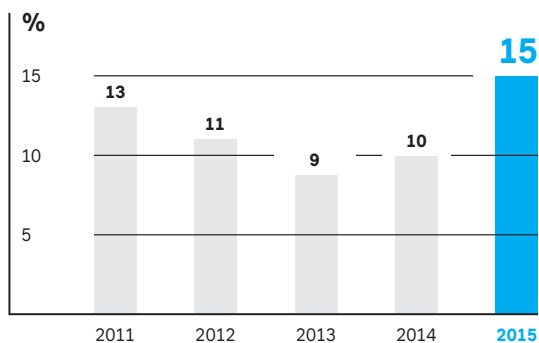
NET PROFIT



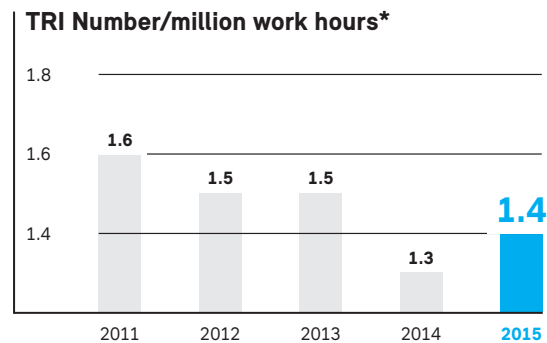
GEARING



ROCE



OCCUPATIONAL SAFETY PERFORMANCE



* Includes own employees and contractors

OUR BUSINESS

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Statement of the Supervisory Board

Borealis achieved a record result in 2015 supported by favourable polyolefins market conditions. The good financial performance was, however, not mirrored in the safety performance, which deteriorated slightly compared to 2014 but included a tragic fatality in Linz, Austria. Safety is, and always will be, the top priority for Borealis. Lessons learned from the 2015 safety incidents will be used to improve safety performance in 2016, with the ultimate goal of zero accidents.

The solid financial result was achieved in a market environment impacted by stagnating global economic growth, lower commodity prices and rising geopolitical tensions. Lower feedstock cost did not immediately impact polyolefins sales prices due to a tight market resulting from solid demand on the one hand, and a shortfall in supply due to unplanned outages on the other. This combination resulted in record industry margins for the polyolefins industry. At the same time, the performance of the Base Chemicals business also improved. The successful start-up of the Borouge 3 mega-project resulted in Borouge delivering an improved contribution to Borealis' financial result compared to last year despite the lower price environment in Asia. The solid financial result is a testament to the success of Borealis' growth strategy of recent years that drove the development of multiple yet related businesses in Polyolefins, Base Chemicals and the Borouge joint venture.

Successful start-up of all Borouge 3 polyolefins plants

In 2014, the Borouge 3 mega-project saw the start-up of the world's largest ethane cracker, one polypropylene (PP), and two polyethylene (PE) plants. The successful start-up continued in 2015, with the low density polyethylene plant (LD1) and the second polypropylene plant coming on stream in April. At present, all five polyolefin plants are running as planned. Borouge is well on track to bring the total polyolefin production capacity to 4.5 million tonnes. Only one unit has yet to be started up, the cross-linked polyethylene (XLPE) plant which is scheduled to commence operations

in 2016. The start-up of this last remaining unit will mark the completion of the massive Borouge 3 project and will make Borouge the biggest integrated polyolefins complex in the world.

Transformation of acquired assets

Since acquiring Borealis Chimie in 2013, the focus has been on transforming this asset to reach Borealis' standards in terms of operability and safety, and to further optimise the fertilizer business through supply chain excellence. In 2015, the results of this transformation have been made visible, and further improvements are expected to be realised in the future.

Within Polyolefins, Borealis has now increased its offering of specialty polymers thanks to the successful integration of Speciality Polymers Antwerp N.V. Borealis acquired the remaining 67% of shares from DuPont Holding Netherland B.V. in September of 2014.

Growth beyond Europe

In May 2015, Borealis and Agrifos Partners LLC, a project development company, reached a preliminary agreement to jointly develop a world-scale ammonia project through Gulf Coast Ammonia LLC (GCA). The plant will be located within an existing chemical site along the Texas Gulf Coast. The brownfield, hydrogen-based project will enable Borealis to further grow its fertilizer business.

Competitiveness in Europe

Borealis announced further investments to build on its competitive position in Europe. In July 2015, Borealis announced a EUR 160 million investment in its production location in Stenungsund, Sweden. The investment entails the upgrade and revamp of four cracker furnaces to the highest currently available standards in process safety and energy efficiency. The Stenungsund programme is scheduled to begin in late 2016 and will be completed by 2020. The previous year, Borealis announced a EUR multi-million investment in an upgrade of the Stenungsund cracker and the construction of an ethane storage tank to store ethane imports from the US. This project is well on track.

In October 2015, Borealis and OMV extended their successful cooperation with an agreement for the supply to Borealis of ethylene and propylene for another eleven years, from 2018 until 2028. Produced in OMV refineries in Schwechat and Burghausen, these monomers are essential products for Borealis' polyolefin plants in these locations.

Safety performance and corporate social responsibility

Borealis' safety performance was not satisfactory in 2015. A fatality occurred in May in Linz and the leading safety indicator, the frequency of total recordable injuries (TRI frequency), deteriorated slightly from 1.3 in 2014 to 1.4 in 2015. The 2015 result is a negative development and not in line with the company's goal of zero accidents. Focus on safety will be even more heightened in 2016 because safety is, and always will be, the top Borealis priority.

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. Launched in 2007, Water for the World aims to secure access to safe water and adequate sanitation around the world while the Borealis Social Fund continues to support multiple social welfare projects in Europe, Asia and the Middle East. Throughout 2015, a number of significant donations were made by way of this fund.

Record financial performance

Borealis realised its best financial result ever in 2015, building on the record year of 2014. Each profit centre – Base Chemicals, Polyolefins, and the Borouge joint venture – saw an improved performance compared to the previous year. Polyolefins in particular benefited from high industry margins. Within Base Chemicals, Fertilizers improved its contribution compared to 2014, but still experienced operational challenges. Borouge continued to be a significant contributor to the Borealis financial result.

Strong foundation as the leading provider of chemical and plastic solutions

Borealis' management and its employees remain committed to being the leading provider of chemical and plastic solutions. Borealis' success is based on the four pillars of innovation, operational and commercial excellence, and safety. Having made key investments and acquisitions, Borealis is well positioned to continue to grow and build on the record results achieved in the past two years. The geopolitical situation in Europe remains challenging, and its impact on the economic climate is uncertain. By staying committed to the company's mission of being the leading provider of chemical and plastic solutions that create value for society, both the Supervisory Board and Borealis management are confident that Borealis will again deliver solid results in 2016.

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SUHAIL MOHAMED FARAJ AL MAZROUEI

Chairman



RAINER SEELE

Vice Chairman



MURTADHA AL HASHMI*

Board Member



RASHED SAUD AL SHAMSI*

Board Member



MANFRED LEITNER

Board Member

* New Board members appointed on 25 February 2016, succeeding Mohammed A. Al-Azdi and Mohamed H. Al Mehairi

Borealis worldwide



Borealis Locations

Head Office

Borealis AG
Wagramer Strasse 17–19
A-1220 Vienna, Austria
Tel. +43 1 22 400 300
Fax +43 1 22 400 333
www.borealisgroup.com

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

Morocco, Romania, Russia, Spain, UAE

Borealis L.A.T Locations

Austria, Bulgaria, Croatia,
Czech Republic, France, Hungary,
Romania, Serbia, Slovakia

Borealis Rosier Locations*

Belgium, The Netherlands



€7.7 billion
sales revenue in 2015

6,500
employees

operates in over **120**
countries
on 5 continents

●
Borouge Locations

Head Offices
Abu Dhabi (UAE), Singapore

Innovation Centre
UAE

Production Plants
China, UAE

Sales Offices/Representative Offices
Australia, China, Hong Kong, India,
Indonesia, Japan, Lebanon,
New Zealand, Singapore, Thailand,
UAE, Vietnam,

Logistics Hubs
China, Singapore, UAE

OUR BUSINESS

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* Includes Rosier-Locations, owned by Borealis AG at 77.47%

The purpose of this visualisation is of representational nature only. Though it was prepared with the greatest possible attention to detail, simplified illustrations may have been applied.



**“AT BOREALIS, WE NEVER PUT
FINANCIAL RESULTS ABOVE
ETHICS, OUR VALUES,
OR SAFETY.”**

Mark Garrett, Chief Executive

OUR BUSINESS —

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Looking back on Borealis' performance in 2015, what stands out most from the perspective of the Borealis Chief Executive?

Firstly, I would like to emphasise that maintaining world-class safety standards remains our absolute top priority. This year, we had two tragic accidents in the group that resulted in fatalities, one in Linz, Austria, and the other in Ruwais, UAE, at Borouge 2. These tragic events remind us that we must be vigilant at all times. We cannot afford to relax our focus on safety, not even for a moment. In 2016, we will ratchet up our efforts to reach "Goal Zero", our Group-wide mission to have no accidents whatsoever in coming years.



"In recent years we have laid the groundwork for future success by transforming and consolidating our assets, and by way of our massive Borouge 3 expansion project."

Mark Garrett, Chief Executive

Secondly, whilst we never put profits before people's safety and cannot consider 2015 in that sense as a "good year", I have to also say that we did have a strong financial performance throughout the year, which we closed with a record net profit of EUR 988 million. This excellent performance includes an important contribution from Borouge and reflects improvements in all three Borealis business areas. We, of course, are not the only company benefitting from the generally favourable market situation for olefins and polyolefins. But in recent years we have laid the groundwork for future success by transforming and consolidating our assets, and by way of our massive Borouge 3 expansion project.

We were thus able in 2015 to seize market opportunities and realise good margins.

Thirdly, the start-up of Borouge 3 itself is an outstanding 2015 event – not only for Borealis and Borouge, but for the entire industry as well. As we speak, the world's two largest ethane crackers are running smoothly, side by side, and all five Borouge 3 polyolefin plants are now operational. The final start-up phase involves the XLPE (cross-linked polyethylene) plant, which will be operational as of early in 2016. Once fully ramped up, total Borouge capacity will increase to 4.5 million tonnes of polyolefins, yielding a combined Borealis and Borouge capacity of 8 million tonnes of polyolefins.

In addition to this significant capacity increase, which other benefits or advantages does Borealis have as a result of Borouge, its joint venture with ADNOC, the Abu Dhabi National Oil Company?

It's a truism that a three-legged stool is better than a one or even two-legged one. Over the past nine years, we have successfully transformed Borealis from a European company with only one leg or profit centre, Polyolefins, to an international company with three strong profit centres: Polyolefins, Base Chemicals, and Borouge. This has put us in a position of great stability and will allow us to continue to define and shape our own future on a global scale.

Our joint venture with ADNOC has always been driven by our long-term strategy to grow our business in the Middle East and Asia. Borouge enables access to Asian markets which would not be accessible from Europe. While recent market developments may point to slower growth and reduced demand in China, as a producer leveraging advantaged feedstock, Borouge is well positioned to maintain market volumes. We have expanded our joint marketing and sales efforts, too. This year, for example, we opened the first dual-branded sales office with Borouge in Morocco. This shared and strengthened presence will help us more efficiently promote our specialty business and capitalise on existing growth opportunities.

Thanks to our joint venture we are able to more rapidly develop our leading Borstar® technology and related innovations such as SSPE (single-site polyethylene). And we have more Borstar plants to leverage in our global network. One clear sign that both partners pursue Value Creation through Innovation with the same dedication is the recent

inauguration of the new Borouge Innovation Centre in Abu Dhabi. Patent filings are important indicators of innovation, and Borouge alone has filed over 200 patents in the past two years.

You mentioned Value Creation through Innovation. Can this fundamental Borealis philosophy be applied to sustainability as well? How important is sustainability to Borealis?

Sustainability is something we heed in every area of our business. Sustainability is in fact deeply rooted in our company values – Responsible, Respect, Exceed and Nimblivity™ – and strongly linked to our core mission of using Value Creation through Innovation to deliver solutions that create real value for society.

Since 1995, our approach to sustainability has been based on our commitment to the Responsible Care® Global Charter. This initiative strives to achieve continuous improvement in HSE performance and promotes better communication between the industry and its stakeholders. And because we see sustainability as a question of responsibility, embedding it in everything we do becomes a business imperative. Not only in good times, but in tough times as well, even when resources are limited and cost pressures loom.

Our goal is to be “real” in regards to sustainability and our operations. What makes us different from other companies is our refusal to chase trends and engage in activities where they don’t make good business sense, or do not fit with existing strengths. The idea of ‘greenwashing’ is anathema to Borealis. Instead, what we do is focus on those areas where we know we can make a difference, in what we see as the six main global challenges: Climate, Health, Food, Water, Energy, Waste and Recycling. To take the example of food: what we can and will do is use our fertilizers know-how and our diagnostic tool, the N-Pilot®, to help farmers grow crops with higher yields while using just the right amount of fertilizers. What we won’t do is produce bio-based materials that compete with the food chain. We know that the food chain is under enough stress as it is. We can’t start turning potential sources of food into plastics if we really want to solve the global food shortage.

Looking to 2016 and beyond, what will be the most important areas of focus for Borealis?

Overall, we will be able to take some steps towards more growth thanks to our investments in

expansions, upgrades and turnarounds as well as several other promising new projects.

After over six years of construction and 200-million-plus man hours, Borouge 3, the most complex expansion project in Borealis and Borouge history, will be completed. In Brazil, we have invested another EUR 25 million (BRL 100 million) in the Borealis Brazil expansion project in Itatiba. This project is a vital part of our long-term growth strategy in South America.

Our EUR 160 million investment in the upgrade of our cracker operations and storage facilities in Stenungsund is scheduled to run from 2016 to 2020 and will result in better reliability and operability – and help us achieve the highest current standards in process safety and energy efficiency. Finally, turnarounds in Geleen, Monza, Porvoo and Stenungsund should contribute to improved operational excellence. This is important, because while I am very pleased with our overall financial performance in 2015, on an operational level we faced a number of production interruptions which should now be avoidable thanks to the improvements implemented during these turnarounds.

In May, we signed an agreement with Agrifos Partners to develop an ammonia production project on the Gulf Coast of Texas. This project is a milestone in our efforts to expand our global nitrogen business, and we think this is just the beginning of a promising collaboration. Another successful project has been renewed that is somewhat closer, geographically speaking, to our headquarters: in October we extended our profitable partnership with OMV for another 11 years, meaning we can count on a reliable and competitively priced supply of the monomers essential for the production of plastics in both Schwechat, Austria, and Burghausen, Germany.

The year 2015 turned out quite differently than we had anticipated at this time last year. So I am reluctant to make predictions, but I do expect industry margins to normalise in 2016. This will make it difficult to break 2015’s record results. Yet we have had record results in four of the previous nine years – maybe a bit of consolidation next year is in order! We should not believe that we have to achieve record financial results every year, because this kind of thinking puts undue stress on the organisation, which in turn can lead to bad behaviour. At Borealis, we never put financial results above ethics, our values or safety.

OUR BUSINESS

ENVIRONMENTAL
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**“FROM A FINANCIAL PERSPECTIVE,
2015 HAS BEEN OUR BEST YEAR
EVER. A FANTASTIC ACHIEVEMENT!”**

Mark Tonkens, Chief Financial Officer



OUR BUSINESS —

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You were appointed Borealis Chief Financial Officer on 1 November 2014. From a financial perspective, how would you describe the first full year? Were there any highlights or lowlights?

“Volatility” is the word that immediately comes to mind to describe my first 12 months as CFO. When I first assumed this new role, we were finalising the 2015 business plan. At the time, we were not sure how the year would develop from a financial perspective, as oil prices were dropping fast, with an uncertain impact on the economy. But if we look at where we are now, we have a clear highlight: 2015 has been our best year ever, financially. A record net profit of EUR 988 million and a return on capital employed (ROCE) after tax of 15%, which is well above our through-the-cycle target of 11%. This is a fantastic achievement!

Yet while we are pleased with our financial performance, we cannot be satisfied with our



“We need to ensure that our assets run better than those of our competitors, and that they do so safely and at a cost equal or better than the competition.”

Mark Tonkens, Chief Financial Officer

safety performance. There were two fatalities in 2015, one at Borealis in Linz, Austria and a second at Borouge 2 in Ruwais, UAE. Our TRI (Total Recordable Injuries) frequency also increased slightly to 1.4. This is a clear sign that we need to intensify our efforts to achieve Goal Zero, meaning zero accidents.

Looking at the market as a whole, the year 2015 was dominated by exceptionally high industry margins in polyolefins and olefins. However, these benefits were enjoyed not only by Borealis, but to a certain extent by our competitors, too. There was solid demand for polyolefin products throughout the year, but supply was reduced due to plant outages experienced not only at our competitors’ plants, but at some of our own as well. What is more, the European polyolefins players became more competitive due to the lower price of oil and a strong US dollar which discouraged imports into Europe.

You mentioned the market’s role in Borealis’ excellent financial performance in 2015. More generally speaking, which measures does Borealis take in order to maintain or further improve its overall financial position?

Firstly, it is crucial to remember that record years like 2015 are the exception, not the rule. There is a genuine risk of becoming complacent when financial results are very good. But the current high industry margins will eventually normalise. We are controlling our fixed costs to ensure that we do not have to take drastic measures when the market volatility moves south, and industry margins are low. In 2015, we managed to keep our fixed costs within budget and only saw a minimal increase versus 2014. This shows the discipline of our organisation, even in times when margins are very high. We need to maintain this discipline to ensure that we can still provide adequate returns, even in difficult times for the industry.

Secondly, at the same time we seek to keep our costs under control, we must also remain focused on continuous improvement. This is where I see a clear opportunity to maximise the benefit by excelling both operationally and commercially, across our entire workforce. We must continue to invest in reliability and cost optimisation. We need

to ensure that our assets run better than those of our competitors, and that they do so safely and at a cost equal or better than the competition. This is one area in which we fell short in 2015, and where there is room for improvement. On the operational side, we could have realised more than EUR 100 million additional bottom line if the operability and reliability of our plants had been at the levels we had aimed for. Our recent significant investments in Stenungsund and Porvoo are concrete examples of how we are addressing this issue, not only to achieve improved financial sustainability, but also the highest current standards in process safety and energy efficiency. Ongoing improvement programmes across our fertilizer plants are additional examples of how we can further improve our safety, operational excellence and bottom-line performance.

Thirdly, it is very important to be extremely disciplined in matters of capital allocation. Focus must be strong and constant to ensure that investments in plants and equipment as well as acquisitions of companies deliver an adequate return of 11% or better, and that these investments are based on solid assumptions. Capital allocation decisions generally have an impact for many years, meaning you can only allow for very few or preferably zero mistakes when taking these decisions. We operate in a capital-intensive industry. Being the best in capital allocation is a very positive differentiator.

Finally, our focus is always on innovation – in good times as well as bad! This enables us to differentiate and realise price premiums in comparison to standard products. Furthermore, if we are able to optimise segmentation, meaning the prices we can get out of the market, then we are in a favourable position to grow going forward.

The combination of all these factors will allow us to realise a through-the-cycle ROCE in excess of 11% and continue to provide a platform for further growth.

Looking ahead to 2016, what are the main challenges and opportunities?

As in 2015, industry volatility will probably be high; this challenge will remain. Although I am hesitant to make predictions, I think it is likely that 2016

“In Finance it’s important not to get carried away by success. Even though our results are very good this year, we need to remember that we can only spend a euro once. We must invest in the right things to achieve sustainable business success while keeping our costs under control, and remaining compliant at all times.”

Anja Krusel, Vice President Group Controlling



will also be a solid year, but from a financial perspective it is unlikely to yield the outstanding result achieved in 2015. We must continue to concentrate on the right opportunities. We need to be patient when necessary, and agile when required. Once a decision has been taken to invest, we need to be extremely strong in perfect execution on all the deliverables – including safety, time, and cost as well as on the realisation of the assumed sales volumes and product prices. This holds true for all types of growth, whether via acquisitions, or by way of organic growth, by which I mean investment in specific projects.

Good commercial execution and focus on commercial excellence create a platform for growth – and although we need to do better operationally, Borealis has this foundation for growth. We are in a good position to pursue growth opportunities. As long as we remain focused, 2016, like every year, will be very exciting.

OUR BUSINESS
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**“POLYOLEFINS ARE AMONG
THE MOST SUITABLE OF ALL
PLASTICS THAT CAN BE
ENGINEERED TO CREATE THE
INNOVATIVE SOLUTIONS
SO ESSENTIAL TO ACHIEVING
GREATER SUSTAINABILITY.”**

Alfred Stern, Executive Vice President
Polyolefins and Innovation & Technology

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How has the polyolefins market developed over the past year?

Projected growth in both Europe overall and the polyolefins industry itself is modest at best. We expect around 1% growth in polyolefins in Europe, but growth potential in the global polyolefins market is higher, at around 4–5%. So while Europe is an interesting market, growth potential is in fact limited. Another challenge involves cost. Our region does not benefit from advantaged feedstocks. Energy costs are high, as are wages and labour costs. But on the other hand, we have extremely capable, skilled people. We can use our people – our human capital – to drive innovation, and this fits perfectly with our Value Creation through Innovation strategy.

In recent years, the European polyolefins industry saw significant capacity reductions, leading to markedly higher plant utilisation rates. And while key market trends haven't changed all that much in recent years, 2015 has been a challenging year in certain ways. The European polyolefins market experienced market constraints that, among other things, led to imbalances in supply and demand. Borealis also had two significant production interruptions in the second quarter that exacerbated the situation for some of our customers. While we did our utmost to minimise the effects, we are aware that we need to do even more to respond to supply issues. To further improve operability, we will continue to invest in our assets to ensure that they remain among the most modern and best maintained in Europe. Thanks to our strong customer focus and our sales force, we can bolster our position as a reliable supplier with local production capacity, and continue to work in close partnership with our customers.

How is the Borealis Polyolefins business responding to market opportunities outside Europe?

Looking to the Middle East and Asia, the massive Borouge 3 expansion project – currently in its final start-up phase – means we have significantly boosted our global capacity. Together with our joint venture Borouge, Borealis also opened the first Borealis and Borouge dual-branded sales office in Morocco in May. Having an on-site presence will enable us to better serve the promising North African market. Our combined expertise on the ground will help us develop our existing specialty business as well as the polyethylene (PE) and polypropylene (PP) markets. I might add briefly that we also opened new Borealis sales offices in Chile and Columbia in 2015.

We are pleased to have started several interesting projects with automotive manufacturers in North America. The positive market feedback we have received thus far motivates us to scale up our collaboration with North American partners on innovative applications in Automotive, Healthcare and Energy.



A restructuring of Borealis Polyolefins took place in 2015. What was the rationale behind this change, and what are the expected benefits?

The changes we made in 2015 have turned Polyolefins into a functional organisation. The idea behind this restructuring was to help implement our strategy faster and more efficiently than before, but with an even stronger focus on our customers. Our customer-centric approach has two main aspects. First, in the specialty segment in particular, we continue to pursue our Value Creation through Innovation strategy. This is the key to delivering to our customers tailored solutions developed with our industry-leading technologies and application know-how. In practice, this means constantly asking ourselves: what challenges are our customers facing? And going even further: what about the challenges of our customers' customers? In close collaboration with our customers, we then use our expertise in chemistry, polymer engineering, and material science to deliver innovative solutions which in turn bring about new applications.

The second aspect of our customer-focused approach is in the productivity segment. We use our leading Borstar® technology to deliver standard products of very high quality, with a focus on efficiency. We have exploited the opportunity to simplify and streamline our operations in order to improve customer service, enhance efficiency, and react even faster to market fluctuations and

changes that may arise. Our new organisation also focuses more on value chain management, particularly in the areas of Energy and Automotive.

How can the newly restructured Borealis Polyolefins business help the company address not only market challenges, but societal ones as well?

Promoting sustainability is one of the most important opportunities for our Polyolefins business. Because Value Creation through Innovation has always been at the heart of what we do, we are in the ideal position to help both the developed and the developing world meet the challenges posed by sustainability. Polyolefins are among the most suitable of all plastics that can be engineered to create the innovative solutions so essential to achieving greater sustainability. We continue to push the envelope in developing new and tailored polymer properties, for example by working hand in hand with our New Business Development group. Around 50 highly-skilled people are dedicated to inventing, establishing and bringing to market products and applications that can make a real difference to society. These are innovations which, for instance, enhance performance, efficiency – or both. Or applications which lower costs while reducing the environmental footprint.

Could you offer a few specific examples of applications which address sustainability concerns?

Energy, for one. It is not enough to just generate energy from renewable sources: the world needs enhanced grids, reinforced networks, and more efficient transportation of power from remote sources like offshore wind farms. As an innovation leader in wire and cable solutions, our portfolio based on the Borlink™ technology platform, and specifically the high voltage direct current (HVDC) grade Borlink™ LS4258DCE, help drive energy change by enabling transmission over longer distances, and have a role to play in improving integration into the grid.

Automotive is another promising area. Original Equipment Manufacturers (OEMs) and Tiers aim to reduce vehicle weight while maintaining the highest standards of safety and comfort. This can only be achieved through the use of innovative plastics as replacements for traditional materials like metal, rubber and even nylon. By using innovative PE and PP applications we can achieve weight and cost reductions at equal or even better performance.

Overall, we continue to invest quite significantly in innovation beyond our organisational capability and set-up. One example is our third-generation Borstar 3G, in which we invested heavily last year. Our Borstar technology is in itself a very energy-efficient technology which enables resource-efficient



“Borealis invests heavily in the development of proprietary technology platforms. These platforms form the foundation of our own business and that of successful ventures. We also invest in R&D along the entire value chain. Our R&D focus provides a dynamic working environment and supports more sustainable company growth. A next exciting step will be how we can help turn our fertilizer growth ambitions into reality.”

Maurits van Tol,
Vice President Innovation & Technology

production. Yet another example is our Borealis Sirius catalyst plant in Linz, where we have developed a high-performance, non-phthalate based catalyst for PP. Responding to market and customer demand, we have introduced non-phthalate based products into the market. Finally, important Operational Excellence initiatives in place are moving us closer to hitting our targets in reducing waste and energy consumption on the one hand, and increasing the amount of recycled material and quality of recycling streams on the other.

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**“BOREALIS CONTINUES TO
INVEST IN FEEDSTOCK
FLEXIBILITY, ENERGY
EFFICIENCY AND SECURITY OF
SUPPLY IN ORDER TO MAINTAIN
ITS LEADING POSITION
IN BASE CHEMICALS.”**

Markku Korvenranta, Executive Vice President, Base Chemicals

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How would you describe the past year in Base Chemicals?

The year 2015 was an exciting one for Base Chemicals. We made progress on the journey of implementing our strategy in all parts of the business. In hydrocarbons and energy in particular, the business environment was very favourable, with above-average margins, especially in the second and third quarters. Ethylene was clearly the strongest product. As part of our strategy to increase flexibility and light feed cracking, we've started construction on a 150,000m³ LPG (liquefied petroleum gas) storage facility in Porvoo, Finland which will ensure the tactical storage of butane and propane but also help us to reduce supply risk and allow for ship imports.

In Stenungsund, Sweden, works continue on the ethane terminal and related cracker modifications. These will allow us to import ethane from the US starting at the beginning of 2017. Another major project in Stenungsund is the revamp and upgrade of four cracker furnaces in order to achieve the highest currently available standards in energy efficiency and process safety, and to extend operational lifetime.

"Borealis has passed a genuine milestone in our efforts to expand our global nitrogen business."

Markku Korvenranta,
Executive Vice President, Base Chemicals

Our firm commitment to the Stenungsund industrial cluster was demonstrated at the beginning of 2015, when we started to supply butenes to our site neighbour Perstorp, a leading Swedish chemicals company.

How did 2015 shape up when it comes to Fertilizers and Melamine?

In 2015, the European nitrate market was influenced by ample global supply of urea,

particularly in the second half of the year. Complex fertilizer demand was impacted by the downward trend in "P" (phosphorous) and "K" (potassium) fertilizers. The demand for technical nitrogen products was steady, while the melamine market showed first signs of tightness, followed by increased demand and unplanned stops in the industry.

Borealis continued with the transformation of French assets acquired in 2013. After a difficult first half year, performance improved and the business turned profitable. In Linz, Austria and Ottmarsheim, France, our investments in infrastructure and end-of-life equipment will ensure successful operations in the coming decades. Borealis L.A.T continues to expand its distribution network, with sales activities launched on the Iberian Peninsula, in Poland and the Nordic countries. Warehouses are being built in Romania, Bulgaria and France to ensure timely delivery to our customers.

In May, we passed a genuine milestone in our efforts to expand our global nitrogen business. Our agreement with Agrifos Partners LLC to develop a world-scale ammonia project in an existing chemical site on the Texas Gulf Coast will add competitive ammonia to the Borealis portfolio. Borealis is an equity holder and will participate in project development and offtake.

In your expert opinion, what are the current risks, opportunities and challenges facing Base Chemicals and Fertilizers?

First, hydrocarbons: the new era of low oil price yields both opportunities and challenges. For European operators like Borealis, the scale is tilted more towards opportunities, because the structural feedstock and energy price disadvantage versus North America and the Middle East is narrowing. However, the disadvantage still remains, and it will take some time before any short term gains actually translate into a shift in investments. Yet this is

essential if Europe aims to remain competitive in the long term. Borealis continues to implement its strategy of investing in feedstock flexibility, energy efficiency and security of supply in order to maintain our leading position.

Second, fertilizers: with all the changes in the competitive landscape in Europe, the fertilizer situation is quite interesting at present. Borealis aims to be an active part of the consolidation that is likely to continue. Growth in Europe will be limited, but we'll see some modernisation of plants and related capacity increases as a lower European gas price narrows the gap versus low-cost regions.

Yet the bigger, global picture for fertilizers remains attractive. Population growth, urbanisation, changing diets and concern for the environment are all posing significant challenges for the food chain. The fertilizer industry needs to provide crop nutrients in a sustainable way to farmers all over the world. One region which appears to hold great potential is Africa, where poor logistics and a long supply chain currently make fertilizers prohibitively expensive, or even worse, not available at all. Together with a local partner we at Borealis are now taking first steps in the region to provide local farmers with quality fertilizers along with tailored advice on the effective use of crop nutrients.

The diagnostic tool N-Pilot® is one example of how Borealis is contributing to more sustainable agricultural practices in order to feed the world's growing population. It was first launched during the second half of 2014. How has it been received thus far? Has it fulfilled your expectations?

The N-Pilot has now been successfully launched in three countries: France, Austria and Hungary. Over 4,000 measurements on 30,000 hectares have been conducted to date. We have commissioned AGES, the Vienna-based Austrian Agency for Health and Food Safety, together with the Technical University of Munich, to assess and further develop the device. Concrete feedback from our scientific partners on

device accuracy has been overwhelmingly positive. This gives us the confidence to continue the roll-out of the device to other customers, and to broaden its application to new crops such as rapeseed. The next scheduled introduction is in Romania, where Borealis L.A.T has had a presence since 2005 and currently sells approximately 190 kilotonnes of fertilizers each



“In Linz and Ottmarsheim, our investments will ensure successful Fertilizers operations in the coming decades.”

Markku Korvenranta,
Executive Vice President, Base Chemicals

year. The German launch is scheduled for 2016 and is timed to coincide with the important trade fair DLG Feldtage. I may add that our German customers are enjoying improved service thanks to a specialist sales force now able to offer farmers granular, water-soluble and liquid fertilizers produced by Rosier SA, a Borealis Group Company.

Overall, I am indeed very satisfied with the launch of this innovative new tool and look forward to announcing new developments and success stories next year.

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**“ACHIEVING OUR ULTIMATE GOAL
OF ZERO ACCIDENTS AND
PROCESS SAFETY INCIDENTS
– OUR GOAL ZERO JOURNEY,
AS WE CALL IT – REMAINS OUR
GREATEST CHALLENGE.”**

Martijn Arjen van Koten,
Executive Vice President
Operations, Projects & Technical Support
and Health, Safety & Environment

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Looking back at 2015, how would you sum up overall performance highlights from an Operations perspective?

In brief, I would say that overall, we are making good progress in achieving Operations goals. There were several significant highlights in 2015. In Polyolefins, production levels were good. We benefited from a favourable margin environment, and the overall results were very satisfactory. We must identify ways to accommodate higher product demand. It's a nice change to be in this situation in Europe, where we have seen faltering demand in prior years, but where there are currently a number of segments in which we are actually short on production capacity. In Hydrocarbons & Energy and Melamine & Fertilizer, we enjoyed strong availability performance in Kallo, Linz and Porvoo, but had challenges in Grandpuits, Grand-Quevilly and Stenungsund, so improving reliability remains a key focus area.

In addition to running our plants reliably and safely, another important aspect for Operations is cost leadership within the industry. Achieving improved energy efficiency is a major part of reducing our variable costs and we have a continued focus on fixed costs. We have made significant progress in 2015 in maintaining cost effectiveness.

We saw several big turnarounds this year, particularly in Stenungsund, Sweden. We implemented a series of projects which not only offer improved process safety, but better energy efficiency and environmental performance as well thanks to, for example, the new flare tip installation. There were other tie-in projects related to the construction of a tank to store ethane imports from the United States and Europe. Our focus on improving Operational Excellence and the sustainability of our operations in Stenungsund will continue thanks to our ongoing EUR 160 million furnace upgrade programme.

Our team did a professional job in the first turnaround of the low density polyethylene plant (LD5) in Stenungsund. LD5 is of essential importance to our wire and cable business, and having improved plant reliability, our next steps in 2016 will be to further improve quality. Conducting such major turnarounds has provided us with a pool of experience and know-how which we have now used to create a Turnaround Excellence Programme. This will serve us well going forward, as we use the coming year to prepare for four big turnarounds scheduled for 2017.



Which health and safety challenges does Borealis Operations face, and how are they being addressed?

Borealis is a global leader in health and safety. Yet this year we had two tragic fatalities, one in Linz, Austria, and one in Borouge, UAE, which remind us that achieving our ultimate goal of zero accidents and process safety incidents – our Goal Zero journey, as we call it – remains our greatest challenge. We do have a certain momentum going, but need to remain vigilant at all times. The Goal Zero programme was launched in 2014, and in the meantime we've been able to make progress in cultivating a permanent mindset in which safety and process safety come first, among all our employees – and more and more, among our contractors' employees, too. In 2015, we added several valuable new tools, like the process safety competency matrix for all key functions in the organisation. We held workshops and training sessions and published a process safety awareness handbook for Borealis Leaders as a guide to assist them in facilitating even better process safety performance. We continue to use the CCC, the Borealis Corporate Co-operation Council, as a platform for discussion and forum for exchange on health and safety issues across all levels of the company, from employees to owners.

But we have seen that we must be even more proactive in our approach to health and safety. We need to better identify risks, create awareness of such risks, then take measures to mitigate or eliminate them wherever possible.

We have now developed new measures and a Borealis Life Saving Rules refresher campaign, including promotional videos, to enable effective

implementation. Yet for implementation to be effective, it is essential for all of us to truly care for our colleagues: help each other be safe! Have the courage to intervene if you see unsafe behaviours. And have the character to listen to the advice you get from your co-workers. By pulling together we will make further progress on our Goal Zero journey, towards having no one hurt in safety and process safety incidents.

How does Borealis handle crisis management within Operations?

Here we have also adopted an approach of ensuring continuous improvement. Allow me to explain by way of example. In 2010, there was an unintentional discharge of pellets from our Schwechat facility in Austria into the Danube River during a period of extremely heavy rainfall. Although we had a solid crisis management approach in place, we later found a number of areas for improvement. For example, that workplace set-ups must be continually and proactively improved, and communication with the media and the general public must be ongoing. In 2014, we decided to sign the Operation Clean Sweep® pledge. As part of our pledge we create clear action plans for improving worksite set-up, implement procedures to monitor performance, offer training for employees and audit performance regularly – all with the ultimate goal of achieving “Zero Pellet Loss”. During the past year, and in close collaboration with our owners OMV and IPIC, we identified additional areas for crisis management improvement, such as emergency simulation training with the fire brigade and other early responders.

The Schwechat facility near Vienna is the site of a recent energy efficiency project. Could you tell us more about it?

As part of our overall drive to improve energy efficiency, the Schwechat flare gas recovery project is a good example of how we intend to be part of the solution to major environmental challenges like mitigating CO₂ emissions, and to operate our plants and manufacture our products in a responsible and sustainable way. To this end, we have developed an energy efficiency improvement roadmap. We have now identified key efficiency drivers for each unit and

“Borouge is an incredibly dynamic environment to work in. Our results in 2015 were very strong. We have state-of-the-art technology and a vibrant mix of talents and nationalities. It is really exciting to see that we have the drive to take it to the next level, and the technical and human capital to do so.”

Klaartje Vermeulen,
Vice President Polyolefins, Borouge



are in the process of optimising plants to achieve better energy efficiency. Our energy efficiency projects range from the modest to the very large, such as the Stenungsund investment project mentioned earlier.

Looking ahead to 2016 and beyond, what does the future hold for Operations?

First, continued progress on our Goal Zero journey. Second, taking further steps in Operational Excellence: improving plant reliability, achieving cost leadership, and leveraging our Winning Triangle capabilities to identify and deliver opportunities to improve joint business performance. Finally, we aim to further strengthen project excellence, leveraging among others the lessons learned from the very successful Borouge 3 project. Across all these areas, we focus on investing in the competence development of our teams. Our people are and will make the difference.

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Our Strategic Foundation

CORNERSTONES OF SUSTAINED SUCCESS IN 2015

Over the past decades, Borealis has been transformed from a European plastics manufacturer to a leading provider of innovative plastics and chemicals solutions with operations in Europe, the Middle East & Asia, and an expanding presence in both North and South America. A sturdy foundation of Polyolefins, Base Chemicals and Borouge has provided stability in a prolonged period of global market volatility. Key investments in existing infrastructure and consolidation of recent acquisitions have made Borealis operations even more efficient, and also play a role in better addressing the sustainability challenges faced by the entire industry. The Borouge 3 expansion project will deliver not only a significant capacity increase, but also better access to growth markets in Asia.

Polyolefins

The polyolefins segment saw generally favourable market conditions in 2015, with lower feedstock costs and higher margins throughout the year. Yet long-term industry growth in Europe is projected to be modest, and operational costs will remain high. To address these challenges proactively, Borealis restructured its Polyolefins organisation to focus more tightly on sales, marketing and the polyolefins supply chain. Collaboration with customers will be further stepped up, particularly in the development of tailored specialty solutions based on proprietary Borealis technologies. The area of New Business Development will continue to play an integral role in turning engineering visions into business realities.

In Europe, Borealis' leading market position in Polyolefins has been solidified thanks to ongoing transformation and consolidation of key strategic acquisitions, including Borealis Plastomers and the full acquisition in 2014 of Speciality Polymers Antwerp N.V. These acquisitions allow Borealis to exploit existing, and uncover entirely new, growth opportunities in high-performance solutions. Enhanced operational excellence is projected in 2016 thanks to major plant turnarounds in 2015 in Stenungsund, Sweden, and Porvoo, Finland. Investment in the development of Borealis' third-generation Borstar® technology was significant in 2015. Finally, the long-term provision of competitively-priced monomers is assured thanks to

the agreement signed in October with OMV to extend our cooperation to the year 2028.

In South America, the Borealis long-term growth strategy has been further bolstered in 2015 by an additional EUR 25 million investment in Borealis Brasil facilities in Itatiba. As demand for high-performance, high-quality polypropylene (PP) compounds continues to rise, Borealis is well equipped to deliver pioneering applications to leading automotive manufacturers and Original Equipment Manufacturers (OEMs). Two new Borealis sales offices were opened in 2015, in Chile and Columbia. Farther north, collaboration on projects with U.S. partners in the automotive, energy and healthcare segments has also been ratcheted up.

Borealis and Borouge

As the year 2015 drew to a close, Borealis and its joint venture partner, the Abu Dhabi National Oil Company (ADNOC), entered the final phase of the massive Borouge 3 expansion project. What is currently the world's largest cracker, two Borstar® polyethylene (PE), one low density polyethylene (LDPE) and two Borstar® polypropylene (PP) plants are now fully operational. Scheduled to come on stream in the course of 2016 is the final remaining unit, the cross-linked polyethylene (XLPE) plant. Upon completion, total capacity will have increased to 4.5 million tonnes of polyolefins, making Borouge the world's largest integrated olefins/polyolefins complex.

In line with its long-term growth strategy, Borealis has opened the first joint sales office together with Borouge in Morocco. This shared presence will enable the more concentrated promotion of the specialty polymers business and exploitation of market opportunities in the region.

The new Borouge Innovation Centre in Abu Dhabi, UAE, was inaugurated in November 2015. In cooperation with the Borealis Innovation Centres in Europe, pioneering solutions in the areas of infrastructure, automotive, and advanced packaging will continue to be developed in the spirit of Value Creation through Innovation.

Base Chemicals

While Base Chemicals benefited from favourable hydrocarbon and energy margins, especially around the middle of 2015, efforts continued to increase flexibility and maximise light feedstock supply. A EUR 160 million

investment in Stenungsund, Sweden was announced in July. Scheduled to run from 2016 to 2020, the project entails the upgrade and revamp of four cracker furnaces to the highest current standards of process safety and energy efficiency. Construction also began on a liquefied petroleum gas (LPG) storage facility in Porvoo which will reduce supply risk and allow for ship imports.

In May, Borealis announced that it had signed an agreement with Agrifos Partners LLC to jointly develop a world-scale ammonia project on the Gulf Coast of Texas. Representing a major milestone on the path to expanding Borealis' global nitrogen business, the project will add ammonia capacity to the Borealis portfolio and help expand its fertilizer business in a cost-competitive way.

While the medium to long-term outlook for fertilizers in Europe is mixed, the global growth of this segment remains assured: population growth and changing food consumption habits require crop nutrients that provide better yields in a more environmentally sustainable way. Throughout the year, Borealis continued to transform and modernise recently acquired fertilizer assets in order to make operations as efficient as possible in terms of cost and energy consumption. It also continued to expand the Borealis L.A.T distribution network in order to consolidate its presence in Europe. Finally, the innovative diagnostics tool N-Pilot® has now been successfully launched in several European countries, with more to follow in 2016.

Borealis' approach to sustainability

Responsibility has always underpinned how Borealis does business. Borealis recognises its responsibility to protect the health and safety of all employees and to offer them job security, to conduct business ethically, and to ensure production processes and products are safe. This approach is based on the company's core values and laid down in its ethics policy and its commitment to Responsible Care®.

Borealis' understanding of sustainability is broader than morality or responsibility. Business is increasingly affected by external factors, the increasing complexity of social, environmental and economic challenges, including new and more demanding regulations and political, economic and social instability. As a business, Borealis needs to sustainably manage constrained resources, such as finite feedstock and energy, as well as controlling its emissions and preventing pollution. Improving sustainability performance enables Borealis to be more efficient, reduce costs, mitigate long-term business risks and protect the company's 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 Borealis' responsibility to fully understand the potential risks of certain chemicals, to closely follow the latest scientific findings and potentially replace these chemicals with improved alternatives.

Borealis' products and solutions have a positive impact on society by addressing challenges such as climate change and access to energy, water, food and healthcare. Borealis sees clear business opportunities by addressing emerging sustainability challenges, such as the need to reduce plastic waste and increase recycling rates and innovation opportunities that ultimately will support the company's ambition to grow.

Borealis has undertaken a comprehensive strategic assessment to identify those issues requiring greatest focus. This featured an analysis of major global and industry trends, as well as a comprehensive stakeholder survey, including customers, suppliers, academia, NGOs and investors, plus focus groups with key internal stakeholders.

The results have been evaluated against Borealis' current activity portfolio, clearly showing the company's strengths and the areas where current performance should be maintained. In addition, the evaluation has highlighted those areas where the company wants to increase its focus and improve future performance. These focus areas are reflected in the Borealis Sustainability Roadmap that outlines activities, projects and programmes to ensure better performance and progress in these areas.

Borealis believes that sustainability is an integrated element of its Management and Governance System. Therefore, rather than establishing a specific sustainability policy, department or committee, during the past two years, the company has embedded social and environmental criteria into its existing business procedures, policies and processes. In 2014, social and environmental criteria were included in the innovation project selection process, and in 2015 they were added to the investment decision process. As a result, each new innovation and investment project is now analysed against a set of qualitative environmental and social criteria. Furthermore, in 2015, a comprehensive stakeholder dialogue held within the fertilizer and consumer packaging market was leveraged in the business strategy development. Also an analysis of relevant sustainability mega trends formed the basis of the three-yearly group business strategy review.

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Our Business

Borealis is a leading provider in the fields of polyolefins, base chemicals and fertilizers.

Polyolefins

The polyolefin products manufactured by Borealis form the basis of many valuable plastics applications that are an intrinsic part of our daily lives. Borealis works closely with its customers and industry partners to provide innovative and value-creating plastics solutions that make end products safer, lighter, more affordable and adaptable. Advanced Borealis polyolefins have a role to play in saving energy along the value chain and promoting more efficient use of natural resources.

Borealis provides services and products to customers around the world in collaboration with Borouge, a joint venture with the Abu Dhabi National Oil Company (ADNOC).

The areas of polyolefins applications are wide-ranging and diverse. At Borealis, these areas are called Energy, Automotive, Consumer Products, and Pipe. New Business Development explores novel and potentially significant polyolefin products and applications.

Energy

Borealis is a leading provider of polyolefin compounds for the global wire and cable industry. A broad range of sophisticated extra-high, high and medium voltage cable applications, semi-conductive products as well as low voltage energy transmission and distribution cable solutions are made possible by Borealis' proprietary technologies. Cutting-edge innovations based on Borlink™ developed for the wire and cable industry make power grids more robust and reliable, help eliminate wastage, and make it possible to transport energy from renewable sources more efficiently and over longer distances.

Borealis' unique polymer manufacturing technologies make the wires and cables used in the construction and automotive industries safer, and improve the efficiency of data and communication networks. Borealis is also a leading supplier of polypropylene (PP) material solutions for capacitor film products. Exhibiting exceptional cleanliness standards, these materials help achieve outstanding electrical

properties, and their consistent processing behaviour enables the production of extremely thin films.

Automotive

Borealis is a leading supplier of innovative polyolefin plastic materials for engineering applications in the automotive industry. In vehicles, Borealis' leading-edge polyolefin plastic materials 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.

Proprietary Borealis technologies offer ideal replacement solutions for conventional materials like metal, rubber and engineering polymers. Borealis material solutions help facilitate lightweight construction and thus play an important role in enhancing energy efficiency. Over the lifespan of an automotive application like a bumper, for instance, eight kilogrammes of carbon emissions can be avoided by the use of one kilogramme (kg) of PP.

Borealis grades with post-consumer recycled (PCR) plastics content meet growing industry and end-user demand for high quality materials that make better use of natural resources. Combining PCR and virgin material to produce high-end grades of consistent quality translates into less resource waste.

Consumer Products

With over 50 years' experience in the industry, Borealis is an innovative and reliable supplier of superior polyolefin plastic materials used in consumer products, advanced packaging and fibre. White goods (from washing machines to refrigerators and air conditioning units) and small appliances (from toasters to power tools) are made more robust yet lighter, more energy efficient yet visually appealing, thanks to Borealis' advanced PP solutions. Superior and proprietary Borealis technologies also make advanced applications possible in flexible packaging (including lamination film, shrink film, stand-up pouches); rigid packaging (caps and closures, bottles, thin wall and transport packaging); and non-woven and technical fibres (filtration systems, hygiene products, technical textiles).

These value-added packaging and fibre innovations play a role in safeguarding the quality and safety of consumer and industrial products, but also fulfil demand for enhanced functionality and convenience. Plastic food packaging, for example, helps protect and preserve food from farm to fork. Spoilage is avoided thanks to efficient filling systems and leak-resistant packaging. Food stays fresher longer, and less must be thrown away. What is more, the consumer has a wider range of choices when it comes to convenient and appealing packaging formats.

Pipe

As a trusted and experienced partner with more than 25 years of experience, Borealis supplies materials for advanced polyolefin pipe systems that help the pipe industry better serve a variety of communities worldwide. Using its proprietary Borstar® technology as a base, Borealis offers pipes used in many different industries: water and gas supply, waste water and sewage disposal, irrigation, plumbing and heating, and oil and gas, including multi-layer coating solutions for onshore and offshore oil and gas pipelines. By offering more durable and reliable pipes, Borealis' step-change innovations continue to boost the sustainability of pipe networks by making them safer and more efficient, by helping eliminate wastage and loss whilst at the same time offering energy savings. Borealis has been a solution provider and one-stop shop for polyolefins in the oil and gas industry providing reliable service and quality from one end of the pipeline to the other. Water and sanitation systems can be made more efficient and reliable by using proprietary Borealis materials. Compared to conventional materials, such modern polyethylene (PE) systems reduce water losses by a factor of eight. Trenchless technology reduces installation costs by up to 60%.

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, elastomers and foamable materials based on its proprietary technologies. Importantly, as global suppliers, Borealis and Borouge can ensure the security of supply and provide technical support tailored to the specific and stringent requirements of the market.

In Healthcare, the ever-growing Borealis polyolefins portfolio offers superior technical performance for medical devices, pharmaceuticals, and diagnostic packaging. Borealis innovations help make healthcare

packaging and medical devices safer and more affordable whilst improving usability, a key criterion in today's ageing society. Disposable syringes, insulin injection devices, unbreakable transparent bottles and single-dose eye drop dispensers, among other products, have all been enhanced by advanced polyolefins made by Borealis.

In Elastomers, Borealis continues to expand its wide range of attractive elastomers solutions with its brand Queo™ to meet or even surpass the most demanding requirements in sealing, flexibility, compatibility and processability. In foamable materials, Borealis' high-melt-strength (HMS) PP-based products fulfil the varying and sophisticated needs of both converters and consumers in the packaging, automotive and construction industries.

Base Chemicals

At Borealis, Base Chemicals is a solid foundation to build upon. Borealis produces a wide range of base chemicals such as melamine, phenol, acetone, ethylene and propylene for use in numerous and diverse industries, as well as fertilizers and technical nitrogen products. Fully committed to international Base Chemicals activities as the solid foundation of its overall business, Borealis will continue to develop this profitable area with its unique feedstock capabilities, logistics and integration strengths.

Borealis' Base Chemicals business consists of three units: Hydrocarbons & Energy, Melamine and Fertilizers.

Hydrocarbons & Energy

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

Phenol, benzene and cumene as well as acetone are produced in Finland and are sold mainly to the adhesive, fibre, epoxy resin and polycarbonate industries in Northern Europe.

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Innovative products

HVDC cables enable more efficient transmission

Borlink™ LS4258DCE is the new compound providing a step-change in high voltage direct current (HVDC) cables. Along with an accompanying Borlink semicon, it enables the use of extruded cable technology at significantly higher voltage and transmission levels, up to the record level of 525 kV, as proven in successful type and pre-qualification testing. This means up to 2.6 GW – the amount of power in three large off-shore windfarms – can be transported in a single pair of HVDC cables. This innovation promotes sustainability by supporting the further integration of renewable energies into the grid and establishing more interconnections in international infrastructure projects.



In courtesy of ABB

Innovative beverage caps save on both material and cost

Borealis and Borouge launched two lightweight grades in the BorPure™ high density polyethylene (HDPE) family, BorPure MB5568 and MB5569. Both grades boast excellent organoleptic and mechanical properties, including superior environmental stress cracking performance and increased stiffness. The single piece HDPE closures allow for material and cost savings without compromising seal and barrier quality, and offer functionality and convenience for the end consumer.



In the Nordic and Baltic regions, Borealis is the leading producer of phenol, which is used in adhesives, construction materials, carpets, CDs, DVDs, mobile phones and household appliances. Acetone is commonly used in solvents for paints, acrylics, fibres and pharmaceuticals. Benzene and cumene are feedstocks for other chemical processes.

Melamine

As the second-largest producer of high-quality melamine in Europe, Borealis produces melamine at its plants in Linz, Austria, and at Borealis facilities in Piesteritz, Germany. Melamine is converted from natural gas and has itself become 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

Efficient and effective use of fertilizers has become more essential than ever. The world's 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. Bio-fuels are also generating demand for increased yields. Because there is limited space for agricultural expansion, yields must be optimised. At the same time, there is in developed nations a heightened environmental awareness of the need to promote fertilizers with low carbon footprints, to maintain healthy soil environments, and reduce run-off from fields.

As one of the leading fertilizer producers in Europe, Borealis is helping make farming more efficient in order to feed more people and livestock. Borealis supplies over five 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 and will continue into 2016.

Corporate Governance

Good corporate governance fosters transparency and accountability and is the foundation upon which trusting relationships with customers, business partners and other key stakeholders are built.

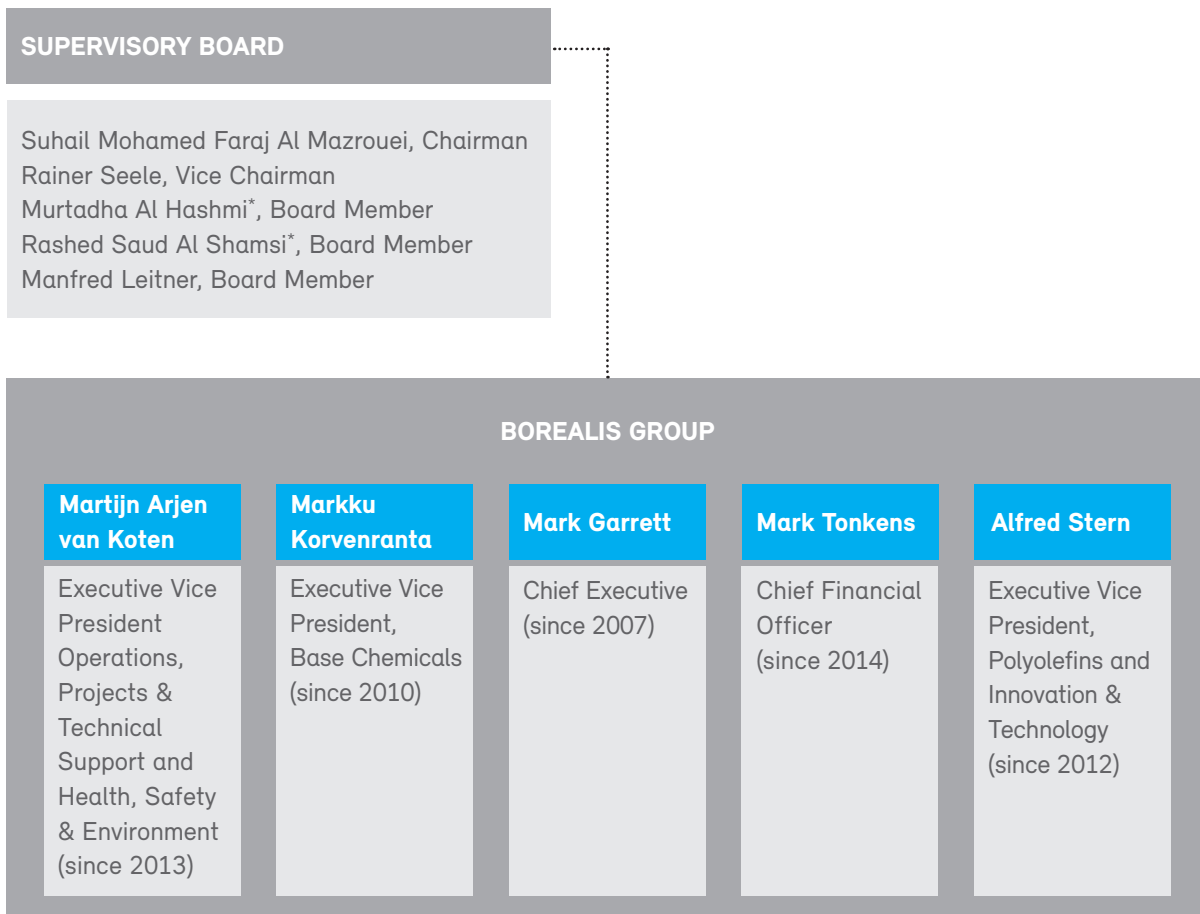
Borealis' principles for good governance are based on the company's core values of Responsible, Respect, Exceed and Nimblicity™. These principles permeate the company at all levels, starting at the top with the Borealis Supervisory Board, which governs the Borealis Group and represents the International Petroleum Investment Company (IPIC) and OMV, which together own Borealis. The Supervisory Board is currently composed of a chairperson, vice-chair and three board members. It has established an Audit Committee and a Remuneration Committee and delegated respective responsibilities to those sub-committees.

The Supervisory Board appoints the members of the Borealis Executive Board and authorises them to represent the Borealis Group and to manage its

business activities. The five Executive Board members supervise and lead their respective areas of responsibility and hold regular meetings to align on recent activities as well as jointly decide on strategic matters and key investments. Each may also oversee one or more dedicated cross-functional committee focused on specific areas, such as Product Stewardship, Responsible Care®, Quality Management or Energy and CO₂.

The Borealis Management System encompasses Borealis Group policies, procedures, instructions, committee and meeting charters, and governs how authority is delegated within the company. At the highest governance level, Borealis' 10 Group Policies include the Authority Schedule owned by the CEO.

This schedule defines how authority is delegated in all business and functional areas and establishes approval levels delegated to senior management in key processes such as Internal Control Systems and Risk Management processes.



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* New Board members appointed on 25 February 2016, succeeding Mohammed A. Al-Azdi and Mohamed H. Al Mehairi

The Borealis Management System is documented online, ensuring that all employees have immediate access to the latest approved documents.

Compliance with the integrated management system is regularly reviewed by monitoring performance indicators conducting internal audits and management system reviews, the latter both at Group Level by the Executive Board and at Location Level by the respective Location Leadership team. Compliance is also certified externally via the relevant ISO standard certifications, such as ISO 9001, ISO 14001, OHSAS 18001, ISO 50001 and ISO TS 16949.¹

Risk Management

Borealis' Risk Management Policy is owned by the Chief Financial Officer (CFO) and, like the authority schedule, is one of the 10 Group Policies established at the highest governance level. Its objective is to establish sound risk management practices in all business areas and in all places where Borealis operates.

Borealis employs the "three lines of defence" approach to risk management. This recognises that each line of defence has a distinct role in identifying, assessing and mitigating risk, and overseeing the effectiveness of these processes.

The three lines of defence are:

- 1. Operational management** which is responsible for maintaining effective internal controls and for carrying out risk and control procedures on a day-to-day basis.
- 2. Risk management and compliance functions** which ensure that the first line of defence is well designed and working effectively.
- 3. Internal audit** which provides independent and comprehensive assurance about the effectiveness of governance, risk management and internal controls, including how well the first and second lines of defence are achieving their risk management objectives.

This risk management process ensures that all parts of the Group routinely identify and assess their risks and develop and implement appropriate mitigation actions. Key risks across the company are periodically discussed at Group Level and consolidated to produce the company's overall risk landscape. Executive Board members periodically review these key risks, validate the risk tolerance levels, monitor the implementation of mitigation actions and ensure they are integrated into strategic planning. While every Borealis employee is responsible for managing risk within their own area of activity, the Executive Board owns the Group's risk landscape and frequently reports on it to the Supervisory Board. The Supervisory Board reviews the effectiveness of Borealis' risk management practices and processes, the Group's risk exposure and the effectiveness of mitigation actions. The Supervisory Board delegates some of these responsibilities to the Audit Committee.

Internal Controls System

Borealis has established a system of internal controls in line with European requirements. These controls assess the robustness of the company's systems and processes, and support monitoring management and reporting of related risks.

The system of internal control is owned by the CEO and senior management and the Audit Committee is monitoring its effectiveness.

Borealis' system of internal control identifies core processes with financial impact, drawing on guidance from auditing firms. Internal controls are defined for these processes and require control owners to complete self-assessments. Internal Audit supports and monitors these self-assessments to ensure compliance while external auditors assess the effectiveness of Borealis' internal controls.

¹ A full list of certificates can be found on www.borealisgroup.com

Internal Audit

Borealis has an independent Internal Audit function, headed by the Director Internal Audit and Risk Management who reports directly to the Audit Committee, a subcommittee of the Borealis Supervisory Board. The Audit Committee reviews the effectiveness of Internal Audit and Risk Management and approves the annual internal audit plan. All audit results are reported to and discussed by the Audit Committee.

An international team of internal auditors performs regular audits in accordance with Institute of Internal Auditors standards. The annual internal audit plan schedules approximately 20 audits each year. In 2015, 19 audits were carried out, as well as Internal Control reviews for 11 processes. The audits included an ethics and compliance audit in Bulgaria in the business area of Base Chemicals; a location legal governance audit in Finland; and several process compliance audits of recently acquired entities in both the Polyolefins and Base Chemicals businesses.

Key Committees & Forums

The **Quality Committee**, chaired by Borealis CFO Mark Tonkens, drives implementation of all quality management programmes and initiatives at Borealis and sets quality management priorities. The effectiveness and efficiency of the integrated management system is evaluated by this committee on an annual basis, and where needed continuous improvement actions are developed.

The **Forum for Sustainability & EU Affairs**, chaired by Borealis CEO Mark Garrett, has members from all relevant business areas including the Executive Vice President Polyolefins and Innovation & Technology, Executive Vice President Base Chemicals, Legal Department, Procurement, Internal Audit & Risk Management, Sustainability, Strategy & Group Development and Communications. The forum is a key driver of sustainability-related programmes and policymaking at Borealis. It steers and reviews the progress of the company's sustainability roadmap and provides input regarding positioning, priorities, key activities and performance measures.

The **Energy and CO₂ Committee** is Borealis' governing body for energy and carbon management. It develops and implements Group-wide energy and emission targets, strategies and policies, and

measures performance using KPIs (Key Performance Indicators). Among other tasks, it reviews and evaluates CO₂ emissions, coordinates all energy initiatives within the Group, identifies opportunities to optimise energy costs and efficiency, reviews market and regulatory trends and provides strategic input on preferred energy suppliers and new technologies. The committee is headed by the Executive Vice President Operations, PTS (Projects & Technical Support) and HSE (Health, Safety and Environment).

The **Borealis Responsible Care® Committee** is formed by all Executive Board members and chaired by Borealis Chief Executive Mark Garrett. The committee oversees implementation of the Responsible Care policy and programmes and monitors overall HSE performance using KPIs (Key Performance Indicators). Should serious HSE incidents occur, it carries out an assessment to help avoid future risk to human safety and the environment, and to promote active application of insights learned.

The **Product Stewardship Committee (formerly the Product Stewardship Board)** evaluates and manages the use of high-risk chemicals. Chemical safety is a top priority for Borealis, and the committee has a crucial role in ensuring chemical safety across the entire value chain. The committee brings together experts from across the company, including product stewardship, ethics, innovation, technology and operations, to ensure that its risk assessments take a broad and holistic perspective, considering market needs, legal and technological requirements as well as stakeholder views. The committee has the power to amend and update Borealis' "Black" and "Grey" lists of banned and/or restricted substances and selects the substances to be evaluated within the Borealis Risk Matrix. The committee employs a proprietary ranking tool to evaluate hazardous substances in detail. The assessments yielded by this systematic approach enable Borealis to identify, mitigate and manage the risks posed by hazardous chemicals. More information on product and chemical safety can be found in the Product Safety chapter of this report in the Social Responsibility section.

The **Audit Coordination Forum**, headed by the Director of Internal Audit and Risk Management, coordinates and aligns the separate audits carried out by HSE (Health, Safety & Environmental), Quality, and Internal Audit and Risk Management departments, in order to enhance time efficiency and achieve synergies.

Ethics

Maintaining the highest standard of integrity 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. Borealis' commitment to ethical business conduct is firmly rooted in the company's core values: Responsible, Respect, Exceed and Nimblicity™. Each Borealis employee is expected to:

- Be **Responsible** for their own actions and for upholding the highest standards of ethical behaviour at all times.
- **Respect** the importance of upholding ethical principles, human rights and diversity within Borealis, among its business partners, and in all the communities in which it operates.
- **Exceed** what is stipulated by law and regulations, to achieve even higher standards of business conduct.
- Embrace the spirit of **Nimblicity™**, to seize every opportunity to achieve excellence in business behaviour.

The Borealis Ethics Policy is the foundation for the company's approach to ethical business. It applies to Borealis employees and all others working on behalf of the company, including suppliers and

“By living our values we ensure that the Borealis Ethics Policy is not simply words on a piece of paper, but rather an attitude lived by all our employees in their daily business lives, regardless of location or background.”

Mark Garrett, Chief Executive

contractors. The policy is easily accessible on the Borealis website in 16 different languages, and offers clear guiding principles as well as practical tools and advice on how to make the right decision, when confronted with questions of ethics and business conduct.

The policy covers a wide range of topics, including the application of human rights, how to deal with conflicts of interest, Borealis' guidelines on political involvement, avoiding bribery, how the company competes and many more.

Borealis applies ethical guidelines in practice through a comprehensive network of around 80 **Ethics Ambassadors**, drawn from various functions

Borealis Ethics Policy

Competition: Borealis is committed to vigorous, lawful, straightforward and ethical competition. Its policy is to ensure full compliance with competition laws wherever it does business.

Bribery and corruption: Borealis forbids the offering, giving or accepting of bribes in any form; the Borealis Ethics Policy has a dedicated section offering guidance on how to handle situations involving bribery correctly. Zero tolerance for corruption means that infractions result in disciplinary measures of compromised employees, and the termination of contracts with suppliers and contractors.

Gifts and hospitality: It is a violation of the Borealis Ethics Policy to offer or accept any gift or hospitality, regardless of value, that aims to unduly influence, or appears to demand inappropriate reciprocity. Notwithstanding this, Borealis employees are entitled to give and receive modest gifts and hospitality that have a valid business rationale. Gifts and hospitality from a single person from a specific counterparty exceeding EUR 100 over a period of 12 months must be internally approved and registered in the Borealis Gift and Hospitality Register.

Human rights: Borealis seeks to increase awareness of human rights issues throughout the company. Any allegations that human rights are not properly protected within its sphere of influence are taken seriously.

and locations. Within the framework of Borealis' Compliance Management System and in alignment with the Group Compliance and Ethics Officer, Ethics Ambassadors hold general ethics training courses for employees. The Group Compliance and Ethics Officer and the Ethics Ambassadors also provide tailored workshops for high-risk functions or particular countries, as well as on topics such as competition and bribery. Employees with internet access must complete the company's "CodeOne" e-learning programme within the first weeks of employment and classroom training is mandatory for all employees during their first full year of employment. Depending on the role of the individual employee, additional classroom and online training courses are mandatory throughout the term of employment.

Borealis' commitment to ethics extends beyond its employees. Agents, suppliers, contractors and distributors are also obliged to uphold ethical principles. Borealis contracts include an ethics clause.

The Borealis **QuestionLine** has been established as a channel for those inside and outside Borealis to blow the whistle by reporting unethical behaviour or to raise concerns with full confidentiality. All notifications are registered, evaluated, documented and, if necessary, investigated, and appropriate action is taken. On average, the QuestionLine is contacted 150 times each year with requests for information or advice, as well as with reports of unethical behaviour. Such reports have led to disciplinary measures, including dismissal. Every valid report of unethical behaviour is investigated and findings are reported to the Executive Vice President of the business area concerned.

2015 Highlights

In 2015, Borealis introduced two e-learning courses. "Ethical Leadership – Anti-corruption" is aimed at employees in management positions. "Mutual Respect in the Workplace" covers employees' behaviour, both with their colleagues and third parties, and considers how to encourage and show respect for individuals and cultures, and prevent issues such as sexual harassment. New e-learning courses in development for 2016 include "Financial Integrity: Fraud Prevention" as well as courses on export controls and on information safeguarding.

The company's other initiatives in the year included introducing a "Monthly Compliance and Ethics Slide Pack", which assists the Senior Leadership Team in communicating ethics-based concerns to other Borealis colleagues, and can be used for internal meetings and presentations.

The Borealis "Bribery Risk Assessment" form was updated and automated, with accompanying workshops held for sales, procurement and communications departments. In addition, the company increased the number of hands-on training sessions on "Competition Law and Dawn Raid", for employees in sales, including senior management and front-line personnel.

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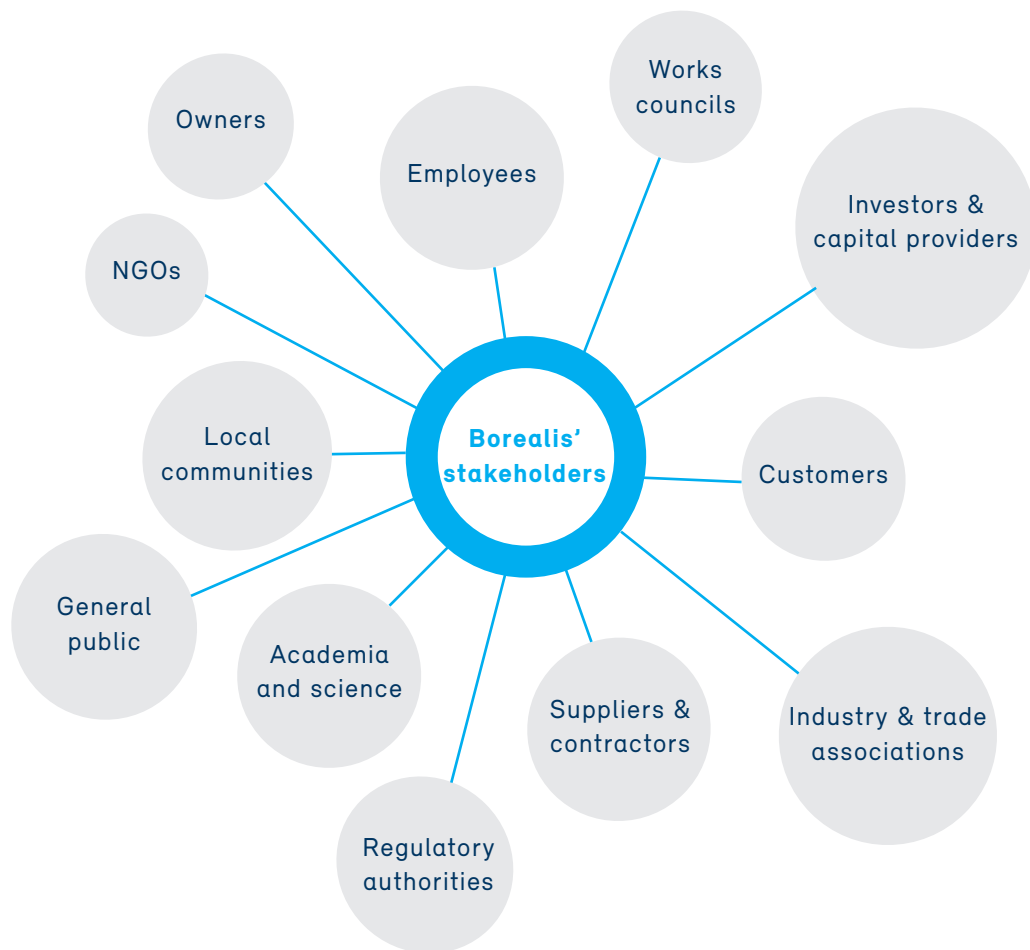
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Stakeholder Engagement

Collaborating with key stakeholders is intrinsic to Borealis' value creation through innovation and is anchored in the company's commitment to Responsible Care®. Stakeholder dialogue also 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.

Borealis seeks and maintains ongoing dialogue at a variety of levels with its increasingly complex range of stakeholders on local and global level, with occasionally conflicting needs and expectations.



Examples of interaction

Borealis interacts with its stakeholders in numerous ways, including face-to-face meetings, online surveys, participating in committees and task forces, and attending conferences, round tables and other industry events.

Employees: regular evaluation and feedback between employee and line manager, within the framework of the Borealis performance management system; biennial Borealis employee survey; regular town hall meetings and many more

Works councils: regular meetings with the Corporate Co-operation Council, a dialogue

platform between employee representatives, works councils, top management and owners

Investors & capital providers: Borealis Bankers & Investors Day; participation at industry conferences and events for exchanging experience; ongoing dialogue with financial analysts and investors

Customers: face-to-face meetings; customer feedback surveys; customer satisfaction surveys

Industry & trade associations: active membership of, or leadership positions in, numerous national, European and international associations, industry trade and/or networking organisations and their affiliated working groups (see below)

Suppliers and contractors: regular face-to-face meetings; annual industry conventions for experience exchange and relationship management; implementation of a Supplier Relationship Management (SRM) programme

Regulatory authorities: participation in regular conferences such as the 2015 EPA Stakeholder Conference and ECHA's 10th Stakeholders Day

Academia and science: ongoing cooperation in R&D with leading universities; regular participation in symposia, conferences and trade fairs

Local communities: ongoing dialogue with citizens of the communities in which Borealis has production facilities through channels best suited to local needs, such as face to face meetings with community representatives, regular newsletters and Open Door Days

NGOs: regular participation in symposia, conferences and trade fairs; memberships of associations and alliances; collaboration on specific projects

General public: interactions with the general public through events such as Open Door Days at Borealis' plants and the ZOOM exhibition in Vienna, Austria, as well as through representatives of the general public such as consumer associations

Owners: regular supervisory board meetings and owners controllers meetings, as well as individual face to face interactions at executive level, project level (for example, where working on joint projects) or expert level, to exchange experience or use synergies

2015 Highlights

Assessing materiality issues in the value chain

A major project started in 2015 was dedicated to improving Borealis' understanding of sustainability trends and needs in the value chain and how these should inform the company's innovation and marketing strategy. As part of the project, Borealis conducted face-to-face interviews with sector representatives, including customers, brand owners, NGOs, academia and authorities, to get a more in-depth understanding of the sector's material issues and what the company's stakeholders expect from it. This was followed by a SWOT analysis and assessment of Borealis' product portfolio to analyse gaps, risks and opportunities, which will ultimately feed into strategy planning. The exercise was completed for the Fertilizer and Packaging (Consumer Products) business sectors in 2015. Borealis will continue the project for its other sectors during 2016.

This project followed a comprehensive stakeholder mapping and evaluation of related issues on corporate and local level. This was done in 2014 in all geographic locations and communities where Borealis has a major presence.

Bankers & Investors Day

The Borealis Bankers & Investors Day was held in Abu Dhabi on 28–29 April. More than 70 representatives attended from banks, investors and supra-national institutions with ties to the company. This year's event put the spotlight on Borealis' focus on operational and commercial excellence as a solid foundation for future growth and in particular the successful start-up of Borouge 3, now the world's largest integrated olefins/polyolefins complex. One highlight was the visit to the new Borouge Innovation Centre which explores enhanced application solutions in the automotive, energy and advanced packaging sectors, in close cooperation with other Borealis Innovation Centres.

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ECHA's 10th Stakeholders Day

The European Chemicals Agency (ECHA) is the driving force behind the implementation of REACH, the EU regulation governing the Registration, Evaluation, Authorisation and Restriction of Chemicals. ECHA's 10th Stakeholders Day conference was held in Helsinki on 27 May and attended by regulatory officials and representatives from NGOs, industry associations and companies. Borealis' Product Stewardship experts participated in the conference and its three main sessions: REACH 2018, improving dossier quality and risk management. Borealis also took part in an ECHA workshop in April, focusing on exchange of experience and lessons learned in the course of REACH implementation at Borealis.

EPA Stakeholder Conference "Eliminating plastics and microplastics pollution – an urgent need"

This conference was organised by the Austrian Environment Protection Agency (EPA) and the Austrian Federal Ministry for Agriculture, Forestry, Environment and Water Management. Members of the EU parliament and other high-level government officials addressed over one hundred participants from a range of stakeholder groups. The sessions aimed to identify next steps for eliminating plastics in marine and aquatic environments. Borealis' participation demonstrated its commitment to achieve "Zero Pellet Loss". The company shared its experience with implementing the OCS (Operations Clean Sweep) pledge, explaining the challenges it had to overcome and its progress towards achieving zero loss.

Memberships

Borealis has active membership or leadership positions in numerous national, European and international associations, industry, trade and networking organisations and their affiliated working groups. This enables Borealis to take part in policy debates, to improve the company's ability to exchange expertise and experience and to monitor trends and developments. Membership also enables Borealis to support industry efforts to implement programmes and initiatives such as REACH, to promote sustainability best practices and enhanced standards, and to contribute constructively to the shift to a more sustainable society.

List of organisations and associations of which Borealis is a member

(in alphabetical order; list not exhaustive)

- APA (Aromatics Producer Association, a sector group within Petrochemicals Europe)
- CEFIC (European Chemical Industry Council)
- Cool Farm Alliance
- ECMA (European Catalyst Manufacturers Association, sector group within CEFIC)
- EMPA (European Melamine Producer Association)
- EPCA (The European Petrochemical Association)
- Essenscia (Belgium, Federation for Chemistry and Life Sciences industries)
- Europacable (as associated industry partner)
- Europen (European Organisation for Packaging and the Environment, active in task force on food waste)
- FARM REACH Consortium
- Fertilizers Europe
- IFA (International Fertilizer Industry Association)
- IPLOCA (International Pipe Line & Offshore Contractors Association)
- IV (Vereinigung der Österreichischen Industrie, or Federation of Austrian Industries)
- IVA (Industrie Verband Agra, German agrochemical industry association)
- Kemianteollisuus ry (Finland, The Finnish Chemical Industry Federation)
- LOSG (Lower Olefins Sector Group, a sector group within Petrochemicals Europe)
- MPPE (MedPhamPlast Europe)
- Petrochemicals Europe (petrochemicals industry sector within CEFIC)
- PlasticsEurope
- TEPPFA (The European Plastic Pipes and Fittings Association)
- UNIFA (Union des Industries de la Fertilisation, the association of the French fertilizer industry)
- WBCSD (World Business Council for Sustainable Development)
- WKO (Wirtschaftskammer Österreich, or the Austrian Federal Economic Chamber)
- WPC (World Plastics Council)

Cool farm alliance

Borealis' membership of the Cool Farm Alliance helps it to promote sustainable farming. The Cool Farm Alliance is a not-for-profit organisation, funded by corporate partners and members. It taps into know-how provided by industry experts, NGOs, academics and software developers, to measure how improved agricultural practices can mitigate greenhouse gas emissions and other environmental impacts. The Alliance has developed a standardised online greenhouse gas emission calculator, which it offers free to farmers, to help them measure the carbon footprint of their crops and livestock farming.

World Business Council for Sustainable Development (WBCSD)

Founded in 1992, the WBCSD is a CEO-led organisation of around 200 forward-thinking companies. It acts as a catalyst and thought leader in the global business community when it comes to promoting sustainable development for business, society and the environment. Borealis co-chairs the Water Solutions cluster and co-leads the working group on WASH, the pledge to work on behalf of safe water, sanitation and hygiene in the workplace. By working within the WBCSD, Borealis helps advocate on behalf of business, leveraging its strong relationships with stakeholders to drive debate and policy change in the direction of business solutions for a sustainable world.

PlasticsEurope

Borealis is a member of PlasticsEurope, a leading trade association of plastics producers. The combined output of its approximately 100 members makes up over 90% of all polymers produced in the EU, Norway, Switzerland and Turkey. Borealis Executive Vice President Alfred Stern is a member of the PlasticsEurope steering board. Borealis is involved in working groups including standardisation, chemicals safety, food contact and plastics lifecycle, and has co-chaired the marine litter working group since 2015. Borealis has also joined the recently formed World Plastics Council.

Public Affairs

Borealis' ambition is to enable policymakers to shape legislation that supports true sustainable development. This requires well-informed policymakers at both national and EU levels. Borealis does not engage in direct dialogue with politicians or policymakers. Instead, it works with and through trade associations and interest groups such as PlasticsEurope and Fertilizers Europe, to share its expertise and make its voice heard. Two Borealis employees support these efforts: the Head of Sustainability & EU Affairs, based in Brussels, and the recently appointed Group Public Affairs Director, located in Austria. In addition, Borealis' experts in chemicals safety, energy, HSE and other core areas are also entrusted with liaising with national and/or EU policymakers to inform them of relevant industry developments.

In line with the company's Ethics Policy, Borealis neither endorses nor supports political parties.

The company conducts its advocacy activities in accordance with EU Transparency Register guidelines, where Borealis AG is identified by the number 24298121313-54. The areas of activity and total monetary value of dedicated resources are reported in the EU Transparency Register.

The monetary value indicated reflects:

- fees paid to trade associations entrusted with liaising with legislators and policymakers; and
- the allocated portion of Borealis' employee salaries, for their trade association-related work.

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Responsible Care®



Borealis is committed to implementing the guidelines of the Responsible Care® Global Charter, the chemical industry's voluntary initiative which aims for continuous improvement in HSE performance in the chemical industry.

The guidelines contained in the charter, such as efficient use of natural resources and efforts to avoid the production of waste, are also among the central principles guiding Borealis.

Works Council

The Borealis Corporate Co-operation Council (CCC) is a forum for the regular exchange of information among Borealis employees, senior management and owners. This consultation body was established before the legislation on the European Works Council came into force in 1994 and focuses on issues such as HSE, financial updates, strategy and other topics and projects. The CCC is made up of 14 representatives from the six European countries in which Borealis has plants. Members are nominated for a period of at least two years. In addition to the employee representatives, two members of the Executive Board, the Vice President of Human Resources and the Communications Director attend the Council's regular meetings.



Responsible Care® commits Borealis 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 Borealis' 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 Borealis' performance.
 - Contributing to sustainability through improved performance, expanded economic opportunities and the development of innovative technologies and other solutions to societal challenges.
-

Environmental Responsibility



Energy

Borealis recognises the global challenge to become more energy efficient and addresses this challenge through its continuous efforts to reduce its energy footprint, as well as by developing innovative plastics solutions that save energy along the value chain.

Energy consumption accounts for around 53% of Borealis' greenhouse gas emissions (flaring losses and N₂O emissions represent 13%, process emissions from ammonia production represent 34%), so improving energy efficiency is clearly the most effective way to reduce the company's direct carbon footprint, cut energy costs and increase its competitiveness.

Managing energy consumption is therefore an integral part of Borealis' management system. The Energy & CO₂ Committee is a standing committee of the Executive Board and is chaired by the Executive Vice President Operations, Projects & Technical Support and Health, Safety & Environment.

Borealis' group wide certification to ISO 9001 and ISO 14001 covers almost all locations and has energy as an integral part of the environmental management system. To further strengthen its energy management Borealis started the process of certifying all its European entities in accordance with ISO 50001 in 2015. Plants that process raw materials for the automotive industry are also certified and regularly audited to ISO/TS 16949.

Borealis' ambition is to improve energy efficiency by 10% by 2020, using 2015 as a baseline. In 2015, Borealis' primary energy consumption amounted to 22,600 gigawatt hours (GWh). With the move to ISO 50001 all energy reporting has been evaluated and remodelled to serve Borealis' goal to be more energy efficient. Therefore the feedstock related natural gas for the ammonia production has been excluded from the energy consumption figure. This largely explains the decrease in primary energy consumption of about 8,800 GWh.

To monitor its performance against its energy efficiency goals, Borealis has tracked a lagging energy KPI (Key Environmental Performance Indicator), primary energy in megawatt hours (MWh) per tonne of output, for more than ten years. In 2015, Borealis added a new leading indicator, to measure its progress on energy efficiency improvements towards the 10% ambition by 2020.

2015 Highlights

The Energy & Flaring Roadmap

Borealis' strong focus on energy efficiency in its plant operations goes hand in hand with its efforts to minimise flaring, as well as laughing gas emissions (N₂O) from nitric acid plants. In 2014, Borealis therefore launched an ambitious programme to achieve a step-change in energy efficiency and reduce flaring. The Energy & Flaring Roadmap was created by a cross-functional team, using insights gained through internal workshops and comprehensive analysis. The roadmap points to opportunities for energy efficiency from now through to 2020/2021 and beyond. A variety of measures – from optimising equipment and process operations to exploiting new technologies – will increase energy efficiency and reduce flaring. In 2015, Plant OPEX (Operational Excellence) teams started to implement a structured improvement process, with enhanced energy focus in daily operations and periodical "deep dive" sessions to identify further improvement potential.

Implementation of ISO 50001

To sustain its energy step change efforts, Borealis is preparing to implement an energy management system certified to ISO 50001. In 2015, Borealis completed a first gap analysis and drew up an implementation plan. This work will continue throughout 2016, with the aim of achieving group-wide certification by 2018.

Emissions to air

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

- CO₂ emissions from fuel combustion to produce heat
- CO₂ emissions from reactors, cracker furnaces and ammonia production plants
- CO₂ emissions from flaring in polyolefin plants and crackers
- N₂O (nitrous oxide) emissions from nitric acid production plants
- NO_x (nitrogen oxides) emissions created by the burners in steam boilers and furnaces
- Fugitive emissions of hydrocarbons, known as volatile organic compounds (VOCs)
- Dust emissions from handling solid material in fertilizer plants

Emissions to air can have various effects on the environment:

- CO₂ is the main greenhouse gas contributing to climate change;
- N₂O is also a potent greenhouse gas;
- VOC emissions contribute to the generation of ground-level ozone, particularly in combination with traffic-generated emissions; and
- NO_x emissions are also related to ozone generation, as well as contributing to nitrogen ending up in water and soil environments.

Emission management is an integral part of the Borealis HSE management system, which complies with the ISO 14001 environmental management system standard. This means that emissions are identified, risks assessed and monitored. Control measures are evaluated and implemented in relation to the significance of the emission and according to ISO 14001 standards, as well as to regulatory requirements.

For Borealis, the emissions with the most significant environmental impact are VOC, N₂O and NO_x emissions. Key Environmental Performance Indicators (KPIs) are regularly monitored and compared to targets. Deviations from the norm are reported within the Borealis incident management system, investigated, and addressed through corrective actions. High-risk items and proposals with significant potential for improvement are regularly discussed and addressed within senior

management committees, such as the Energy & CO₂ Committee and the Responsible Care Committee.

Borealis uses Teams SR, an environment and energy data management and reporting software package. This software ensures the traceability and transparency required for EU Emissions Trading System reporting. All Borealis production entities and office locations are connected to this tool.

2015 Performance

CO₂ emissions

In 2015, Borealis had 4,270 kilotonnes (kt) of CO₂ equivalent emissions. This compares to the 4,250 kt in 2014. The absolute CO₂ equivalent emissions relate to the overall production volumes. Borealis is committed to continuously improving its energy efficiency and consequently achieving a reduction of CO₂ equivalent emissions whilst increasing production volume and ensuring plant reliability, yet this remains a challenging journey.

Flaring

Flaring is a necessary safety measure used in refineries and petrochemical operations. In flaring, excess gases which cannot be recovered or otherwise recycled are safely burned. However, the noise and emissions caused by flaring affect surrounding communities and flaring also incurs costs for the company. Borealis strives to reduce the need for flaring and continuously improves its plants' operational performance, reducing the number of plant interruptions and incidents.

Flaring losses in 2015 were 47.7 kt, up from the 38 kt measured in 2014. The main reasons for the increase were turnarounds and technical disturbances. However, Borealis did achieve some improvements in flaring, such as the 85% reduction resulting from the flare gas recovery project in the pilot plant in Schwechat, Austria.

VOC emissions

In 2015, the company had VOC emissions of 3,055 tonnes (t), compared to the 3,250 t recorded in 2014. By taking action to detect and repair leaks quickly, Borealis continues to reduce its overall VOC emissions.

NO_x emissions

Absolute NO_x emissions in 2015 were 4,100 t, compared to 3,400 t in 2014. This increase was mainly due to higher ammonia production in 2015.

N₂O emissions

N₂O emissions from nitric acid plants decreased from 1,160 t in 2014 to 978 t in 2015. Some nitric acid plants changed catalysts during 2014, which contributed to the improvement during 2015.

Water

Water is an essential natural resource for Borealis' operations. Industrial water is required 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 (drawn in part from company-owned wells) is the main source of water, while other locations use mainly surface water. All Borealis locations are connected to wastewater treatment installations, consisting of internal treatment units, external plants, or both. The company carefully monitors wastewater flows and contaminants, to ensure that all parameters are within permitted levels.

Water management is an integral part of the Borealis HSE management system. Borealis continuously

monitors and regularly evaluates its water use, with its approach to efficient water management based on regular assessments of its water consumption in the past several years, including plant-by-plant inventories and environmental impact evaluations.

2015 Performance

Borealis' water withdrawal in 2015 was 300 million cubic metres, compared to 316 million cubic metres in 2014. Surface water, including water from wetlands, rivers and lakes, represented around 98.5% of this consumption.

Effluents and waste

Effluents and waste management is an integral part of the Borealis HSE management system. This means that effluents and waste production is identified, risks are assessed and further monitored. Control measures are evaluated and implemented in relation to the significance of the volumes and according to ISO 14001 standards, as well as regulatory requirements.

Effluents

The volume of liquid water waste depends on the type of production at Borealis' locations. Each production process requires the use of specific chemicals, with the result that waste water contains

substances requiring dedicated treatment techniques. Water effluent sent to treatment plants may contain nitrate and ammonium (from fertilizer plants); heavy hydrocarbons (from crackers); or solid material (from polyolefin plants).

Borealis installs water treatment techniques that are appropriate for each plant's production process. These techniques can include filtration, neutralisation, osmosis, gravimetric and biological water treatment. Deviations from the norm and all hazardous situations are reported, analysed and followed up, with actions aimed at correcting or preventing such situations in the future. Borealis' actions always focus on the environmental aspect of the situation.

Operational waste

Borealis generates waste during production and through plant turnarounds. Turnarounds are regularly scheduled events during which a plant is temporarily taken off stream, in order to carry out maintenance or to revamp a unit. The most common types of waste produced in Borealis' operations include waste water treatment sludge, packaging waste, solvents, spent catalyst and inert construction material. Borealis has waste management plans for each location, which are coordinated by local environmental experts. Borealis only operates with approved contractors for handling its waste streams.

About 50% of Borealis' waste volume (without exceptional rock mined from a cavern building) is recycled but some 10% still goes to landfill. In 2015, Borealis analysed how it could reduce its overall waste production and the volume of waste going to landfill. The company is in the process of identifying areas of improvement in waste handling, with the ultimate goal of increasing the volume of material recycling and the amount of energy recovered from waste.

2015 Performance

In 2015, the company's total waste volume increased to 157,000 t compared to the 44,600 t generated in 2014. This increase was primarily due to rock mined from the storage cavern being built in Finland (110,000 t), as well as significantly greater waste resulting from large maintenance activities and projects. Of this waste amount, approximately 85% was recycled, 9% was incinerated and 3% went to landfill and other methods of disposal. 86% was non-hazardous waste and 14% was hazardous.

Plastic waste

Plastics have revolutionised many aspects of daily life. Plastic packaging in particular has come to play an essential role in society, providing convenience and improved food safety and hygiene. Yet a growing global population, the rising GDP of developing nations and a variety of consumer trends across the world have led to more plastic waste.

Borealis believes that plastics are too valuable to end up in landfill or as litter. Plastics are made from precious materials that must be used efficiently and

responsibly, especially in light of limited planetary resources. Wherever possible, plastic waste should be reused or recycled, for example for use in the automotive, construction, furniture, apparel and packaging industries. Where recycling or reuse is not a sustainable option, plastics should be used for efficient energy recovery.

Borealis continues to develop solutions that address the issue of plastic waste. The newest polyethylene generation enables material use reductions of up to 25%, resulting in less waste in packaging applications. For example, the new BorShape™ FX1002 grade used in plastic pouches for soups and other moist products keeps contents fresher for longer, while reducing the weight of the package. New beverage closures developed by Borealis and Borouge use less material, while being 10% stiffer and offering a 50% improvement in environmental stress cracking. Innovative shrink film materials further reduce material use, while maintaining excellent pack integrity.

Borealis is an active member of the PlasticsEurope packaging & packaging waste working group and became co-chair of the PlasticsEurope marine litter working group in 2015. This group's mission is to prevent waste from ending up in marine environments by forming partnerships to promote proper waste management, support scientific research, encourage mindful product design and give consumers a sense of responsibility for their own behaviour.

Operation Clean Sweep: Towards Zero Pellet Loss

Plastic pellets released unintentionally during the production process can end up in streams, rivers and oceans. Preventing such unwanted spillage is a core responsibility for the industry. Borealis is committed to achieving zero pellet loss in and around its operations. Borealis was an early signatory to Operation Clean Sweep® (OCS), an international programme initiated by the Society of the Plastics Industry and the American Chemistry Council, and rolled out in Europe by PlasticsEurope. Borealis is also a signatory of the Austrian "Zero Pellet Loss Pakt", an initiative of FCIÖ, the Association of the Austrian Chemical Industry.

Achieving zero pellet loss is a challenging journey that requires continuous effort and investment. One example of Borealis' measures to reduce pellet loss are the actions taken at its Innovation Headquarters in Linz.

These include optimising drain gutters, installing pellet retention barriers and new manhole covers, and providing clean-up tools next to potential spill areas. Borealis has also implemented awareness campaigns, training and revised work instructions for employees and contractors, through the launch of its campaign called “It’s in your hands – Zero Pellet Loss”. Borealis is also working on further improvement of the retention of microplastics with pilot projects active in Sweden and Austria.

Stakeholder engagement is vital to continuously learn and improve and to better understand the issue. Borealis therefore maintains an active dialogue with key stakeholders. One recent event was the 2015 EPA Stakeholder Conference “Eliminating plastics and microplastics pollution – an urgent need”, at which Borealis shared its experience, challenges and learnings in its journey towards its goal of zero pellet loss. This is described in more detail in the section on Stakeholder Engagement.

Key Environmental Performance Indicators

Issue	Definition	2015	2014	2013	2012	2011
Flaring losses	tonnes	47,690	38,000	38,000	57,900	52,200
Volatile organic compound emissions	tonnes	3,055	3,250	3,660	2,940	3,250
NO _x emissions	tonnes	4,055	3,400	1,460	1,675	1,710
Water consumption	m ³ (million)	300	316	161	185	187
Waste generation	tonnes	157,000	44,600	19,000	17,900	18,200
Primary energy consumption	GWh	22,600 ²	31,400 ¹	22,100	21,700	20,200
EU ETS CO ₂ emissions	kilotonnes	4,270	4,250	2,480	1,480	1,530
N ₂ O emissions	tonnes	978	1,160	159	169	152

1 Includes the consumption of gas used for the production of ammonia as a raw material

2 Does not include the consumption of gas used for the production of ammonia as a raw material

Definitions

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 NO₂. 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) CO₂ emissions: All greenhouse gas emissions (GHG) as per the European ETS expressed in CO₂ equivalents (since 2009 this indicator has replaced the reporting of direct carbon dioxide emissions).

Nitrous Oxide (N₂O) emissions: Emissions of N₂O (also known as laughing gas) are generated by the production of nitric acid in the fertilizer plants. N₂O is a GHG with a global warming potential (GWP) 310 times higher than CO₂.

Social Responsibility



Human Resources

Our People

Delivering meaningful and measurable benefits for employees and the company

Highly engaged and motivated employees produce consistently better results over the long term and are more likely to stay with the company. This benefits all aspects of Borealis operations and contributes to a strong financial performance. Building on our core values, Responsible, Respect, Exceed and Nimblicity™, and acting in accordance with the ethics policy, Borealis deploys various processes, tools and initiatives to create an environment in which employee satisfaction and engagement can flourish. The company's organisational capabilities are further enhanced by identifying areas where gaps exist and filling them to support the company's long-term strategic goals.

Over recent years, the company's engagement in people development has increased in line with the company's transformation and growth. Borealis has a very diverse workforce, employing approximately 6,500 workers in the countries in which it operates – up from approximately 5,400 in 2012. To attract and retain highly-qualified employees from different cultures with sought-after skills, it is essential to

offer employees meaningful career opportunities and means to unlock their full potential.

Our strategic framework

The Human Resources Function has an essential role to play in the performance of Borealis. An annual evaluation examines the extent to which short- and medium-term goals have been achieved regarding:

Strategy	HR's contribution to the evolution of the Company
Productivity	HR's contribution to continuously improving HR processes and instructions supporting the "one-Company" approach

Extending Organisational Capabilities

As part of the larger Company programme, Winning through Excellence, Human Resources is helping to define distinct organisational focus areas for Borealis. Findings from a recent internal survey and the results of a far-reaching investigation of emerging industry trends were used to draft an organisational roadmap.

Nine organisational capabilities that are fundamental to the Borealis growth strategy have been identified and clustered in three key future capabilities:

Leadership

The Company must ensure it has strong and capable leaders on all levels and people ready and able to become the next generation of leaders.

Collaboration

Employees should Connect, Learn and Implement (the 'CLI Mindset') to foster cooperation across the interfaces between departments, locations and with external parties.

Culture

The growing number of employees and subsidiaries within Borealis are unified by a shared culture based on the company's distinct set of values and behaviours.

People Engagement and Development

The Borealis People Survey

Over the past ten years, the biennial employee satisfaction survey, known as the Borealis People Survey, has become a well-established and crucial

organisational development and learning tool. Yet it is more than an instrument for gathering and evaluating feedback from employees. It is a platform that creates an open environment in which feedback is provided openly and honestly at all levels of the organisation. While participation in this online survey is voluntary, response rates are usually very high.



“Wellbeing is important at Borealis. We actively support a healthy lifestyle aimed at physical, mental and social wellbeing. This includes engagement in meaningful work and the opportunity to learn and further develop competencies.”



Health



Job Engagement



Competence



Work & Private Life Balance

The 2014 People Survey achieved an 82% response rate, only slightly less than the record-breaking 87% achieved in 2012. This is a great achievement, particularly following recent acquisitions.

Each and every employee has the opportunity to contribute to ‘building a better Borealis’ by offering feedback on a number of core organisational criteria. In 2014, for example, the survey found that key drivers of engagement among Borealis employees are, in order of importance: Borealis Values, Personal Development and Empowerment & Involvement.

Based on survey findings, teams throughout Borealis define, communicate and implement/execute People Survey actions focused on improvement and development. In 2015, numerous activities were launched in response to the survey results. The implementation of these action items is tracked closely and progress is shared openly.

Wellbeing

A holistic “Wellbeing” concept and approach has been developed during 2015 highlighting the co-responsibility of the company, leaders and employees and their representatives in establishing a work environment in which the Wellbeing of the

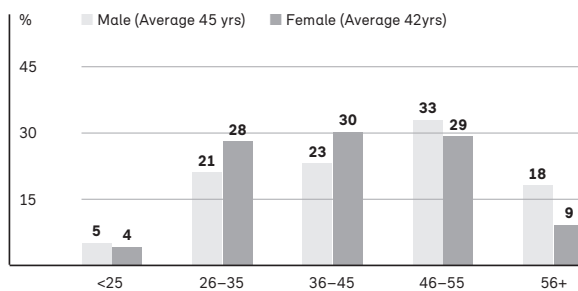
employee is supported and enabled over the lifetime of an employee’s career with Borealis. This integrated and comprehensive approach towards the topic of Wellbeing focuses on the four core areas of Health, Job Engagement, Competence and Work & Private Life Balance, identifying and building on best practices available in the organisation and setting shared goals and minimum standards. Pilots during 2015 in Porvoo, Finland, Linz, Austria, Mechelen, Belgium, and Abu Dhabi, UAE, have served as preparation for the subsequent roll-out across all Borealis locations in 2016.

People Development

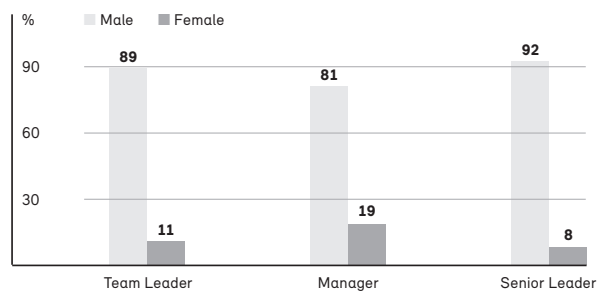
– The **Talent Management Process** is a company-wide programme focusing on attracting and/or identifying, promoting and grooming talents for leadership and expert positions within Borealis. Leadership Talent Management has been introduced in 2010 and since then has secured an internal succession rate of more than 85% into key positions. Expert Talent Management has been piloted in the Business Groups since 2013 and is introduced as a Borealis group-wide process since 2015.

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AGE DISTRIBUTION



LEADERSHIP DISTRIBUTION MALE/FEMALE AT VARIOUS LEVELS



- **Technical Competence Management** defines the skill-set and expertise required by those in technical positions. Annual assessments are held to evaluate expertise levels and recommend steps for closing any recognisable gaps.
- The **Learning Solution** is an IT platform promoting continuing education and training activities. It is linked to the Borealis Business Academy (BBA), an online educational platform created to bridge development gaps among Borealis employees. The BBA offer ranges from local to corporate courses, from introductory courses for newcomers to advanced courses for experienced staff. In 2015, around 350 classroom and e-learning courses were offered, with around 3,000 Borealis employees participating. Courses are designed and led by recognised Borealis experts and leading experts in their respective fields.
- The **Performance and Development System, myPDS**, is available to all Borealis employees around the world. The process facilitates regular developmental dialogue covering issues such as performance feedback, goal setting, as well as career aspiration, mobility and development.

Diversity and Equal treatment

In terms of Borealis' belief that Diversity is a strength and opportunity that needs to be actively fostered and nurtured, the following statement of commitment has been developed in order to guide the organisation in developing this topic further:

“At Borealis, we foster team performance as much as individual performance, and leaders who enable others to succeed. We strongly believe that diverse teams are more creative, resourceful and knowledgeable in generating broader perspectives, ideas and options that ultimately result in better outcomes than homogeneous teams. Therefore diversity, in its broader sense, is an integral element of our open culture, enriching our work environment, being an important driver for better performance. Building on our diverse workforce we aim to reflect the external environment and societies we operate in and help all our employees to feel included and enjoy working for us”.

In support of this, Borealis provides fair and transparent reward packages for all employees. Every employee should fully understand the contents of their reward package, which consists of a base salary, incentive opportunities and additional benefits appropriate for the local employment market. Individual employee performance and behaviour can influence the size of the reward package.

The basis of each reward package is the systematic evaluation of roles using an external evaluation system linked to the internal grading structure. To start with, this requires an up-to-date role description which defines core activities and responsibilities, properly correlated with regard to other roles.

Based on the outcome of the role evaluation, a reward package is prepared based on the grading position and the related compensation structure which is evaluated at regular intervals in light of relevant external market data and developments. By adopting this approach, we ensure that the reward package offered is both internally and externally competitive.

An annual Merit Review process gives each country the opportunity to request specific funds for identifying and eliminating any potential pay gaps among employee groups. Employees are entitled to receive information about their relative pay position through disclosure of whether their salary is in line with, above or below the respective market in which Borealis competes for talents.

The mandatory People Day, which is a process designed to identify potential among employees, is held as an integral part of each business group's organisational review, and is the prime activity for diversity monitoring and tracking. Evaluations are carried out to assess whether diversity targets have been met and to propose new and/or additional initiatives for promoting under-represented employee groups.

Occupational Health and Safety

Chemicals operations involve highly flammable and hazardous substances, therefore, at Borealis health and safety always come first. Since many years Borealis has achieved a world-class track record in health and safety, yet we always need to remain vigilant. To maintain a high top-of-mind status for safety culture, the company has created and constantly promotes the motto, **“If we can’t do it safely, we won’t do it at all.”**

The **Responsible Care® charter** sets the framework for excellence in health and safety at Borealis. The Responsible Care® Committee¹, headed by the CEO, monitors overall health and safety performance on the basis of Key Performance Indicators (KPIs), reviews serious health and safety incidents and enacts measures to improve performance.

The Borealis **Corporate Co-operation Council (CCC)**² also serves as a platform to discuss health and safety issues among employees, senior management and work councils, ensuring that these vital concerns are comprehensively addressed at all levels of the company.

The proactive prevention of accidents at Borealis is achieved through the development of risk management tools, the implementation of control measures, awareness campaigns, safety training, and regular audits for both employees and contractors.

High management visibility and regular contact with employees and contractors is gained through periodic observation tours. Each year, around 15,000 such tours are performed throughout the company’s departments, plants and office areas. The tours are designed to spot potential safety risks, promote dialogue between management and employees and encourage positive behaviour changes in daily work routines.

Risk control measures in the workplace are implemented and emergency planning is coordinated with external medical and public health experts. Detailed exposure controls are implemented as Borealis corporate standards. All workers undergo baseline and periodic

medical screening, testing, evaluation and health counselling to identify and control health issues.

Borealis offers physical examinations and subsequent check-ups, periodic screenings and evaluations. Employees may participate in voluntary health counselling programmes to identify and monitor health problems. Detailed chemical exposure monitoring is carried out in accordance with demanding global standards.

Borealis also conducts a company-wide workplace health survey every five years to evaluate hazards in operations and office environments. Alongside the prevention of health and safety risks, occupational illnesses and accidents, the health surveys place considerable focus on the psycho-social aspects of the work and work-life balance.

The company’s employee health initiatives vary from location to location depending 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.

Continuous improvement is achieved through systematic learning. For example, a mandatory **Life Saving Rules** e-learning module has been developed to equip employees with these important skills.

A key component of the Borealis Life Saving Rules is the idea that each Borealis employee has a shared responsibility for others: ‘care for my colleague’ means encouraging employees to report incidents, actively participate in investigations and contribute to making Borealis operations safer for all. In 2015, cross-company learning from incidents was enhanced by the creation of short videos about case studies, and a refreshment campaign on the Borealis Life Saving Rules has been launched that will continue during 2016.

1. also see page 41
2. also see page 48

Borealis Life Saving Rules

Rule 1: Working at height

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



Rule 2: Entry into confined spaces

Entry into a confined space is prohibited unless it is controlled and authorised.



Rule 3: Lifting operations and working under suspended loads

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



Rule 4: Working on potentially energised/pressurised equipment

Every person who intends to work on any equipment shall ensure all energy sources are adequately and safely isolated before starting.



Rule 5: Exposure to traffic

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



2015 Performance

Borealis tracks the number of Total Recordable Injuries (TRI) per million working hours. Recordable injuries are those which require medical treatment, restrict work, or result in lost working hours. Both Borealis employees and contractors are tracked. A TRI frequency of 2 or less is considered world-class in the industry.

Borealis has set an ambitious TRI target of 1.1 and continuously works towards zero TRI.

A near miss is an incident that under slightly different circumstances could have ended up in an accident. Borealis also tracks near-misses for both employees' and contractors' activities. This enables Borealis to early identify potential safety risks and to address them with tangible safety measures. Major incidents are discussed at various levels in the organisation and a central database, Synergi®, is used as a tool for reporting and accident learning analysis throughout Borealis.

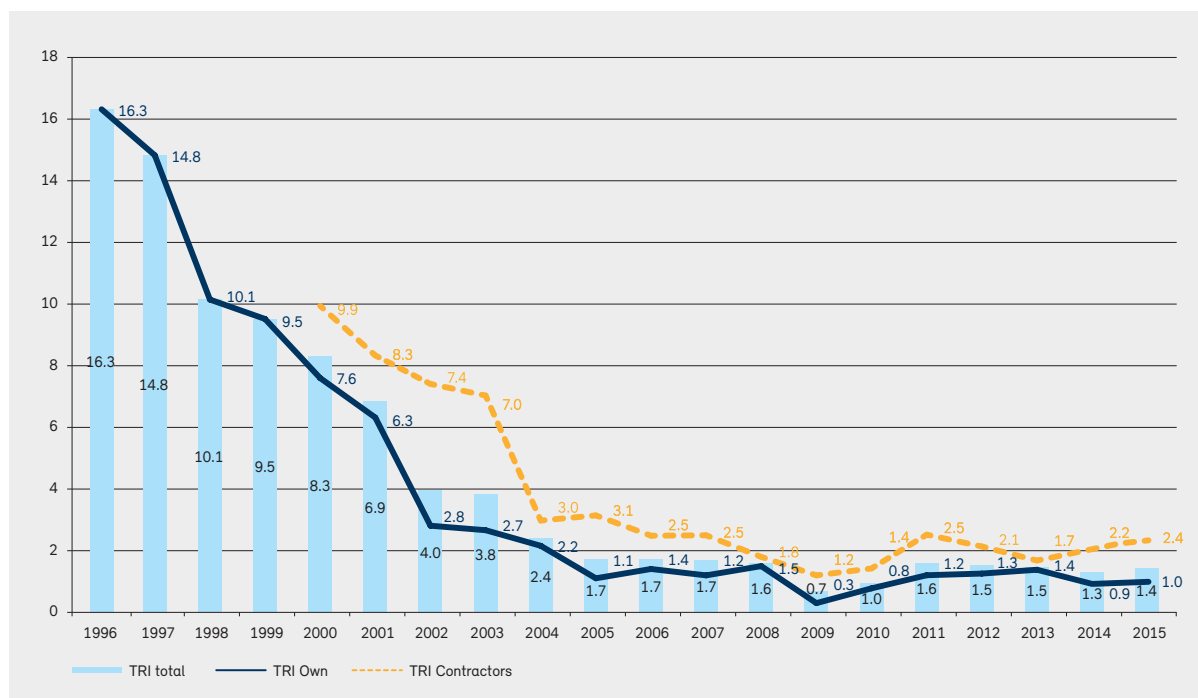
In 2015, Borealis' TRI frequency (own employees) was 1.0 while that of its contractors was at 2.4, resulting in a total TRI of 1.4. The otherwise positive safety results of 2015 were marred by a tragic fatality at the company's operation in Linz, Austria.

A plant worker was found unconscious at the bottom of a flight of stairs and died in hospital several days later as a result of injuries sustained in the accident. Everybody in Borealis was deeply affected by this tragic incident, which serves as a powerful reminder that we need to be vigilant at all times on matters of safety. Immediately following this incident, Borealis formed a taskforce in charge of developing a range of new measures to augment the existing Borealis Life Saving Rules, with special focus on working at height and on stairs.

Contractor safety management remains a concern and a focus for the coming years. Whilst the TRI frequency for Borealis employees is at target level, the contractor TRI frequency is double what it should be.

Another important occupational health & safety indicator is the sick leave rate. Borealis targets a rate of 3.2% or less, a figure below the average industry rate in countries where Borealis operates. Following a relatively poor performance in 2013, during which the rate increased to 3.5%, Borealis introduced an expanded programme including more country-specific measures. This helped improve the rate to 3.1% in 2014. In 2015, the sick leave rate deteriorated slightly to 3.2%.

**TRI Frequency,
Own vs Contractors 1996 – December 2015**



Process Safety

Petrochemical operations at Borealis involve the processing of large amounts of flammable materials under elevated pressure and temperatures. Leaks, fires and explosions could have potentially devastating consequences. As a result, process safety is of primary importance to ensure the health and safety of Borealis employees, safeguard the interests of Borealis stakeholders, and protect the environment. Borealis considers that it has a moral duty to invest in the prevention of process safety incidents and, to avoid incidents, ensure that its plants are properly designed, maintained and operated.

As a member of the European Process Safety Centre, Borealis actively supports industry-wide efforts to enhance process safety. A dedicated Process Safety department has developed special tools that enhance risk identification. With these tools, every process safety incident is investigated, reviewed and preventative actions are taken. The resulting actions are monitored at Borealis Group level.

Borealis conducts process safety training and safety management courses throughout the company. Safety audits known as Borealis Blue Audits are regularly completed in Operations, Plant Availability and Engineering, and Health and Safety. In 2015, four such audits were carried out: in Stenungsund, Linz, Antwerp and Rockport. In 2016, Borealis Blue Audits are scheduled for recently-acquired locations in France and Belgium.

To achieve its objective to record zero accidents, Borealis launched the **Goal Zero programme** in 2014. As Borealis employees are encouraged to see Goal Zero as a journey to be taken together, the programme helps establish a collective health and safety mindset. Focusing on enhancing the awareness of, competences in, and management of process safety risk, the programme was supplemented in 2015 by the creation of a process safety matrix for all key functions in the organisation. Several dedicated workshops and training sessions were carried out, and a safety awareness handbook was distributed among Borealis Leaders to help them enhance process safety performance.

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2015 Performance

Process safety performance is measured using two principal metrics: the number of reported low, medium and high-severity process safety incidents; and the process safety response rate, expressed as a ratio (%) of corrective actions completed within a defined time period.

- 699 low-severity process safety incidents were reported. As general process safety awareness increases, as a result of educational initiatives and campaigns, more low-severity incidents are being reported. Accident learning is being more actively shared throughout Borealis.
- 20 medium-severity incidents were reported.
- Zero high-severity incidents were reported.
- The process safety response rate remains

unchanged at 97.3%. Taking into consideration the continued integration of new locations, maintaining this rate is a clear safety process achievement for Borealis.

- A total of 1,730 actions have been implemented in response to low and medium-severity incidents.

Borealis is committed to a step-by-step reduction in the number of medium and high-severity cases. The newly established **Process Safety Committee** has defined leading indicators that are to be integrated into future process safety performance evaluations:

- **Life cycle management of safety instrument functions**
- **Action response rates for Borealis Blue Audits**
- **Management of change closing status**
- **Compliance check and critical self-assessment in process safety**
- **Retrospective review of hazard actions/status**

Health & Safety Performance Indicators

Issue	Definition	2015	2014	2013	2012	2011
Total Recordable Injuries (TRI)	number/million work hours	1.4	1.3	1.5	1.5	1.6
Sick leave rate	% of total hours worked	3.2	3.1	3.5	3.2	3.4
Response rate on HSE incidents ¹	% of approved and closed cases	–	99	98	98	99
Incident action completion rate	% of finalised action in due time	98	–	–	–	–
Response rate on process safety incidents	% actions timely completed	97	97	96	96	99

¹ The Response rate on HSE incidents has been replaced by the Incident action completion rate, a new KPI in 2015.

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.

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 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.

Incident action completion rate: This monitoring parameter is focusing on action completion in due time. It is calculated on a monthly basis and is looking at the actions due in the past months for all incidents reported, regardless of their consequences, with a risk factor ≥ 8 . The parameter represents the percentage of finalised actions in due time. The incident action completion rate includes all incidents reported on the incident management module including HSE, Quality and Operational incidents.

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.

Product Safety

Effective Product Stewardship ensures that the company's products do not pose any risk to the consumer or the environment, at any stage along the value chain. Borealis is committed to the principles of Responsible Care® and applies management rules enforcing high Product Stewardship standards. These assure that suppliers, Borealis employees, customers and end users are not exposed to unsafe situations, and that Borealis' products always meet or exceed legal requirements regarding their use, safety and environmental impact.

Borealis has adopted a hazardous chemicals strategy which takes into account the level of hazard, risk, developments to the regulatory framework and public concerns. Borealis' Product Stewardship procedures govern all the health, safety and environmental aspects of a product throughout its lifecycle.

The company has processes across the whole value chain, from raw material sourcing to incoming chemicals, products, uses at customers and consumers, and recycling or recovery. These processes encompass all Borealis products and cover the requirements of chemicals and use-specific legislation and standards, as well as social and ethical aspects. All newly developed or changed products undergo mandatory Health, Safety and Environmental assessments to ensure they are suitable for use in their geographical marketing areas and that they comply with chemical legislation.

All incoming chemicals are assessed using a sophisticated Incoming Material system before they are approved by Product Stewardship and can be used by Borealis. This system ensures that the company does not purchase any substance before the Product Stewardship team has controlled and approved it. In addition to being risk assessed, all materials are documented. This means that Borealis knows the exact composition of every product or substance, giving it the basis to provide high-quality product statements. Borealis continuously monitors incoming chemicals according to their type, such as raw materials for production, and chemicals for use by InnoTech and the company's quality control laboratories.

Raw material suppliers are regularly audited for compliance with legal and hygiene requirements as well as with our Ethics policy. The supplier must provide and keep up to date a complete set of documentation for each raw material. Examples of this documentation include a raw material questionnaire, safety data, compliance declarations for chemical legislation such as REACH and CLP (see below), as well as application related confirmations.

All Borealis sites that manufacture products with sensitive hygiene requirements (which are products for use in drinking water, food contact, hygienic products and medical applications), are regularly audited by external expert organisations and customers.

The European regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) is a very comprehensive and stringent European Union regulation on the production and use of chemical substances, and their potential impacts on both human health and the environment. Borealis is an active member of the PlasticsEurope REACH team. The company works closely with its own experts, customers and suppliers, engages in experience exchange at REACH conferences and assists small and medium-sized companies in meeting their REACH obligations.

Borealis requires its suppliers to provide the necessary information required by applicable national chemical inventory control laws, CLP, and REACH, to enable the company to issue the respective SDS information for its customers.

Audits at Borealis' sites are performed on a regular basis by internal audit teams and by external bodies (including authorities) to control compliance with the European regulations on REACH and the Classification, Labelling and Packaging of substances and mixtures (CLP) regulations.

Ongoing and meticulous monitoring of global legislation and regulation is essential to keep track of the growing number of international regulatory systems for the management and use of chemicals. In addition, the precautionary principle means that increasingly stringent requirements must be taken into account regarding downstream users of chemicals. Borealis implements electronic tools and works with external partners to monitor developments.

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The company actively participates in industry associations and standardisation groups, to stay at the forefront of regulatory and public requirements. Borealis is a member of various chemical industry consortia and several CEFIC (European Chemical Industry Council) sector groups, including LOSG (Lower Olefins Sector Group); APA (Aromatics Producer Association); Fertilizers Europe; EMPA (European Melamine Producer Association), and more. For a more detailed list of Borealis' industry group memberships, see the Stakeholder Engagement section of this Annual Report.

Borealis recognises the important role that its employees play in product safety and provides regular training programmes to ensure employees are up to date on chemical policies and regulations. Employees also have access to a range of tools developed by the Product Stewardship team, to increase their competence levels. A quarterly newsletter, "The Chemical Review", keeps employees informed about the latest developments.

Assessing the risks and benefits of substances

As part of its precautionary approach, Borealis does ban or restrict the use of certain substances in its production processes and products, including substances that are still under assessment by regulatory authorities.

Borealis evaluates its substances in a three-step process, using a ranking tool and risk management system the company has developed. The Product Stewardship Committee, which brings together experts from different functions across the company, ensures Borealis takes a holistic view of the subject and the risks involved, and decides which substances to include on the "Borealis Banned and Restricted Substances (Black and Grey List)".

The Black list contains all substances that Borealis has banned from use, while the Grey list includes chemicals of concern that are still in use at Borealis plants or in its products but are being phased out and replaced by less hazardous alternatives. These include potential endocrine disruptors, phthalates and brominated flame-retardants.

- Grey List / Section A: lists substances subject to a substitution programme, although the concentrations of these substances are below legally required limits.
- Grey List / Section B: includes hazardous substances with no suitable alternatives at present. Borealis closely monitors regulatory and technical developments around those substances, in case new substitution opportunities arise.

Borealis regularly reviews the Black and Grey lists, to encompass more recent risk assessments or re-classifications of chemicals. The lists are published on the company's website.

Borealis provides information and support to its customers in a number of ways. These include supporting product documentation as well as statements on application related legal compliance which is publicly accessible through Borealis' website. This documentation covers REACH information for customers and suppliers; CLP classifications via product safety data sheets; product information sheets, which provide technical data such as physical properties and performance in application, recommendations for safe handling and storage, and specific guidance regarding product uses; and the Borealis Black and Grey lists of banned and restricted substances.

Borealis also offers training and education to customers. For example, in the area of polyolefins, the company runs specific training for healthcare products, as well as training about legal requirements for plastics that come into contact with food or water. In the area of Fertilizer, Borealis offers education and awareness activities for farmers to inform them about proper use and avoiding pollution of groundwater or soil. This includes recommendations for supporting tools, such as Borealis' N-Tester, and for safe storage and use of fertilizers containing ammonium nitrate. More information about Borealis' activities in this field can be found at www.borealis-lat.com/en/int.html



On 1 June 2015, the CLP Regulation (EC) No 1272/2008 came into force for mixtures, such as our polyolefin products, fertilizers and catalysts. CLP requires companies to classify, label and package their hazardous chemicals appropriately before placing them on the market. The classification and labelling of hazardous chemicals is based on the Globally Harmonised System (GHS) agreed by the United Nations.

As a result, Borealis has updated around 7,900 safety data sheets (SDSs) and product safety information sheets (PSISs). Some of the company's polyolefin products and fertilizers had to be re-classified and re-labelled to comply with the CLP regulation. All SDSs and PSISs are available for download on the Borealis website.

According to the CLP, hazardous substances must be made known to the European Chemical Agency's (ECHA) inventory. Borealis' polymer grades are mainly non-hazardous mixtures that do not require notification. Borealis' manufactured or imported substances that need notification were noted in the ECHA inventory.

2015 Highlights

Integration work continues with recently acquired companies

To ensure that recently acquired companies such as Borealis Chimie comply with Borealis' high standards of Product Stewardship, work has begun to align and harmonise the relevant processes. The first stage was to complete a gap analysis,

allowing action plans to be defined. A joint IT tool, using the Automatic Report Shipping functionality in SAP, has been introduced for distributing Safety Data Sheets for Borealis Chimie products. Integration of raw material management also started during the year and will continue in 2016.

Development of the global regulatory follow-up and "next generation" implementation

Regulations governing chemical management continue to develop around the world. In particular, it is expected that regulations similar to REACH will be adopted globally. To meet these challenges, Borealis has begun a development programme, with an initial focus on safety data sheet development, to meet the upcoming GHS (Global Harmonised System) requirements and has selected an external partner to support the first phase of the development programme.

Xenohormone project

Endocrine disrupting chemicals¹ are currently very high on the European Commission's agenda, as well as the subject of consumers' concerns. In 2015, Borealis joined a research project run by the Austrian Research Institute for Chemistry and Technology and co-founded by the Austrian government and industry members all along the value chain. This project aims to identify potential endocrine activity of a broad variety of food contact materials, including plastics, metal cans, paper and board, and coatings. Samples from member companies and empty final packaging units were thoroughly tested. Initial findings show very low concerns regarding their endocrine activity.

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¹ Endocrine disruptors are chemicals that may interfere with the body's endocrine system and produce adverse developmental, reproductive, neurological, and immune effects in both humans and wildlife

Social Engagement

Social engagement is a core element of Borealis' sustainability strategy, reflecting the company's belief that businesses can only grow sustainably in a healthy environment and a stable society. Borealis' social engagement is reflected in two core programmes, the Borealis Social Fund and Water for the World™, as well as in a variety of initiatives targeted to the specific needs of the communities where the company operates.

Cultivating tomorrow's scientists and innovators

Borealis believes that by stimulating enthusiasm for science and chemistry at an early age, today's young and inquisitive minds will become tomorrow's leading scientists and innovators. To this end, Borealis supports programmes that motivate children and young people to learn more about science and to consider a scientific career.



Showcasing the exciting world of chemistry

Borealis co-finances and provides technical expertise to experiential laboratories in the countries that are home to its Innovation Centres – Austria, Finland and Sweden. The JKU Open Lab, for example, is a hands-on laboratory for children and young adults, which is jointly sponsored by Borealis and the Johannes Kepler University (JKU) in Linz. Guided by trained supervisors, young visitors can carry out experiments to experience and understand the exciting world of chemistry first-hand. In Sweden, Borealis supports the Molekylverkstan Science Centre, and in Finland, the Gadolin Chemistry Lab.

Other initiatives to stimulate enthusiasm for chemistry include the Young Polymer Scientists programme which Borealis carries out in tandem with JKU Linz. Seventeen year old pupils attend 12 different lectures at the JKU Summer School and complete a four-week summer internship at Borealis. In addition, the Power Girls programme allows 12-year-old girls to attend a one-day workshop at Borealis, where they can conduct scientific experiments.

In cooperation with OMV, Borealis supports Technikqueens, an initiative to encourage 14 to 16-year-old women in Austria to pursue careers in 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. In addition 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.

Raising awareness of plastics and sustainability

Since 2013, Borealis has been a main sponsor of the popular ZOOM Children's Museum in Vienna. In 2015, ZOOM opened an exhibition that makes the complex subject of plastics more accessible to children.

Borealis' support reflects its responsibility to participate in critical discussions and debates. "We want to encourage young people to consider how we can use our precious resources more sustainably," explains Borealis Chief Executive Mark Garrett.

ZOOM visitors can explore the world of plastics and consider questions such as: How have plastics changed our lives? How can we use plastics sustainably? What happens when we throw plastics away?

“Learning becomes creative and truly individual when one takes a playful approach,” explains Elisabeth Menasse-Wiesbauer, Director of ZOOM Children’s Museum. “Our aim is to help children obtain a critical awareness of how to use our scarce resources responsibly. It is especially significant that children are able to form their own opinions on complex issues when they receive understandable and objective information.”



Crisis relief and social integration

Improving the lives of refugee children

There are 60 million refugees worldwide. About half of these are children and many are unaccompanied. To provide a stable home, education and parental care to some of these children in Austria, Borealis donated money to SOS Children’s Village Austria. The money will contribute to acquiring and adapting apartments to accommodate these children. Founded in 1949 by an Austrian, the organisation is today present in 134 countries and is raising more than 82,000 children. The donation continues Borealis’ support for SOS Children’s Village, following a donation earlier in 2015 to help build up the organisation’s first office in the Gulf region, based in Dubai, UAE, with the aim to build new strategic partnerships for orphans and children in need, and also generate funds for the charity’s projects in the MENA region, where it is currently looking after nearly 14,000 children in 9 countries.

Less than 25% of Syrian refugee children are enrolled in public education. Borealis therefore donated money to the Austro-Arab Chamber of Commerce (AACC) and the AACC’s affiliated NGO, IHR, which is building six schools for Syrian children in Lebanon. Borealis’ donation will pay for sanitary

facilities at these schools, helping nearly 1,900 refugee children to continue their primary school education.

In addition to the above, Borealis provided substantial donations from the Borealis Social Fund to three organisations in the Middle East.

These were:

- The Emirates National School, which provides first-rate educational programmes for around 8,000 students. The donation will help the school with its ongoing development of its science and engineering programmes.
- The UAE Disabled Sports Federation, which promotes awareness of the special needs of disabled people and encourages their active integration into society. Borealis’ support will make a significant contribution to the UAE’s participation in the 2016 Paralympic Games.
- The Emirates Foundation, which aims to improve the welfare of UAE youth, by promoting social inclusion, community engagement, leadership and empowerment.

The donations continued Borealis’ support for all three organisations, following donations made in previous years.

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Access to water and sanitation

Billions of people around the world lack access to clean water and adequate sanitation. Water for the World™ is a joint Borealis and Borouge initiative launched in 2007. It aims to support sustainable solutions for this global problem, by drawing on Borealis and Borouge's expertise and network of partners. The programme carries out projects on both regional and global levels and focus on three core areas:

- Improving access to drinking water and sanitation for the poor and victims of natural disasters, in collaboration with NGOs;
- Conserving water resources by improving water management practices;
- Promoting best practice and raising awareness among employees, community groups, and members of the entire water infrastructure value chain.

A full list of Water for the World's projects can be found at www.waterfortheworld.net.



2015 Highlights

Providing a new water supply for villagers in the Highlands of Ethiopia

Until recently, inhabitants of the village of Kosoru in the Ethiopian highlands had to climb steep paths to mountain springs to obtain water. The humanitarian NGO Tearfund and its local partner, the Ethiopian Kale Heywet Church, built a new water supply network co-financed by Water for the World. Responding to an urgent request from the village elders and the school's headmaster, the programme also provided immediate support for improvements to the school's toilet facilities.

Improving sanitation facilities for primary school pupils in South Africa

The sanitation facilities at Monareng Primary School in Tlhabane, South Africa, were in a very poor state, with too few toilets for the school's 800 pupils. Water for the World constructed new shower and sanitation facilities, to improve conditions and help give the children a better environment for learning.

Financial Statements

Report of the Auditors*

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Borealis AG, Vienna, for the fiscal year from 1 January 2015 to 31 December 2015. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2015, 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 2015, 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 2015 and of its financial performance and its cash flows for the fiscal year from 1 January 2015 to 31 December 2015 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, 15 February 2016

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.



Mag. Stefan Uher
Wirtschaftsprüfer / Certified Auditor



Mag. Christoph Harreither
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

Safety performance

Borealis' safety performance measured by the number of Total Recordable Injuries (TRI) per million working hours reached 1.4 in 2015 compared to 1.3 in 2014. A TRI frequency below two is world-class in the industry. However, in 2015 Borealis had one tragic fatal accident in Linz, Austria. Following that, Borealis has even further increased the focus on safety again with a number of targeted initiatives to drive the safety performance toward the goal of zero injuries. Borealis continues to maintain this ambitious safety target and to work hard to achieve an accident free work environment.

Record polyolefin industry margin in 2015

The Brent Crude oil price followed a similar trend in 2015 as last year, increasing in the first half of the year before falling in the second half. Particularly Q4 saw the oil markets react to oversupply and growing concerns over economic growth, particularly in China. After peaking at an average of 64 USD/bbl in Q2, the Brent Crude oil price fell in the second half of the year to reach an annual average of 54 USD/bbl, down 45% from the average 99 USD/bbl in 2014. Feedstock prices followed the Brent Crude oil price development, but not to the same magnitude. The European polyolefin prices did not retreat by any significant factor in the falling price environment and the polyethylene prices averaged 3 percent higher in 2015 compared to 2014. This was due to a tight market resulting from a solid demand combined with a supply shortfall.

In the Fertilizer business, margins improved compared to last year supported by low natural gas prices, particularly in the second half of the year. CAN sales prices were above last year's in spring, but followed natural gas prices down in the second half of the year.

Strengthening Borealis for future growth

Following several years of acquisitions and consolidation of the acquired companies, the organisation was focused on implementing and improving Borealis' governance, systems and tools to ensure full compliance with Borealis' standard of operation in 2015. This has been done through a number of projects aiming to achieve excellence in every aspect of Borealis' operations. With the focus on operational and commercial excellence, a solid foundation for future growth has been established. Important steps were also taken to further improve asset reliability by way of investments,

training and knowledge sharing across locations. Improvements in asset reliability were seen in the second half of the year, but further work is required to reach the desired level of reliability, especially in the fertilizer segment.

Borealis and OMV also renewed their commitment to the production partnership in Schwechat, Austria, and Burghausen, Germany, in 2015 by extending their cooperation agreement until 2028. At the heart of the agreement is the supply of monomers, essential products for Borealis' polyolefin plants in Schwechat and Burghausen. The agreement ensures the long term future of the two locations in a mutually beneficial partnership.

Borouge 3 start-up

Following the successful start-up of the ethane cracker, two polyethylene (PE) plants and one polypropylene (PP) plant in 2014 the remaining PP plant and the low density polyethylene plant (LDPE), part of the Borouge 3 mega project, have successfully become operational in 2015. The only remaining plant to be started-up is the crosslinked polyethylene plant (XLPE) which will start up in the course of 2016.

Borouge has, with the five polyolefins plants being part of the Borouge 3 project, increased its production capacity from 2.0 million tonnes to 4.5 million tonnes, thus making Borouge the largest integrated polyolefins complex in the world. Borealis and Borouge combined now have approximately 8 million tonnes of polyolefin production capacity, which makes it one of the largest polyolefins producers globally.

Investing for the future

Borealis announced a number of major investments in Europe and beyond in 2015.

In May, Borealis and Agrifos Partners LLC, a project development company, reached a preliminary agreement to jointly develop a world-scale ammonia project through Gulf Coast Ammonia LLC (GCA). The plant will be located at an existing chemical production site along the Texas Gulf Coast and further strengthen the fertilizer business of Borealis. Borealis would also enter into a long-term offtake agreement for approximately 40% of the ammonia produced by the plant which is scheduled for mechanical completion and start-up in early 2019.

In Stenungsund, Sweden, Borealis announced a EUR 160 million investment in order to upgrade and revamp four cracker furnaces to the highest currently available standards in process safety and energy efficiency, enabling Borealis to secure improved reliability and operability whilst reducing plant complexity and maintenance requirements. Borealis' Stenungsund cracker offers world-class feedstock flexibility as well as Europe's largest feedstock storage capacity. Due to its strong downstream integration, a highly reliable, safe, and efficient cracker is essential for the continued success of Borealis. This investment comes only a year after Borealis announced a multi-million investment in an upgrade of the cracker and the construction of an ethane storage tank to store ethane imports from the US and Europe, a project which is well on track.

At the end of 2015, Borealis together with Neste and Veolia agreed to set up a company to build a new combined heat and power plant in Porvoo, Finland. The company, Kilpilahti Power Plant Limited ("KPP"), will be owned 40% each by Neste and Veolia and 20% by Borealis. The power plant will produce and supply steam and other utilities to Neste's refinery and Borealis' petrochemical plant with a total investment cost expected to be around EUR 400 million. The power plant will comply with the latest environmental regulations, including the European Commission's Industrial Emissions Directive (IED), and is expected to start operations during 2018.

Best ever financial result

Borealis reached a record net profit of EUR 988 million in 2015, improving on the previous record of EUR 571 million achieved in 2014. The improved result was particularly driven by better polyolefins margins, which reached a record level in 2015. In addition, the base chemicals segment had an improved performance compared to the previous year. Borouge's contribution improved compared to the last year despite the lower price environment in Asia.

Borealis saw its polyolefins sales volume increase by 6% year-on-year, compared to the European polyolefins market where sales increased by 5%. The higher volumes were driven by solid demand and the acquisition of the remaining shares in Speciality Polymers Antwerp on 1 September 2014. Fertilizer sales volumes were at a comparable level in 2015 vs. 2014.

In 2015, the polyolefin industry margin reached a record level. Despite lower feedstock costs, polyolefin prices did not retreat to the same extent due to a tight market as a

result of solid demand combined with a supply shortfall, in particular resulting from unplanned production stops. In addition, imports of polyolefins into Europe have been uncompetitive following the weakening of the Euro. As a result the olefin and polyolefin clean industry margin reached record levels. The polyolefins business segment delivered a significantly improved profit contribution compared to last year.

In the fertilizer business, the margins were slightly higher in 2015 compared to 2014. The low natural gas price contributed positively to the fertilizer result. Despite the improved margins, the fertilizer result was negatively impacted by operational issues and the performance was therefore below expectation.

Return on capital employed (ROCE) after tax increased to 15% from 10% in 2014. The increase in ROCE is a reflection of the improved business result, particularly from the European assets. The completion of major investment programmes, such as Borouge 3, will ensure Borealis realise the targeted ROCE level of 11% through the cycle.

In 2015, Borealis reduced its net debt by EUR 702 million, which resulted in a gearing ratio of 19% at the end of 2015. The EUR one billion Syndicated Revolving Credit Facility, based on a 5 year tenor with two one-year extension options at lenders' discretion that was originally refinanced in 2014, was extended by one additional year, with all participating relationship banks consenting unanimously. The new maturity date has now been extended to September 2020. In March 2015, Borealis announced the closure of a BRL 36.7 million facility agreement with BNDES, the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social), for the financing of Borealis Brasil SA's expansion.

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 going forward.

In 2016, the tightness in the polyolefin market in Europe is expected to ease, but the integrated polyolefin industry margin will remain solid. In addition, Borealis expects to see further improvements in its fertilizer business, while Borouge's profitability will be impacted by the lower price environment in Asia. Borealis therefore expects to see a solid, albeit lower profitability in 2016 compared to 2015.

Finnish tax case

In June 2015, Borealis received a re-assessment decision from the Finnish tax authority for its Finnish subsidiary Borealis Technology Oy in regard to the year 2010. The authority requested Borealis to pay an additional amount of EUR 124.6 million, comprising taxes, late payment interest and penalties. This re-assessment decision follows the re-assessment decision received by Borealis at the end of 2014 for Borealis Technology Oy in regard to the year 2008 requesting Borealis to pay an additional EUR 281.7 million. Borealis believes that both re-assessment decisions are unjustified and has appealed by filing claims for adjustment with the Finnish tax authority's Board of Adjustment.

At the end of December 2015, Borealis received a re-assessment decision from the Finnish tax authority for its Finnish subsidiary Borealis Polymers Oy in regard to the year 2009. The authority is requesting Borealis to pay an additional EUR 152.5 million, an amount comprising taxes, late payment interest and penalties. Borealis believes also this re-assessment decision is unjustified and will appeal against it by filing a claim for adjustment with the Finnish tax authority's 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, supported by several smaller research groups in other locations, 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 and many other partners in our Open Innovation eco-system.

In January 2015, a new grade of high-end Biaxially Oriented Polypropylene (BOPP) was developed based on the Borealis Capacitor technology platform. This achievement was made possible through a joint effort with a strategic customer. This major BOPP innovation will support the further reduction in size of capacitors which enables the ongoing electrification of society.

In August 2015, a series of flame retardant grades were launched representing the first halogen free system approved by Underwriter Laboratories (UL) for building wires according to UL44. The main applications are in American building wire insulation and in cables that connect solar panels to the grid (photovoltaic cables). Due to demanding testing cycles of the electrical properties under wet conditions, conventional HFFR (Halogen free

flame retardant) XLPE compounds do not meet these requirements. Before this launch, the only material alternative for these types of cables were combinations of brominated flame retardants and antimony trioxide, compounds which are not only environmentally unfriendly, but also costly.

Improving energy effectiveness

Borealis is committed to reducing its environmental footprint by lowering CO₂ emissions and increasing energy efficiency. Improving energy efficiency is the most effective way of reducing the company's direct carbon footprint, as well as cutting the company's energy costs. In 2014, Borealis established its ambitious Energy Roadmap which highlights the key focus areas for Borealis until 2020/2021. The programme has identified, amongst others, the optimisation of equipment and process operations, technology changes and site optimisation as the elements for success.

An example of Borealis' commitment to reducing CO₂ emissions was the completion of the "Wind aan de Stroom" project in Kallo, Belgium. Borealis is one of the participants in this project which was initiated by the Port Authority of Antwerp. As part of the project three wind turbines were constructed on Borealis properties, each with a 3 MW capacity which is consumed on site. Future investments, such as the Porvoo power plant and the upgrade and revamp of the Stenungsund cracker will further contribute to improving the environmental footprint of Borealis.

The ongoing energy step change efforts are accompanied by the implementation of an energy management system according to ISO 50001. A first ISO 50001 gap analysis was done in 2015 and preparations will continue throughout 2016, targeting a group certification in 2018.

Supervisory Board changes

In May, His Excellency (H.E.) Suhail Mohamed Faraj Al Mazrouei, Managing Director of International Petroleum Investment Company (IPIC), was appointed to the Supervisory Board in the position of Chairman. H.E. Suhail Mohamed Faraj Al Mazrouei replaced H.E. Khadem Al Qubaisi. Among other leadership roles, H.E. Suhail Mohamed Faraj Al Mazrouei is also Energy Minister of the United Arab Emirates (UAE) and the Chairman of several other UAE and international companies.

In September, Rainer Seele, CEO of OMV AG, was appointed to the Supervisory Board in the position of Vice Chairman and replaced David C. Davies.

From people survey to people actions

Following the people survey conducted in 2014, where 82% of employees responded, actions and initiatives across Borealis have been implemented based on the feedback to the survey during 2015. Actions were defined together with employees and progress has been tracked monthly. The actions completed in 2015 will be used as a foundation for further improvements in 2016. Employees will again have a platform for providing their feedback in the people survey scheduled for the fall of 2017. In addition to the people survey, top management and owners have regular interaction with employee representatives through the Corporate Co-operation Council (CCC) which continued its active information sharing and discussions on key topics in its quarterly meetings in 2015.

2016 – Another solid year

Management expects 2016 to be another solid year for Borealis. Despite less favourable market conditions, Borealis is well positioned to build on the improvements made in 2015. Borouge 3 is now operational and recent acquisitions fully integrated. Step changes in operational reliability have been made and commercial and operational excellence is embedded in the organisation. With its three profit centres, Polyolefins, Base Chemicals and Borouge, the company has the resilience needed to remain profitable in challenging times. While a solid performance is expected in 2016, uncertainty remains around the overall impact of the low feedstock prices as well as the economic and geopolitical environment. Borealis management believes, nevertheless, that the company is in a strong position to take advantage of the opportunities that the current economic and market environment provides by being committed to be the leading provider of chemical and innovative plastic solutions that create value for society.

Review of results

Sales

The European polyolefins industry saw an increase in total sales volumes of 5% in 2015, compared to a 1% increase in 2014. Borealis sold over 3.6 million tonnes of polyolefins in 2015 (+6% vs. 2014), the increase compared to 2014 was mainly due to supply constraints following turnarounds in 2014. Fertilizer sales reached 4.6 million tonnes (4.6 million tonnes), unchanged from 2014. Melamine sales volumes increased by 3% to 138 kt in 2015 from 134 kt in 2014.

Cost development

With the lower price environment the production costs decreased in 2015 compared to 2014, despite higher sales volumes. Sales and distribution costs decreased by 4%, administration costs of EUR 228 million decreased from EUR 231 million in 2014, mainly due to cost savings realised from different cost savings programmes and strict cost control. Research and development costs amounted to EUR 114 million, where the decrease compared to EUR 129 million in 2014 is attributable mainly to write-off of development costs of several projects which did not prove viable in 2014. The number of full-time equivalent employees (FTE) as per year end 2015 was 6,266, a decrease of 24 compared to last year.

Operating profit

Operating profit amounted to EUR 718 million compared to EUR 280 million in 2014. Both the Polyolefins and the Base Chemicals business segments had improved results in 2015.

Return on capital employed

The return on capital employed after tax increased to 15%, compared to 10% in 2014, mainly as a result of the improved business performance.

Financial income and expenses

Net financial expenses amounted to EUR 69 million, a decrease from EUR 71 million in 2014, mainly as a result of lower interest costs incurred due to an average lower net debt in 2015 due to the solid business result.

Taxes

Income taxes amounted to EUR 130 million, an increase from EUR 47 million in 2014. The overall tax charge in 2015 was positively impacted by an improved profitability of previously loss making companies, where the tax losses incurred were not fully capitalised in 2014, hence leading to a higher effective tax charge in 2014. The overall amount of such non-capitalised tax losses decreased substantially in 2015. Borealis paid income taxes in the amount of EUR 22 million in 2015, compared to EUR 57 million in 2014.

Net profit and distribution of dividend

The net profit for the year amounted to EUR 988 million, compared to a net profit of EUR 571 million in 2014. During 2015, Borealis distributed a dividend of EUR 100 million to its shareholders.

Financial position

Total assets/capital employed

At the year-end, total assets and capital employed stood at EUR 9,261 and EUR 7,359 million, respectively, compared to EUR 8,353 and EUR 6,372 million at year-end 2014.

The solvency ratio was 60% at year-end 2015, compared to 53% at year-end 2014. The gearing ratio decreased to 19% at year-end 2015, compared to 40% in 2014, as there was a significant decrease in net debt and a significant increase in equity.

Cash flows and liquidity reserves

Cash flow from operations was EUR 1,103 million, driven by the record high operating profitability and a decrease in working capital. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,714 million at year-end 2015, compared to EUR 1,208 million at year-end 2014.

Net interest-bearing debt decreased to EUR 1,096 million at year-end, down from EUR 1,798 million at the end of 2014. The change in net interest-bearing debt is analysed in the following table.

EUR million	2015	2014
Change of net interest-bearing debt		
Cash flow provided by operating activities	1,103	428
Capital expenditure	-391	-417
Capital contribution to associated companies	0	-59
Dividends/repayment of capital contribution by associated companies	123	130
Acquisition of new companies and purchase price adjustments	1	-3
Other (mainly relating to foreign exchange differences)	-34	-37
Dividend paid	-100	-70
Total decrease/increase	702	-28

Capital expenditure

Investments in tangible fixed assets amounted to EUR 336 million in 2015, compared to EUR 370 million in 2014. The largest portion of the total investment relates to the light feed modification of the cracker in Stenungsund, the turnaround of the Stenungsund cracker, the upgrade of the Porvoo PE2 plant to the third generation (3G), and the turnaround of the Phenol and Aromatics unit in Porvoo.

HSE capital expenditure amounted to EUR 23 million (EUR 20 million in 2014). Depreciation and amortisation amounted to EUR 348 million, compared to EUR 361 million in 2014.

Shareholders' equity

The shareholders' equity at year-end 2015 was EUR 5,697 million.

EUR million	2015	2014
Equity development		
Net result attributable to the parent	988	570
Exchange and fair value adjustment (net)	298	129
Gross increase/decrease	1,286	699
Dividend paid	-100	-70
Contribution by shareholders	0	0
Net increase/decrease	1,186	629
Opening equity	4,511	3,882
Ending equity	5,697	4,511

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 relate to unfavourable long-term trends, 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 and shall report Borealis' HSE risk landscape periodically to the Executive Board.

Project related risks are assessed in Borealis' project approval process. All key risks related to an individual

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

Information security risk relates to confidentiality, integrity and availability of critical company information. The Director IT supports 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 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.

		2015	2014	2013	2012
Health, Safety & Environment					
Total Recordable Injuries	number/million workhours	1.4	1.3	1.5	1.5
EU ETS CO ₂ emissions	kilotonnes	4,270	4,250	2,480	1,480
Number of employees (Full-time equivalent)		6,266	6,290	6,227	5,339
Income and profitability					
Net sales	EUR million	7,700	8,330	8,106	7,545
Operating profit	EUR million	718	280	195	158
Operating profit as percentage of net sales	%	9	3	2	2
Net profit	EUR million	988	571	423	480
Return on capital employed, net after tax	%	15	10	9	11
Cash flow and investments					
Cash flow from operating activities	EUR million	1,103	428	482	214
Investments in tangible fixed assets	EUR million	336	370	264	312
Financial position					
Net interest-bearing debt	EUR million	1,096	1,798	1,770	1,545
Equity attributable to owners of the parent	EUR million	5,697	4,511	3,882	3,617
Gearing ratio	%	19	40	45	43

Definitions

Capital employed	=	Total assets less non-interest-bearing debt
Return on capital employed	=	Operating profit, profit and loss from sale of operations, net result in associated companies plus interest income, after imputed tax, divided by average capital employed
Solvency ratio	=	Total equity less goodwill divided by total assets
Gearing ratio	=	Interest-bearing debt, including subordinated loans, less cash and cash equivalents divided by total equity
HSE	=	Health, Safety and Environment

Vienna, 15 February 2016

Executive Board:



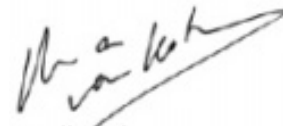
Mark Garrett
Chief Executive



Mark Tonkens
Chief Financial Officer



Markku Korvenranta



Martijn Arjen van Koten



Alfred Stern

Consolidated Financial Statements

Consolidated Income Statement

EUR thousand	2015	2014	Note
Net sales	7,699,945	8,329,994	1
Production costs	-5,996,529	-7,057,526	5, 12, 13
Gross profit	1,703,416	1,272,468	
Sales and distribution costs	-642,443	-667,241	5, 12, 13
Administration costs	-228,153	-230,705	5, 12, 13
R&D costs	-114,383	-129,219	2, 5, 12, 13
Other income	0	35,032	29
Operating profit	718,437	280,335	
Net results in associated companies and joint ventures after tax	469,027	408,399	7
Financial income	9,135	11,730	17
Financial expenses	-78,310	-82,707	17
Profit before taxation	1,118,289	617,757	
Taxes	-130,311	-46,582	9
Net profit for the year	987,978	571,175	
Attributable to:			
Non-controlling interest	94	1,003	
Equity holders of the parent	987,884	570,172	

Consolidated Statement of Comprehensive Income

EUR thousand	2015	2014	Note
Net profit for the year	987,978	571,175	
Items that may be reclassified subsequently to the income statement			
Net gain/loss on translation of financial statements of foreign operations	307,099	258,933	
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	1,245	-3,408	18
Reclassifications during the period to the income statement	0	0	18
Tax effect recognised in other comprehensive income	-311	852	
Net gain/loss on loans and financial contracts to hedge investments in foreign operations	-66,152	-34,108	18
Reclassifications during the period to the income statement	0	0	18
Tax effect recognised in other comprehensive income	16,538	8,527	
Fair value adjustments of cash flow hedges	-34,525	-60,612	18
Reclassifications during the period to the income statement	52,898	522	18
Tax effect recognised in other comprehensive income	-4,593	15,023	
Fair value adjustments of available for sale assets	-277	734	18
Reclassifications during the period to the income statement	0	0	18
Tax effect recognised in other comprehensive income	69	-184	
Items that will not be reclassified to the income statement			
Actuarial gains and losses	29,778	-76,956	13
Tax effect recognised in other comprehensive income	-5,785	18,836	
Net income/expense recognised in other comprehensive income	295,983	128,159	
Total comprehensive income	1,283,961	699,334	
Attributable to:			
Non-controlling interest	-2,166	926	
Equity holders of the parent	1,286,127	698,408	

Consolidated Balance Sheet

EUR thousand	31.12.2015	31.12.2014	Note
Assets			
Non-current assets			
Intangible assets	364,101	352,028	2, 3
Tangible assets			4
Production plants	2,587,743	2,534,112	
Machinery and equipment	30,265	35,306	
Construction in progress	244,509	255,058	
	2,862,517	2,824,476	
Investments in associated companies and joint ventures	3,284,487	2,638,194	7
Other investments	29,923	30,251	8, 27
Other receivables and other assets	20,909	17,344	20, 26, 27
Deferred tax assets	174,847	219,277	9
Total non-current assets	6,736,784	6,081,570	
Current assets			
Inventories	993,326	1,126,594	10
Receivables			
Trade receivables	532,463	544,538	25, 26, 27
Receivables from associated companies	90,218	88,491	26, 27, 30
Income taxes	9,445	13,956	
Other receivables and other assets	350,433	455,040	20, 26, 27
Total receivables and other assets	982,559	1,102,025	
Cash and cash equivalents	547,938	42,425	
Total current assets	2,523,823	2,271,044	
Total assets	9,260,607	8,352,614	

Consolidated Balance Sheet

EUR thousand	31.12.2015	31.12.2014	Note
Total Equity and Liabilities			
Shareholders' equity			
Share capital and contributions by shareholders	1,599,397	1,599,397	11
Reserves	268,063	-30,180	
Retained earnings	3,829,488	2,941,604	
Shareholders' equity	5,696,948	4,510,821	
Non-controlling interest	18,579	20,745	
Total equity	5,715,527	4,531,566	
Liabilities			
Non-current liabilities			
Loans and borrowings	1,399,524	1,594,982	19, 20, 27
Deferred tax	215,336	204,816	9
Employee benefits	350,415	382,930	13
Provisions	50,771	61,825	14
Government grants	18,587	18,440	15
Other liabilities	24,391	17,829	20, 27
Non-current liabilities	2,059,024	2,280,822	
Current liabilities			
Loans and borrowings	244,327	245,810	19, 20, 27
Trade payables	735,982	740,379	20, 27, 30
Income taxes	106,519	57,196	
Provisions	4,017	3,395	14
Other liabilities	395,211	493,446	20, 27
Current liabilities	1,486,056	1,540,226	
Total liabilities	3,545,080	3,821,048	
Total equity and liabilities	9,260,607	8,352,614	

Consolidated Statement of Changes in Equity

EUR thousand	Share capital* and contributions by shareholders	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 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
Profit of the period	0	0	0	0	987,884	987,884	94	987,978
Other comprehensive income	0	23,992	13,780	260,471	0	298,243	-2,260	295,983
Total comprehensive income	0	23,992	13,780	260,471	987,884	1,286,127	-2,166	1,283,961
Dividend payment to equity holders of the parent	0	0	0	0	-100,000	-100,000	0	-100,000
Balance as of 31 December 2015	1,599,397	-140,366	-45,110	453,539	3,829,488	5,696,948	18,579	5,715,527

* 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	2015	2014	Note
Cash flows from operating activities			
Payments from customers	7,711,185	8,477,367	
Payments to employees and suppliers	-6,511,777	-7,919,361	
Interest received	905	907	17
Interest paid	-59,221	-60,952	17
Other financial expenses paid	-16,423	-13,286	17
Income taxes paid	-21,637	-57,107	9
	1,103,030	427,568	
Cash flows from investing activities			
Investments in tangible assets	-336,220	-369,655	4
Investments in intangible assets and other investments	-54,967	-47,467	3, 8
Acquisitions of subsidiaries	0	-23,097	
Purchase price adjustment of acquisition of subsidiaries	951	20,495	6
Dividends / capital repayments of associated companies	123,322	130,442	7
Capital contributions to associated companies	0	-59,736	7
Proceeds from sale of non-current financial assets	2,444	0	
	-264,470	-349,018	
Cash flows from financing activities			
Long-term loans obtained	12,685	76,800	19
Short-term loans obtained	0	50,000	
Long-term loans repaid	0	0	
Short-term loans repaid	-245,810	-153,494	19
Acquisition of non-controlling interest	0	-62	
Dividends paid	-100,000	-70,000	
Dividends paid to non-controlling interest	0	0	
	-333,125	-96,756	
Net cash flow of the period	505,435	-18,206	
Cash and cash equivalents as of 1 January	42,425	60,266	
Effect of exchange rate fluctuations on cash held	78	365	
Cash and cash equivalents as of 31 December	547,938	42,425	

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 the application areas Energy, Automotive, Consumer Products, Pipe and New Business Development.

Base Chemicals is the second 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 15 February 2016.

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 or significant influence 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 from 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 (2015 10%, 2014 9%), 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 the 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 against third parties 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 other long-term employee benefit plans. 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 group operates severance plans furthermore in France and Italy. The benefits depend on the years of service and remuneration level. These plans are non-contributory and unfunded.

Other long-term employee benefits include jubilee schemes and pre-pension benefits. 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

New and amended standards/interpretations adopted by Borealis

In 2015, the following accounting standards and interpretations became effective and have been adopted by Borealis, whereas effective means effective for annual periods beginning on or after that date (as endorsed by the EU):

Standards/interpretations		IASB effective date	EU effective date
New standards and interpretations			
IFRIC 21	Levies	1 January 2014	17 June 2014
Amended standards and interpretations			
Misc.	Annual Improvements to IFRSs 2011–2013 Cycle	1 July 2014	1 January 2015

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.

The IASB's annual improvements process deals with non-urgent, but necessary clarifications and amendments to

IFRS. The annual improvements to IFRSs 2011–2013 cycle clarifies IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property.

The adoption of the new and amended standards and interpretations stated above is included in the consolidated financial statements. This did not have a material impact on the financial position or performance of Borealis.

New and amended standards/interpretations not yet effective

A number of new standards and amendments to standards are issued but not yet effective (as adopted by the EU). Borealis will adopt the standards on the effective date. Effective means effective for annual periods beginning on or after that date (as endorsed by the EU).

Standards/interpretations		IASB effective date	EU effective date
New standards and interpretations			
IFRS 9	Financial Instruments	1 January 2018	
IFRS 14	Regulatory Deferral Accounts	1 January 2016	will not be endorsed*
IFRS 15	Revenue from Contracts with Customers	1 January 2018	
IFRS 16	Leases	1 January 2019	
Amended standards and interpretations			
IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014	1 February 2015
Misc.	Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014	1 February 2015
IAS 16, 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	1 January 2016
IAS 16, 41	Bearer Plants	1 January 2016	1 January 2016
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	1 January 2016
Misc.	Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016	1 January 2016
IAS 1	Disclosure Initiative	1 January 2016	1 January 2016
IAS 27	Equity Method in Separate Financial Statements	1 January 2016	1 January 2016
IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	
IFRS 10, 12, IAS 28	Investment Entities – Applying the Consolidation Exception	1 January 2016	
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	
IAS 7	Disclosure Initiative	1 January 2017	

*The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Borealis started an evaluation project to assess the impact of the new standard. At this stage, Borealis is not able to estimate the impact of the new standard on the consolidated financial statements. Borealis will conduct a more detailed assessment of the impact over the next twelve months.

IFRS 14 Regulatory Deferral Accounts 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. This standard is not expected to have any impact on the Group's consolidated financial statements.

The new standard IFRS 15 Revenue from Contracts with Customers 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 started an evaluation project to assess the impact of the new standard. At this stage, Borealis is not able to estimate the impact of the new standard on the consolidated financial statements. Borealis will conduct a more detailed assessment of the impact over the next twelve months.

The IASB issued IFRS 16 Leases in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new standards brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating

and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. At this stage, Borealis is not able to estimate the impact of the new standard 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. Borealis does not expect a material impact of this amendment on the consolidated financial statements.

The IASB's annual improvements process deals with non-urgent, but necessary clarifications and amendments to IFRS. The annual improvements to IFRSs 2010–2012 cycle clarifies IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IAS 16 Property, Plant and Equipment / IAS 38 Intangible Assets, IAS 24 Related Party Disclosures. 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. Borealis does not expect a material impact of this amendment on the consolidated financial statements.

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 are not expected to impact the Group's financial position or performance.

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. Borealis does not expect a material impact of this amendment on the consolidated financial statements.

The IASB's annual improvements process deals with non-urgent, but necessary clarifications and amendments to IFRS. The annual improvements to IFRSs 2012–2014 cycle clarifies IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, IAS 34 Interim Financial Reporting. Borealis does not expect a material impact of this amendment on the consolidated financial statements.

The amendments to IAS 1 Presentation of Financial Statements 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. Borealis does not expect a material impact of this amendment on the consolidated financial statements.

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 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. Borealis does not expect a material 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 clarify the requirements when accounting for investment entities. Borealis does not expect a material impact of this amendment on the consolidated financial statements.

The IASB issued amendments to IAS 12 Income Taxes in January 2016. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses, clarify how to account for deferred tax assets related to debt instruments measured at fair value. At this stage, Borealis is not able to estimate the impact of the new standard on the consolidated financial statements.

The IASB has published amendments to IAS 7 'Statement of Cash Flows' in January 2016. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. At this stage, Borealis is not able to estimate the impact of the new standard 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

EUR thousand	Polyolefins		Base Chemicals		Non-Allocated		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
Net sales by business								
Total sales	5,056,181	5,158,499	5,711,170	7,514,853	126,097	124,331	10,893,448	12,797,683
Group internal sales	-	-	(3,193,503)	(4,467,689)	-	-	(3,193,503)	(4,467,689)
	5,056,181	5,158,499	2,517,667	3,047,164	126,097	124,331	7,699,945	8,329,994

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

Result								
Operating profit	493,388	103,225	439,817	387,500	(214,768)	(210,390)	718,437	280,335
Net result in associated companies and joint ventures					469,027	408,399	469,027	408,399
Net financial items					(69,175)	(70,977)	(69,175)	(70,977)
Taxes					(130,311)	(46,582)	(130,311)	(46,582)
Non-controlling interest					(94)	(1,003)	(94)	(1,003)
Net profit for the year attributable to equity holders of the parent							987,884	570,172

Other information								
Segment assets	2,882,479	3,129,405	2,375,853	2,415,616	4,002,276	2,807,593	9,260,607	8,352,614
thereof Austria	1,504,817	1,756,159	1,192,443	1,268,292	3,781,264	2,624,480	6,478,524	5,648,931
Segment liabilities	-	-	-	-	3,545,080	3,821,048	3,545,080	3,821,048
Investment in tangible assets	99,386	121,030	231,025	242,786	5,809	5,839	336,220	369,655
Depreciation and amortisation	144,029	142,938	145,646	146,748	57,826	71,391	347,502	361,077

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

Net sales by geographic segment (by delivery destination)								
EU countries	3,600,853	3,631,515	2,240,583	2,783,501	36,941	50,384	5,878,377	6,465,400
thereof Austria	178,167	178,264	202,993	140,957	22,565	35,924	403,725	355,145
Non-EU countries in Europe	566,307	510,230	74,158	67,715	2,052	299	642,517	578,244
USA	132,693	131,982	28,878	17,578	(706)	-	160,865	149,560
Middle East and Asia	328,858	390,573	73,010	95,915	87,361	69,868	489,229	556,356
Other regions	427,470	494,199	101,038	82,455	449	3,780	528,957	580,434
	5,056,181	5,158,499	2,517,667	3,047,164	126,097	124,331	7,699,945	8,329,994

2. Research and development

At the end of the year, 511 people were engaged in research and development, compared with 504 in 2014. The total cost of these activities amounted to EUR 114,383 thousand

(EUR 129,219 thousand). Internal development costs amounting to EUR 29,134 thousand (EUR 26,331 thousand), were capitalised as intangible assets.

3. Intangible assets

EUR thousand	Goodwill		Development costs		Capitalised software		Others	
	2015	2014	2015	2014	2015	2014	2015	2014
Cost								
As of 1 January	127,575	124,622	265,269	238,938	63,462	53,208	196,229	178,915
Exchange adjustments	0	0	0	0	78	3	319	-1,846
Additions	0	0	33,568	26,331	7,138	7,291	37,780	57,126
Additions through business combinations	-1,057	2,953	0	0	0	0	0	203
Disposals	0	0	0	0	-220	-608	-35,621	-38,299
Transfers	0	0	0	0	6,423	3,568	325	130
	126,518	127,575	298,837	265,269	76,881	63,462	199,032	196,229
Accumulated amortisation								
As of 1 January	0	0	156,278	121,494	41,122	34,188	103,107	93,334
Exchange adjustments	0	0	0	0	34	-3	-73	-425
Disposals	0	0	0	0	-220	-429	-4,580	-2,118
Amortisation and impairment	0	0	20,337	34,784	8,989	7,366	12,173	12,316
	0	0	176,615	156,278	49,925	41,122	110,627	103,107
Carrying value as of 31 December	126,518	127,575	122,222	108,991	26,956	22,340	88,405	93,122

The decrease in goodwill arising from business combinations in 2015 refers to the adoption of the acquisition of Speciality Polymers Antwerp N.V. (see note 6) within the finalisation period of the purchase price allocation.

Goodwill relating to cash generating unit polyethylene amounts to EUR 50,687 thousand (EUR 51,744 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 intangible assets of the Group (see note 5).

Additions arising from internal development amounted to EUR 29,134 thousand (EUR 26,331 thousand), the remaining additions for development costs include external acquired assets. Intangible assets received by the way of government grant as allowances for emissions (EU Emissions Trading System) amounted to EUR 30,266 thousand (EUR 46,980 thousand). No additional emission rights were acquired from external parties. An equivalent of EUR 29,699 thousand (EUR 21,218 thousand) was returned to the respective EU ETS regulatory authorities for the emitted emissions in 2014. The carrying value of other intangible assets is in line with their fair value.

4. Tangible assets

EUR thousand	Production plants		Machinery and equipment		Construction in progress	
	2015	2014	2015	2014	2015	2014
Cost						
As of 1 January	6,087,235	6,013,203	142,479	133,938	255,058	177,467
Exchange adjustments	30,468	-107,069	105	-690	2,461	-3,427
Additions	171,143	96,491	1,650	5,554	173,295	273,661
Additions through business combinations	0	36,041	0	122	0	3,296
Disposals	-148,235	-137,925	-2,341	-2,129	0	-63
Transfers	178,002	186,494	1,555	5,684	-186,305	-195,876
	6,318,613	6,087,235	143,448	142,479	244,509	255,058
Accumulated depreciation						
As of 1 January	3,553,123	3,459,402	107,173	100,807	0	0
Exchange adjustments	21,119	-67,168	136	-686	0	0
Disposals	-141,328	-136,644	-2,173	-2,026	0	0
Depreciation and impairment	297,956	297,533	8,047	9,078	0	0
	3,730,870	3,553,123	113,183	107,173	0	0
Carrying value as of 31 December	2,587,743	2,534,112	30,265	35,306	244,509	255,058

The figures for production plants include capitalised finance leases with a net value of EUR 375 thousand (EUR 1,144 thousand) comprising acquisition costs of EUR 2,613 thousand (EUR 2,613 thousand) and accumulated depreciation of EUR 2,238 thousand (EUR 1,469 thousand). The lease obligation is included in loans and borrowings (see note 19).

In 2015, borrowing costs amounting to EUR 3,120 thousand (EUR 2,352 thousand) have been capitalised, using a 2.8% (2.8%) 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 2015 relate to the enhanced ethane cracking & storage construction in Stenungsund,

Sweden, the upgrade of the PE2 plant to the third generation (3G) in Porvoo, Finland, and the turnaround projects in Porvoo, Finland, and Stenungsund, Sweden.

At 31 December 2015, Borealis' contractual commitments amounted to EUR 96,603 thousand (EUR 129,138 thousand) for the acquisition of tangible assets (see Note 20).

Assets pledged

Assets pledged amounted to EUR 13,843 thousand (EUR 13,535 thousand) and relate to tangible assets. The liabilities covered by the above assets amounted to EUR 4,796 thousand (EUR 5,116 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	2015	2014
Production costs	271,672	276,282
Sales and distribution costs	12,528	10,780
Administration costs	26,027	22,915
Research & development costs	37,275	51,100
Total	347,502	361,077

No impairment loss is recognised for tangible assets in 2014 and 2015.

The depreciation charge includes an impairment of EUR 4,767 thousand (EUR 22,535 thousand) of intangible assets for

which the carrying value exceeds the present value of future cash flows. The impairment of intangible assets is related to the non-allocated segment and is included in research & development costs.

6. Business Combinations

Borealis had no acquisitions in 2015.

The determination of the fair values needed for the purchase price allocation of the acquisition of Speciality Polymers Antwerp N.V. made in 2014 remained preliminary as at year end 2014 and has been updated by 31 August 2015. The changes are reported below.

6.1. Acquisition of Speciality Polymers Antwerp N.V.

On 1 September 2014, Borealis (via Borealis Polymers N.V., 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., Beringen, Belgium, and Borealis Kallo N.V., Kallo, Belgium, (directly or indirectly 100% subsidiaries of Borealis AG, Vienna, Austria) Borealis became the 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 market. 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 SPA as at the date of acquisition were:

EUR thousand	Fair value recognised on acquisition ²⁾	Fair value recognised on acquisition ¹⁾
Assets		
Tangible and intangible assets	39,662	39,662
Inventories	2,892	2,892
Trade receivables	18,061	18,061
Other current receivables and other assets	573	573
Cash and cash equivalents	903	903
Total assets acquired	62,091	62,091
Liabilities		
Deferred taxes	2,962	3,074
Employee benefits	8,462	8,462
Provisions non-current	470	140
Trade payables	16,831	16,831
Other current liabilities	4,383	4,383
Total liabilities	33,108	32,890
Total identifiable net assets at fair value	28,983	29,201
Non-controlling interest measured at fair value	-7,831	-8,154
Goodwill arising on acquisition	1,897	2,953
Total purchase consideration	23,049	24,000
Percentage acquired	67.00%	67.00%

1) Due to ongoing assessments the fair value recognised at year end 2014 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 August 2015.

The total acquisition costs of 67% of the share capital of SPA comprise a cash payment in September 2014 of EUR 24,000 thousand, which was reduced to EUR 23,049 thousand in August 2015, and costs of EUR 640 thousand directly attributable to the acquisition. The cash acquired with this acquisition in 2014 amounted to EUR 903 thousand, resulting in net cash outflow on the acquisition of EUR 23,097 thousand in 2014 and in net cash inflow of EUR 951 thousand in 2015. The transaction costs of EUR 640 thousand have been expensed and are included in administrative expenses in the income statement 2014

and are part of operating cash flows in the statement of cash flows in 2014. The goodwill of EUR 1,897 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. The adjustment of the determination of the fair values needed for the purchase price allocation resulted in no significant changes and no adoption of the financial statements 2014.

6.2. Other changes

In 2015, two new 100% subsidiaries were established: Borealis Chimie S.A.R.L., Casablanca, Morocco, and Borealis Colombia S.A.S., Bogota, Colombia. Furthermore, Speciality Polymers Antwerp N.V., Zwijndrecht, Belgium, was merged into Borealis Antwerpen Compounding N.V., Zwijndrecht, Belgium, which is now named Borealis Antwerpen N.V.,

Zwijndrecht, Belgium. Borealis L.A.T Sobelagro S.A.S., Clevilliers, France, was merged into Borealis L.A.T Gratecap S.A.S., Courbevoie, France, which is now named Borealis L.A.T France S.A.S., Courbevoie, France. Borealis Agrolinz Melamine Asia Pacific Pte. Ltd., Singapore and Union pour le Négoce en Produits Chimiques S.A., Moustier, Belgium were liquidated in 2015.

7. Investments in associated companies and joint ventures

EUR thousand	Shares in associated companies and joint ventures	
	2015	2014
Cost		
As of 1 January	332,398	341,014
Disposals	0	-8,616
As of 31 December	332,398	332,398
Adjustments		
As of 1 January	2,305,796	1,685,010
Exchange adjustments	300,588	280,829
Dividends received	0	-21,855
Capital repayments of associated companies	-123,322	-108,587
Capital contributions to associated companies	0	59,736
Net result of associated companies and joint ventures, after tax	469,027	408,399
Disposals	0	2,264
As of 31 December	2,952,089	2,305,796
Carrying value as of 31 December	3,284,487	2,638,194

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

EUR thousand	2015	2014
Material associated company (Abu Dhabi Polymers Company Limited (Borouge))	3,236,819	2,579,592
Non-material associated companies	40,031	51,115
Non-material joint ventures	7,637	7,487
Carrying value as of 31 December	3,284,487	2,638,194

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

The Group has the following investments in associated companies:

Associates	Country	Ownership in %	
		2015	2014
Abu Dhabi Polymers Company Limited (Borouge)	United Arab Emirates	40.00	40.00
Borouge Pte. Ltd.	Singapore	50.00	50.00
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 Simplifiée de Guaix (SICA)*	France	25.00	25.00
Société Industrielle Commerciale et Agricole de Maizières 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

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	2015	2014
Current assets	1,747,909	1,343,721
Non-current assets	8,810,262	8,072,000
Current liabilities	-611,021	-437,994
Non-current liabilities	-1,839,063	-2,509,268
Equity	8,108,087	6,468,459
Share of Borealis	40%	40%
Share of net assets	3,243,235	2,587,384
Adjustments	-6,416	-7,792
Carrying value as of 31 December	3,236,819	2,579,592
Net sales	3,282,037	2,419,110
Net profit for the year	1,207,883	1,010,301
Other comprehensive income	0	0
Total comprehensive income	1,207,883	1,010,301
Dividends received by Borealis from Borouge	0	21,855
Repayments of shareholder loan received by Borealis from Borouge	123,322	108,587
Capital contributions by Borealis to Borouge	0	59,736

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

EUR thousand	2015	2014
Net profit for the year as share of ownership by the Group	-15,643	3,009
Other comprehensive income	0	0
Total comprehensive income as share of ownership by the Group	-15,643	3,009

The Group has the following investments in joint ventures:

Joint ventures	Country	Ownership in %	
		2015	2014
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	2015	2014
Net profit for the year as share of ownership by the Group	9	-20
Other comprehensive income	0	0
Total comprehensive income as share of ownership by the Group	9	-20

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 and Eastern Europe. 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	2015	2014
Taxes		
Income tax payable	46,924	35,328
Change in deferred tax	58,044	-8,588
Adjustment to prior year's tax charge	25,343	19,842
Tax expense (+)/benefit (-)	130,311	46,582

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

EUR thousand	2015		2014	
Tax expense at statutory rates (weighted average tax rate of the Group)	24%	273,239	24%	151,056
Tax effect of result in associated companies	-10%	-117,257	-17%	-102,070
Tax effect of permanent differences	0%	2,094	0%	-3,016
Adjustment of valuation allowance/Re-assessment of unrecognised tax losses	-4%	-53,150	-4%	-25,612
Change due to changes in tax rates	0%	42	0%	0
Prior year's adjustments and other	2%	25,343	5%	26,224
Tax expense	12%	130,311	8%	46,582

EUR thousand	Balance sheet		Income statement	
	2015	2014	2015	2014
Deferred tax assets				
Tangible assets	4,647	4,468	179	-597
Intangible assets	6,373	8,193	-1,820	1,831
Adjusted depreciation for tax purposes	11,020	12,661		
Revaluation of cash flow hedges	15,285	19,870	-61	-2,110
Net gain on hedge of a net investment	25,066	8,841	0	-355
Valuation of inventories for tax purposes	13,648	9,020	4,702	3,759
Fair values compared to tax values	53,999	37,731		
Employee benefits	64,742	76,701	-6,174	617
Other provisions	5,036	3,966	1,070	-1,297
Other assets and liabilities	8,015	12,533	-4,288	-18,580
Other timing differences	77,793	93,200		
Losses available for offsetting against future taxable income	187,587	208,416	-20,829	14,720
Netting with deferred tax liabilities	-155,552	-132,731		
Deferred tax assets	174,847	219,277	-27,221	-2,012

EUR thousand	Balance sheet		Income statement	
	2015	2014	2015	2014
Deferred tax liabilities				
Tangible assets	-238,315	-245,207	9,557	2,649
Intangible assets	-42,206	-39,903	-2,266	-703
Accelerated/adjusted depreciation for tax purposes	-280,521	-285,110		
Revaluation of cash flow hedges	0	0	0	2,279
Valuation of inventories for tax purposes	-21,603	-19,830	-1,773	-9,246
Fair values compared to tax values	-21,603	-19,830		
Employee benefits	-3,981	-5,571	1,416	2,395
Other provisions	-23,589	-13,996	-9,590	5,867
Other assets and liabilities	-41,194	-13,040	-28,167	7,360
Other timing differences	-68,764	-32,607		
Netting with deferred tax assets	155,552	132,731		
Deferred tax liabilities	-215,336	-204,816	-30,823	10,600
Net tax asset/liability	-40,489	14,461	-58,044	8,588

In addition to the tax assets capitalised, the Group has unrecognised tax losses amounting to EUR 170,314 thousand (EUR 338,661 thousand) and unrecognised temporary differences amounting to EUR 111,880

thousand (EUR 121,525 thousand), where current forecasts indicating insufficient future profits, thus resulting in unrecognised tax assets of EUR 97,075 thousand (EUR 141,436 thousand).

EUR thousand	2015	2014
Deductible temporary differences	38,487	41,805
Tax losses carried forward	58,588	99,631
– Taxable temporary differences	0	0
Total unrecognised net tax assets	97,075	141,436

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 62,679 thousand (EUR 25,612 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 112,876 thousand (EUR 132,496 thousand), for which no deferred tax liability has been recognised in accordance with IAS 12.39 Income Taxes.

Tax contingencies

On 30 December 2015, Borealis Polymers Oy (BPOY), a Finnish subsidiary of Borealis AG (BAG), received a re-assessment decision by the Finnish Tax Authority (FTA) regarding the year 2009. Based on this re-assessment decision the taxable income of BPOY has been increased by an amount of EUR 364,000 thousand; leading to an additional requested payment of EUR 152,500 thousand (EUR 94,640 thousand as additional income tax, EUR 57,860 thousand for penalties and interests).

The re-assessment decision relates to a license arrangement and other agreements entered into between BPOY and BAG in connection with the conclusion of a toll manufacturing agreement, whereby BPOY's contractual status was amended from that of a full-risk manufacturer to one of a toll manufacturer. The purpose of the toll manufacturing agreement was to align the contractual allocation of risks and responsibilities between BPOY and BAG with the commercial reality of a centralised group management structure of the Borealis group that had gradually evolved over the years.

The FTA claims that the license agreement concluded between BPOY and BAG on 19 December 2008 together with the other connected agreements should be considered a sales agreement constituting a transfer of intangibles (including goodwill). Thus, in practice the taxation proposal constitutes a re-characterisation of the license agreement as a sale of business.

Borealis will file the appeal to the re-assessment decision to the Board of Adjustment by 29 February 2016.

The management of Borealis believes that the FTA's decision is unjustified and is confident that the decision of the FTA will be reversed in one of the next phases of the proceeding.

On 29 December 2014, the management of Borealis Technology Oy (TOY), a Finnish subsidiary of BAG, which owns intellectual property (IP) for both polyolefin and catalyst technologies, has received a re-assessment decision by the FTA regarding polyolefin IP.

Based on this re-assessment, the taxable income of TOY in the year 2008 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 taxes, late payment interest and penalties.

On 9 June 2015, TOY received from the FTA a second re-assessment decision requesting TOY to pay an additional amount of EUR 124,600 thousand in taxes, penalties and interest regarding catalyst IP. The claimed amount is based on an additional taxable income in the year 2010 of EUR 340,000 thousand.

Borealis believes both decisions are unfounded and has filed claims both for the re-assessment decision concerning the year 2008 (on 27 February 2015) and for the decision concerning the year 2010 (on 13 November 2015).

All payment obligations have been suspended pending all above mentioned appeals.

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	2015	2014
Finished products	774,378	784,896
Raw materials and consumables	218,948	341,698
Total	993,326	1,126,594

The costs for the consumption of inventories recognised during the period in the income statement amounted to EUR 5,010,664 thousand (EUR 6,114,566 thousand), including impairment cost of EUR 17,710 thousand (EUR 16,603

thousand). The carrying amount of inventories carried at fair value less costs to sell is EUR 308,254 thousand (EUR 189,996 thousand).

11. Share capital and contributions by shareholders

EUR thousand	Share capital		Contributions by shareholders	
	2015	2014	2015	2014
Balance as of 1 January	300	300	1,599,097	1,599,097
Capital increase (decrease)	0	0	0	0
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).

Borealis AG is owned 61% by IPIC Beta Holdings GmbH, Wagramerstrasse 17–19, 1220 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), Abu Dhabi, 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 19% (40%), significantly below the set target range due to a decrease in net debt and an increase in equity.

12. Personnel

EUR thousand	2015	2014
Costs		
Salaries and wages	468,814	451,760
Costs of defined contribution plans	29,362	27,677
Costs of defined benefit plans and other long-term employee benefits	22,774	28,183
Social security costs	109,889	110,003
Other personnel expenses	19,007	24,752
Total	649,846	642,375

Costs of defined benefit plans and other long-term employee benefits are recognised in the production costs with EUR 14,093 thousand (EUR 16,572 thousand), sales and distribution costs with EUR 3,002 thousand

(EUR 3,937 thousand), costs of administration with EUR 3,868 thousand (EUR 5,353 thousand) and research & development costs with EUR 1,811 thousand (EUR 2,321 thousand).

Number of employees (FTEs*) by country as of 31 December	2015	2014
Austria	1,710	1,684
Belgium	1,063	1,046
Finland	895	900
France	905	896
Germany	282	306
Sweden	900	902
Other	511	557
Total	6,266	6,290

* FTEs: Full-time equivalent

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

EUR thousand	2015	2014
Salaries and wages management (Executive Board)	6,215	7,065
Pension and severance costs management (Executive Board)	530	735
Salaries and wages other key management	1,245	1,385
Pension costs other key management	87	131
Total	8,077	9,316

From the pension and severance costs of the Executive Board of EUR 530 thousand (EUR 735 thousand), EUR 0 thousand were paid to the former members of the Executive Board 2014 and 2015.

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 benefits

Most Group companies operate post-employment and other long-term benefit plans. The forms and benefits vary with conditions and practices in the countries concerned. The plans

include both defined contribution plans and plans that provide defined benefits based on employees' years of service and estimated salary at retirement. A summary is shown below.

EUR thousand	2015	2014
Pensions and other post-employment benefit plans		
Present value of funded defined benefit pension plans	255,200	280,469
Fair value of plan assets	-156,563	-194,305
Deficit of funded defined benefit pension plans	98,637	86,164
Present value of unfunded defined benefit pension plans	143,785	181,744
Total deficit of defined benefit pension plans	242,422	267,908
Medical plans	11,147	13,134
Severance plans	65,497	70,237
Pensions and other post-employment benefit plans	319,066	351,279
Other long-term employee benefits	31,349	31,651
Net liability recognised in the balance sheet	350,415	382,930

The Group operates defined post-employment benefit plans in the EU and Norway under broadly similar regulatory frameworks. These comprise pension plans, severance plans as well as post-retirement medical plans.

Defined benefit pension 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 benefit pension obligation over the year is as follows:

EUR thousand	2015	2014
Defined benefit obligation as of 1 January	462,213	371,416
Net current service cost	14,773	11,469
Interest cost on defined benefit obligation	9,377	12,297
Past service cost	-411	-465
Gains (-)/losses due to settlements	-45,947	-1,929
Total amount recognised in profit or loss	-22,208	21,372
Gains (-)/losses due to changes in demographic assumptions	14,207	312
Gains (-)/losses due to changes in financial assumptions	-33,306	76,104
Experience gains (-)/losses	-7,766	6,686
Total amount recognised in other comprehensive income	-26,865	83,102
Actual benefits paid directly from the plan assets	-10,456	-10,213
Actual benefits paid directly by employer	-5,904	-6,027
Actual plan participants' contributions	41	35
Actual expenses/taxes and premiums paid	-1,138	-876
Net increase in liabilities from acquisitions	0	12,348
Other changes	1,420	0
Exchange rate gains (-)/losses	1,882	-8,944
Defined benefit obligation as of 31 December	398,985	462,213
Fair value of plan assets as of 1 January	194,305	159,523
Interest income on plan assets	3,865	5,646
Gains/losses (-) due to settlements	-40,690	-915
Actual admin expenses paid	-266	-226
Total amount recognised in profit or loss	-37,091	4,505
Return on plan assets excluding amounts included in interest income	-2,719	19,693
Total amount recognised in other comprehensive income	-2,719	19,693
Actual benefits paid directly from the plan assets	-10,456	-10,213
Actual plan participants' contributions	41	35
Actual employer contributions	13,818	14,065
Actual taxes paid	-1,138	-876
Net increase in assets from acquisitions	0	7,861
Exchange rate gains/losses (-)	-197	-288
Fair value of plan assets as of 31 December	156,563	194,305

The plan assets in 2015 and 2014 consist mainly of insurance contracts. The reason for the settlements is the renegotiation of a defined benefit plan in Belgium 2015 that has been converted to a defined contribution plan.

Medical plans

Medical plans reimburse certain medical costs for retired employees mainly in Belgium. The movement in the medical obligation over the year is as follows:

EUR thousand	2015	2014
Defined benefit obligation as of 1 January	13,134	7,375
Net current service cost	495	363
Interest cost on defined benefit obligation	261	280
Total amount recognised in profit or loss	756	643
Gains (-)/losses due to changes in demographic assumptions	-924	0
Gains (-)/losses due to changes in financial assumptions	-575	2,771
Experience gains (-)/losses	-1,141	-129
Total amount recognised in other comprehensive income	-2,640	2,642
Actual benefits paid directly by employer	-103	-114
Net increase in liabilities from acquisitions	0	2,588
Defined benefit obligation as of 31 December	11,147	13,134

Severance plans

Severance plans are operated in the Austrian group companies and cover employees who started their service

before 1 January 2003. The group operates severance plans furthermore in France and Italy. The movement in the severance obligation over the year is as follows:

EUR thousand	2015	2014
Defined benefit obligation as of 1 January	70,237	59,782
Net current service cost	1,716	1,390
Interest cost on defined benefit obligation	1,389	2,063
Total amount recognised in profit or loss	3,105	3,453
Gains (-)/losses due to changes in demographic assumptions	0	143
Gains (-)/losses due to changes in financial assumptions	-2,980	10,334
Experience gains (-)/losses	-12	428
Total amount recognised in other comprehensive income	-2,992	10,905
Actual benefits paid directly by employer	-5,297	-3,903
Other changes	431	0
Exchange rate gains/losses (-)	13	0
Defined benefit obligation as of 31 December	65,497	70,237

Other long-term employee benefits

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:

EUR thousand	2015	2014
Defined benefit obligation as of 1 January	31,651	27,142
Net current service cost	2,077	2,059
Interest cost on defined benefit obligation	567	870
Past service cost	2,294	139
Gains (-)/losses due to changes in demographic assumptions	155	-1
Gains (-)/losses due to changes in financial assumptions	-1,163	3,127
Experience gains (-)/losses	100	1,026
Total amount recognised in profit or loss	4,030	7,220
Actual benefits paid	-4,415	-4,098
Net increase in liabilities from acquisitions	0	1,387
Other changes	83	0
Defined benefit obligation as of 31 December	31,349	31,651

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 as follows (expressed as weighted averages):

	2015	2014
Discount rate	2.3%	2.1%
Projected future salary growth	3.1%	3.3%
Expected pension increase	1.5%	1.7%

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 7.3%	Increase by 6.6%
Salary growth rate	0.5%	Increase by 3.8%	Decrease by 4.1%
Pension growth rate	0.5%	Increase by 4.0%	Decrease by 4.3%

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 2016 are EUR 23,522 thousand (EUR 25,364 thousand). The weighted average duration of the defined benefit obligation is 14.0 (14.6) years. The defined benefit plans expose the Group to actuarial risks, mainly the longevity risk, interest rate and market (investment) risk.

14. Other provisions

EUR thousand	2015					Total
	Restructuring	Decommissioning	Legal	Environmental	Other	
As of 1 January	5,361	15,729	3,106	23,095	17,929	65,220
Additions	0	205	3,859	344	16,929	21,337
Utilised	-1,424	-764	-447	-100	-7,033	-9,768
Reversed	-2,037	-291	-1,720	-16,068	-1,961	-22,077
Interest expense	0	137	0	0	0	137
Exchange adjustments	-45	-17	-7	0	8	-61
Balance as of 31 December	1,855	14,999	4,791	7,271	25,872	54,788
Other provisions current	1,098	0	1,109	100	1,710	4,017
Other provisions non-current	757	14,999	3,682	7,171	24,162	50,771
Balance as of 31 December	1,855	14,999	4,791	7,271	25,872	54,788

EUR thousand	2014					Total
	Restructuring	Decommissioning	Legal	Environmental	Other	
As of 1 January	8,275	17,709	3,885	28,860	14,738	73,467
Additions	2,849	1,214	2,227	1,018	8,971	16,279
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
Interest expense	0	173	0	0	0	173
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

Restructuring

Provisions for restructuring cover estimated costs for the ongoing restructuring programmes mainly in Norway and Germany.

Decommissioning

Provision for decommissioning cover the expected clean-up and dismantling costs for plants situated on rented land in Germany. It is expected that EUR 10,876 thousand will be used until 2024 and EUR 4,123 thousand until 2027.

Legal

Legal provisions represent litigation provisions in different areas.

Environmental

Environmental provisions cover several environmental exposures in the Group. Environmental exposures in France have been re-assessed in 2015 and led to a release of the provision of EUR 15,000 thousand, offset by cancellation of corresponding receivables from the seller of the company acquired by Borealis.

Other

Other provisions cover numerous types of long term obligations including long term incentive plans.

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

15. Government grants

In 2015, Borealis received government grants for research and development and for investments in new production plants. During the year EUR 7,778 thousand (EUR 9,953 thousand) was recognised in the income statement.

The EU ETS emission allowances for 2015 were granted in 2015 and amount to EUR 30,266 thousand (2014: EUR 46,980 thousand for the years 2013 and 2014).

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. Counterparty 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 firm commitments, Borealis enters into derivative contracts (forward sale) and recognises an asset or a liability equal to the fair value of these commitments. In this way, and to the extent that the hedges are effective, the changes in fair value of the firm commitments 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 exchange 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. An important part of the borrowings are based on a floating interest rate, but is transformed into

fixed interest rate loans after the application of interest rate swaps. Details regarding 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 regarding 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	2015	2014
Interest income from		
Cash and cash equivalents	905	907
Derivatives	3,983	6,159
Total interest income	4,888	7,066
Interest expenses to		
Finance institutions	-59,221	-60,952
Derivatives	-4,706	-6,970
Capitalised interest	3,120	2,352
Exchange adjustments, net	3,309	4,035
Other financial expenses and income	-16,565	-16,508
Total financial expenses	-74,063	-78,043
Net financial items	-69,175	-70,977

18. Gains and losses from financial instruments

EUR thousand	2015	2014
Recognised in profit or loss		
Change in fair value of commodity derivative contracts	8,499	-3,238
Change in fair value of foreign exchange derivative contracts	3,085	3,171
Realised result on commodity derivative contracts	-18,072	2,124
Realised result on foreign exchange derivative contracts	-708	1,213
Financial assets and liabilities at fair value through profit or loss	-7,196	3,270
Change in fair value of commodity derivative contracts for feedstock for fair value hedges	-743	743
Amounts recognised in profit or loss for realised cash flow hedges		
Commodity derivative contracts	-20,444	6,501
Interest derivative contracts	-525	-867
Foreign exchange derivative contracts	-31,929	-6,156
Hedging instruments	-53,641	221
Interest income from available for sale assets	210	230
Available for sale financial assets	210	230
Interest income on cash and deposits	905	907
Foreign exchange effects on cash and deposits	2,072	3,428
Foreign exchange effects on receivables	15,306	-18,902
Impairment losses on receivables	-4,617	-1,534
Gains (losses) from sale of non-current financial assets	2,444	0
Loans and receivables	16,110	-16,101
Interest expenses and other expenses on financial liabilities	-75,995	-77,690
Foreign exchange effects on financial liabilities	-16,446	21,281
Financial liabilities	-92,441	-56,409

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	2015	2014
Recognised in other comprehensive income		
Commodity derivative contracts designated as cash flow hedge	-27,002	-9,920
Interest derivative contracts outstanding designated as cash flow hedge	-250	-1,693
Foreign exchange derivative contracts designated as cash flow hedge	-7,273	-48,999
Foreign exchange effects on receivables part of net investment in foreign operations	1,245	-3,408
Foreign exchange effects on financial liabilities and derivatives designated as hedge of investment in foreign operations	-66,152	-34,108
Available for sale assets	-277	734
Amounts reclassified to the income statement		
Commodity derivative contracts	20,444	-6,501
Interest derivative contracts	525	867
Foreign exchange derivative contracts	31,929	6,156
Total recognised in other comprehensive income	-46,811	-96,872

19. Loans and borrowings

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

Maturities (EUR thousand)		2015					
Due		Total	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed facilities
After	5 years	337,502	337,502				
Within	5 years	99,943	99,943				1,000,000
	4 years	425,840	425,840				
	3 years	172,829	172,829				
	2 years	363,410	363,410				
Total long-term debt		1,399,524	1,399,524	0	0	0	1,000,000
Total short-term debt		244,327	243,931	0	0	396	166,000
Total debt		1,643,851	1,643,455	0	0	396	1,166,000¹⁾

¹⁾ Borealis maintains EUR 166,000 thousand in export credit facilities (these facilities were fully undrawn at 31 December 2015). These facilities are economically evergreen in nature, but include a one year notice for cancellation.

Maturities (EUR thousand)		2014					Unutilised committed facilities
		Total	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	
Due							
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		245,810	195,810	50,000	0	0	166,000 ²⁾
Total debt		1,840,792	1,789,626	50,000	0	1,166	1,166,000

²⁾ 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.

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 2015 and by terming out its debt through diverse funding channels.

In 2015, Borealis reduced its net debt by EUR 702,455 thousand, which resulted in a gearing ratio of 19%. The EUR one billion Syndicated Revolving Credit Facility, based on a 5 year tenor with two one-year extension options at lenders' discretion, that was originally refinanced in 2014, was extended by one additional year, with all participating relationship banks consenting unanimously. The new maturity date has been extended to September 2020. In March 2015, Borealis announced the closure of a BRL 36,736 thousand facility agreement with BNDES, the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social), for the financing

of Borealis Brasil S.A.'s expansion. As of 31 December 2015, the drawn amount stood at BRL 29,110 thousand (BRL 0 thousand), the remainder is expected to be utilised in 2016.

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 going forward.

At year-end, the Group has committed long-term credit facilities of EUR 1,166,000 thousand (EUR 1,166,000 thousand) of which EUR 0 thousand (EUR 0 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 396 thousand (EUR 1,166 thousand) and relates to payables within one year of EUR 397 thousand (EUR 0 thousand) and payables between one and five years of EUR 0 thousand (EUR 1,168 thousand) less financial charges of EUR 1 thousand (EUR 2 thousand).

Currency Mix (EUR thousand)	2015	Percent	2014	Percent
USD	342,397	21%	307,693	17%
EUR	1,253,694	76%	1,494,661	81%
GBP*	40,725	2%	38,438	2%
BRL	7,035	1%	0	0%
Interest bearing total	1,643,851	100%	1,840,792	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 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	2015						
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	-227,700	-235,639	-1,361	-56,598	-23,000	-108,128	-46,552
EUR fixed rate loans	-1,025,598	-1,144,932	-30,272	-120,973	-300,591	-567,276	-125,820
EUR financial leases	-396	-396	0	-396	0	0	0
USD floating rate loans	-134,121	-136,719	-1,066	-63,091	-72,562	0	0
USD fixed rate loans	-208,276	-284,395	-5,778	-17,388	-11,136	-92,292	-157,801
GBP fixed rate loans	-40,725	-63,693	-1,914	-1,914	-3,828	-11,484	-44,553
BRL floating rate loans	-6,670	-10,338	-482	-517	-2,235	-5,502	-1,602
BRL fixed rate loans	-365	-442	-11	-11	-93	-252	-75
Trade payables	-735,982	-735,982	-735,982	0	0	0	0
Total	-2,379,833	-2,612,536	-776,866	-260,888	-413,445	-784,934	-376,403

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	-1,166	0	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	-292,528	-1,054,080	-468,109

EUR thousand	2015						
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	-1,496	-107,219	-321	-36,082	-12,116	-35,463	-23,237
Assets/inflow	0	105,613	9	35,818	11,538	34,889	23,359
Cross currency interest rate swaps							
Liabilities/outflow	-4,044	-48,509	-2,083	-46,426			
Assets/inflow	0	44,350	1,914	42,436			
Foreign exchange contracts							
Liabilities/outflow	-2,746	-523,560	-369,756	-153,804			
Assets/inflow	4,323	525,132	370,758	154,374			
Feedstock contracts							
Liabilities/outflow	-40,315	-40,380	-28,943	-11,264	-173		
Assets/inflow	46,273	46,403	27,579	14,098	4,726		
Electricity contracts							
Liabilities/outflow	-43,513	-43,514	-15,126	-13,759	-10,827	-3,802	
Assets/inflow	3,677	3,677	1,929	1,731	17	0	
Natural gas hedges							
Liabilities/outflow	-7,965	-7,965	-2,568	-2,320	-2,350	-727	
Assets/inflow	1,431	1,431	428	315	503	185	
Total	-44,375	-44,541	-16,180	-14,883	-8,682	-4,918	122

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	2015						
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	33,726	19,014	636	0	2,052	12,024	
Operating lease payables	40,869	7,284	6,080	10,991	14,953	1,561	
Capital commitments – tangible assets	96,603	51,739	30,643	14,127	94	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	

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 year-end. Cash outflows are reported with a negative sign, cash inflows with a positive sign.

EUR thousand	2015						
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	-1,496	-107,219	-321	-36,082	-12,116	-35,463	-23,237
Assets/inflow	0	105,613	9	35,818	11,538	34,889	23,359
Cross currency interest rate swaps							
Liabilities/outflow	-4,044	-48,509	-2,083	-46,426	0	0	0
Assets/inflow	0	44,350	1,914	42,436	0	0	0
Foreign exchange contracts							
Liabilities/outflow	-2,732	-335,100	-181,296	-153,804	0	0	0
Assets/inflow	3,658	336,018	181,644	154,374	0	0	0
Electricity, feedstock and natural gas contracts							
Liabilities/outflow	-85,011	-85,186	-41,246	-26,061	-13,350	-4,529	0
Assets/inflow	39,432	39,748	21,384	12,932	5,247	185	0
Total	-50,193	-50,285	-19,995	-16,813	-8,681	-4,918	122

As of 31 December 2015 no fair value hedges exist.

EUR thousand	2014						
	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
Cash flow hedges							
Interest rate swaps							
Liabilities/outflow	-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				

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 2015 was EUR 527,764 thousand (EUR 715,894 thousand) of which EUR 339,147 thousand (EUR 556,028 thousand) relate to foreign currency hedging and EUR 188,617 thousand (EUR 159,866 thousand) relate to liquidity management. The total notional value of outstanding foreign exchange options as of 31 December 2015 was EUR 0 thousand (EUR 0 thousand) measured at the strike rate.

Of the foreign exchange cash flow hedges gains (losses) of EUR -31,929 thousand (EUR -6,156 thousand) were removed from hedging reserve during 2015 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 2015 and 2014.

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 2015 was EUR 926 thousand (EUR -28,251 thousand).

EUR 926 thousand (EUR -28,251 thousand) have been recorded in other comprehensive income at year-end of

which EUR 3,658 thousand (EUR 0 thousand) have been recognised in other assets (thereof EUR 0 thousand (EUR 0 thousand) in non-current assets) and EUR -2,732 thousand (EUR -28,251 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 342,397 thousand (EUR 307,692 thousand) as of 31 December 2015. USD/GBP cross currency interest rate swaps of notional EUR 44,598 thousand (EUR 194,315 thousand) were classified as net investment hedges as of 31 December 2015. A foreign exchange loss of EUR -58,737 thousand (loss of EUR -55,162 thousand) was recognised in other comprehensive income during 2015 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 2015, was EUR 651 thousand (EUR 712 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.

EUR 665 thousand (EUR 1,065 thousand) was recognised in other assets and EUR -14 thousand (EUR -353 thousand) in other liabilities.

Sensitivity analysis

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

The sensitivity analysis has been prepared on the basis that the financial instruments in foreign currencies and all other parameters apart from changes in foreign exchange rates themselves are constant and on the basis of hedge designations in place at 31 December 2015. The Group assumes that the prevailing polyolefin market pricing mechanisms reduce the foreign exchange risk in practice.

As of 31 December 2015, 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 98 thousand (increase of EUR 600 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 -96 thousand (decrease of EUR -588 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 28,404 thousand (increase of EUR 20,261 thousand), a weakening of one percentage point of the USD against the EUR would have decreased the Group's equity by EUR -27,842 thousand (decrease of EUR -19,860 thousand).

Of total interest-bearing debt, approximately 78% (70%) have a fixed interest rate, and 22% (30%) are based on a floating interest rate before applying interest rate swaps. Approximately 84% (75%) have a fixed interest rate and 16% (25%) 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 2015, Borealis had outstanding interest rate derivatives for a notional amount of EUR 105,000 thousand (EUR 105,000 thousand) with interest rates ranging from 0.6% to 0.7% (0.6% to 0.7%) 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 2015 was EUR -1,496 thousand (EUR -1,770 thousand) comprising liabilities of EUR -1,496 thousand (EUR -1,770 thousand) and assets of EUR 0 thousand (EUR 0 thousand). These amounts were recognised in other liabilities, thereof non-current liabilities EUR -1,315 thousand (EUR -1,770 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 2015 was EUR -4,044 thousand (EUR -1,957 thousand) comprising liabilities of EUR -4,044 thousand (EUR -1,957 thousand) and assets of EUR 0 thousand (EUR 0 thousand). These amounts were recognised in other assets or liabilities, thereof non-current EUR 0 thousand (EUR -1,957 thousand). Of the interest rate swaps, a loss of EUR -525 thousand (EUR -867 thousand) was realised in financial expenses during 2015. No interest rate swap matured during 2015. Of the interest rate swaps which are used as cash flow hedges no net gain (loss) 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	2015		2014	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
EUR floating rate loans	0.9%	-227,700	1.3%	-437,050
Effect on interest rate swaps	-0.1%		-0.1%	
EUR fixed rate loans	3.6%	-1,025,598	3.6%	-1,056,445
EUR financial leases	2.8%	-396	2.8%	-1,166
USD floating rate loans	1.4%	-134,121	1.1%	-120,527
USD fixed rate loans	5.5%	-208,276	5.6%	-187,166
GBP fixed rate loans	9.4%	-40,725	9.4%	-38,438
BRL floating rate loans	9.4%	-6,670		0
BRL fixed rate loans	6.0%	-365		0
Total interest bearing debt		-1,643,851		-1,840,792

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 2015. As of 31 December 2015, it is estimated that a general increase of one percentage point in interest rates would

have decreased Borealis' profit before tax by approximately EUR -2,367 thousand (EUR -2,168 thousand) and would have increased Borealis' equity by approximately EUR 529 thousand (EUR 536 thousand). The effect of a decrease of one percentage point in interest rates is expected to increase Borealis' profit before tax by approximately EUR 2,385 thousand (EUR 2,178 thousand) and would have decreased Borealis' equity by approximately EUR -533 thousand (EUR -538 thousand).

24. Commodity risk

Feedstock contracts: At the balance sheet date, Borealis had commodity derivative contracts with maturities up to 24 months (12 months) forward to manage the price risk of feedstock. The gross notional volume of contracts held on 31 December 2015 was 1,226,000 tonnes (1,547,000 tonnes). Part of the contracts, 0 tonnes (18,000 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 0 thousand (EUR 743 thousand). Another part of the contracts, 810,000 tonnes (1,256,000 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 791 thousand (EUR -2,492 thousand). No hedge accounting is applied for the remaining contracts. The net fair value of all derivative contracts for feedstock as of 31 December 2015 was EUR 5,958 thousand (EUR -5,948 thousand). EUR -40,315 thousand (EUR -124,109 thousand) have been recognised in other liabilities and EUR 46,273 thousand (EUR 118,161 thousand) in other assets, thereof in non-current assets EUR 4,412 thousand (EUR 0 thousand).

Electricity contracts: Borealis hedges its forecasted electricity purchases with maturity up to 2018 using electricity swaps. The notional volume of the contracts held at 31 December 2015 was 5,616 GWh (6,192 GWh) with an average maturity of 19 months (18 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 2015 was EUR -39,836 thousand (EUR -23,770 thousand), comprising liabilities of EUR -43,513 thousand (EUR -27,408 thousand), thereof non-current EUR -14,628 thousand (EUR -7,001 thousand) and assets of EUR 3,677 thousand (EUR 3,638 thousand), thereof non-current EUR 17 thousand (EUR 443 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 2018 using natural gas swaps. The notional volume of the contracts held at 31 December 2015 was 934 GWh (945 GWh) with an average maturity of 19 months (19 months). Cash flow hedge accounting has been applied for these contracts. The net fair value of the natural gas swap contracts used

as hedges for forecasted transactions as of 31 December 2015 was EUR -6,534 thousand (EUR -3,879 thousand), comprising liabilities of EUR -7,965 thousand (EUR -4,171 thousand), thereof non-current EUR -3,076 thousand (EUR -1,738 thousand) and assets of EUR 1,431 thousand (EUR 292 thousand), thereof non-current EUR 688 thousand (EUR 143 thousand). These amounts were recognised in other liabilities, other assets and in other comprehensive income.

Of the commodity cash flow hedges, losses amounting to EUR -20,444 thousand (EUR 6,501 thousand gains) were removed from hedging reserve during 2015 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 2015 and 2014.

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 2015. The Group assumes that the prevailing market pricing mechanisms reduce the commodity price risk in practice.

As of 31 December 2015, it is estimated that a general increase of one percentage point in commodity prices would have decreased Borealis' profit before tax by approximately EUR -231 thousand (EUR -181 thousand) and would have increased Borealis' equity by approximately EUR 1,668 thousand (EUR 2,593 thousand). The effect of a decrease of one percentage point in commodity prices is expected to increase the profit before tax by approximately EUR 231 thousand (EUR 181 thousand) and would have decreased Borealis' equity by approximately EUR -1.668 thousand (EUR -2,593 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 2015, receivables worth EUR 322,618 thousand (EUR 302,261 thousand) were sold to the purchaser under the securitisation programme. The reserves deducted from the nominal value of the sold receivables amounted to EUR 24,506 thousand (EUR 24,740 thousand) as of 31 December 2015 and are included in other short-term receivables.

26. Credit risk

Trade receivables credit risk

A credit control procedure is in place. Credit risk is monitored on an ongoing basis. Credit risk of 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 annually. 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	2015	2014
EU Countries	352,929	387,199
Non-EU in Europe	38,438	32,496
USA	15,022	19,033
Middle East and Asia	27,494	39,914
Other regions	98,580	65,896
Total	532,463	544,538

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

EUR thousand	2015	2014
Polyolefins	309,978	245,031
Base Chemicals	196,741	269,472
Non-Allocated	25,744	30,035
Total	532,463	544,538

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

EUR thousand	Gross	Impairment	Gross	Impairment
	2015		2014	
Risk category 1	56,199	0	55,322	0
Risk category 2	134,149	0	165,678	0
Risk category 3	59,287	0	68,311	-737
Risk category 4	231,925	-9,853	233,456	-6,760
Risk category 5	11,521	0	3,909	0
Risk category 6	48,497	0	24,985	0
Risk category 7	738	0	374	0
Total	542,316	-9,853	552,035	-7,497

The ageing of trade receivables at the reporting date was:

EUR thousand	Gross	Impairment	Gross	Impairment
	2015		2014	
Not past due	452,416	0	502,538	0
Past due 0–30 days	77,649	-266	37,636	0
Past due 31–90 days	2,270	0	3,396	0
Past due 91–120 days	321	0	968	0
Past due 121–180 days	0	0	0	0
Past due over 180 days	9,660	-9,587	7,497	-7,497
Total	542,316	-9,853	552,035	-7,497

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

EUR thousand	2015	2014
Balance as of 1 January	7,497	7,708
Impairment loss recognised	4,617	1,534
Written off	-1,908	-419
Recoveries	-353	-1,326
Balance as of 31 December	9,853	7,497

In 2015, 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 149,740 thousand (EUR 145,762 thousand).

Other credit risk

Borealis' cash balances are deposited with relationship banks or are invested in liquid securities with counterparties that fulfil a certain predefined credit rating 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.

EUR thousand	Credit risk		Impairment losses recognised	
	2015	2014	2015	2014
Available for sale financial assets	10,593	10,869	0	0
Financial assets at fair value through profit or loss	12,613	41,822	0	0
Loans and receivables				
Deposits and other receivables	5,021	5,889	0	0
Other investments	29,923	30,251	0	0
Trade receivables	532,463	544,538	9,853	7,497
Receivables from associated companies	90,218	88,491	0	0
Cash and cash equivalents	547,938	42,425	0	0
Derivative financial assets for which hedge accounting is applied				
Foreign exchange derivative contracts	3,658	0	0	0
Commodity derivatives contracts	39,432	81,333	0	0
	1,271,859	845,618	9,853	7,497

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	2015			2014		
	Carrying value	Fair value	Fair value hierarchy level	Carrying value	Fair value	Fair value hierarchy level
Assets						
Other investments						
Other investments	29,923	n/a	n/a	30,251	n/a	n/a
Loans and receivables	29,923			30,251		
Trade receivables						
Trade receivables	532,463	532,463	n/a*	544,538	544,538	n/a*
Loans and receivables	532,463			544,538		
Receivables from associated companies						
Receivables from associated companies	90,218	90,218	n/a*	88,491	88,491	n/a*
Loans and receivables	90,218			88,491		
Other receivables and other assets (current and non-current)						
Long term deposits for tax requirements	10,593	10,593	1	10,869	10,869	1
Available for sale financial assets	10,593			10,869		
Derivative financial instruments for which hedge accounting is applied	43,090	43,090	2	81,333	81,333	2
Hedging instruments	43,090			81,333		
Derivative financial instruments for which hedge accounting is not applied	12,613	12,613	2	41,822	41,822	2
Financial assets at fair value through profit or loss	12,613			41,822		
Deposits and other receivables	5,021	5,021	n/a*	5,889	5,889	n/a*
Loans and receivables	5,021			5,889		
Other non financial assets	300,025	n/a	n/a	332,471	n/a	n/a
Total other receivables and other assets (current and non-current)	371,342			472,384		

* According to IFRS 7.29 the fair value of these items is estimated to equal the carrying amount. Therefore, no fair value hierarchy level was stated.

EUR thousand	2015			2014		
	Carrying value	Fair value	Fair value hierarchy level	Carrying value	Fair value	Fair value hierarchy level
Liabilities						
Loans and borrowings (current and non-current)						
Floating rate loans and borrowings	368,491	368,491	2	557,577	557,577	2
Fixed rate loans and borrowings	1,275,360	1,456,975	2	1,283,215	1,502,009	2
Financial liabilities	1,643,851			1,840,792		
Trade payables						
Trade payables	735,982	735,982	n/a*	740,379	740,379	n/a*
Financial liabilities	735,982			740,379		
Other liabilities (current and non-current)						
Derivative financial instruments for which hedge accounting is applied	93,283	93,283	2	142,710	142,710	2
Hedging instruments	93,283			142,710		
Derivative financial instruments for which hedge accounting is not applied	6,795	6,795	2	45,309	45,309	2
Financial liabilities at fair value through profit or loss	6,795			45,309		
Contingent consideration	3,781	3,781	3	3,684	3,684	3
Interest accruals	18,673	18,673	n/a*	18,758	18,758	n/a*
Financial liabilities	22,454			22,442		
Other non-financial liabilities	297,070	n/a	n/a	300,814	n/a	n/a
Total other liabilities (current and non-current)	419,602			511,275		

* According to IFRS 7.29 the fair value of these items is estimated to equal the carrying amount. Therefore, no fair value hierarchy level was stated.

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.

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.

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.

In 2015, no transfers between the different levels took place.

Other investments

In absence of a quoted market price for other investments in other companies, no fair value can be determined.

Trade and other receivables and assets

The fair value of trade and other receivables and assets and receivables from associated companies is estimated to equal the nominal values less impairments (= carrying amount).

Deposits and other non-current receivables have no due date and are therefore not discounted.

Therefore, no fair value hierarchy level was stated.

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.

Other non-financial assets and liabilities

Other non-financial assets and liabilities are shown solely for reconciliation purposes.

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 as at 31 December 2015. The own non-performance risk as at 31 December 2015 was assessed to be insignificant.

The fair value of trade and other payables is estimated to equal the carrying amount. Therefore, no fair value hierarchy level was stated.

Contingent Consideration

The fair value of the contingent consideration for the acquisition of Borealis Plastomers amounts to EUR 3,781 thousand as of 31 December 2015 (EUR 3,684 thousand) and 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 a higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the liability. The fair value was re-measured in 2015 in the amount of EUR -97 thousand (EUR -94 thousand) and is included in the administrative costs in the income statement.

The fair value of the contingent consideration for the acquisition of Borealis Chimie amounts to EUR 0 thousand as of 31 December 2015 (EUR 0 thousand) and has been estimated by applying a discounted earnings technique. The assumed earnings target of Borealis Chimie is the most significant valuation input for the determination of the contingent consideration liability. The financing rate for this acquisition has been determined as the applicable discount rate. A significant increase (decrease) in the earnings of Borealis Chimie would result in a higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the liability. In 2015, there was no result from re-measurement of the fair value, in 2014 the income from re-measurement of the fair value of EUR 31,032 thousand has been recognised in the other income in the income statement.

28. Operating leases

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

EUR thousand	2015	2014
1 year	13,364	14,274
1–5 years	25,944	26,377
Thereafter	1,561	3,447
Total	40,869	44,098
Operational lease payments during current year	19,561	21,390

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 in 2015 amounts to EUR 0 thousand. In 2014, other income consisted of release of contingent consideration in relation to business combinations

amounting to EUR 31,032 thousand and proceeds from sale of fixed assets amounting to EUR 4,000 thousand.

30. Transactions with related parties

EUR thousand	2015							
	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans	Borrowings	Interest received	Interest paid
Associates	308,781	432,225	90,218	73,003	0	0	0	0
Parent company	386	0	0	0	0	0	0	0
Companies with significant influence	1,284,883	41,411	3,966	101,335	0	0	0	0
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	35,558	1,148	221	1,320	0	0	0	0
	1,629,608	474,784	94,405	175,658	0	0	0	0

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

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. Purchases from associates mainly include purchases of

finished goods produced in Borouge and sold in Europe. Payables to related parties are included in the trade payables. 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 33,726 thousand (EUR 36,972 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	61,500	100
■ ■ Borealis Kallo N.V.	Belgium, Kallo	EUR	40,575,176	100
■ ■ Borealis Antwerpen N.V.	Belgium, Zwijndrecht	EUR	11,277,054	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
■ 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, Courbevoie	EUR	109,477,216	100
■ ■ Borealis Services S.A.S.*	France, Courbevoie	EUR	5,000	100
■ ■ Borealis Produits et Engrais Chimiques du Rhin S.A.S.	France, Ottmarsheim	EUR	20,010,000	100
■ ■ Borealis L.A.T France S.A.S.*	France, Courbevoie	EUR	752,500	100
■ ■ Borealis Chimie S.A.S.	France, Courbevoie	EUR	220,000,000	100
■ ■ ■ AGRIPRODUITS S.A.S.*	France, Courbevoie	EUR	952,000	100
■ ■ ■ GIFIAM G.I.E.*	France, Courbevoie	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 Chimie S.A.R.L.*	Morocco, Casablanca	MAD	219,986	100
■ Borealis Colombia S.A.S.*	Colombia, Bogota	COP	84,000,000	100
■ Borealis s.r.o.*	Czech Republic, Prague	CZK	500,000	100
■ Borealis Polska Sp. Z.o.o.*	Poland, Warsaw	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 City	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 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 Republic, Budweis	CZK	2,000,000	100
■ ■ Borealis L.A.T Romania s.r.l.*	Romania, Bucharest	RON	18,392,320	100
■ ■ Borealis L.A.T d.o.o. Beograd*	Serbia, Belgrade	RSD	63,282,000	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 relates to the auditors of the Group:

EUR thousand	2015	2014
Audit of Borealis AG's subsidiaries	776	736
Audit of consolidated and standalone financial statements of Borealis AG	256	248
Other audit related services	61	61
Other services	73	67
Total	1,167	1,112

The following fees relate to the Group auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, Austria: audit of consolidated and standalone financial statements amounting to EUR 256,423 (EUR 247,680),

other audit related services amounting to EUR 61,250 (EUR 60,750) and other services amounting to EUR 3,700 (EUR 12,500).

35. Executive Board and Supervisory Board

Executive Board

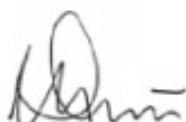
Mark Garrett, Mark Tonkens, Markku Korvenranta, Martijn Arjen van Koten, Alfred Stern

Supervisory Board

Suhail Mohamed Faraj Al Mazrouei (Chairman and member since 12 May 2015), Khadem Al Qubaisi (Chairman and member until 12 May 2015), Rainer Seele (member since 14 September 2015 and Deputy Chairman since 15 September 2015), David Charles Davies (Deputy Chairman and member until 13 September 2015), Mohamed A. Al-Azdi, Mohamed H. Al Mehairi, Manfred Leitner

Vienna, 15 February 2016

Executive Board:



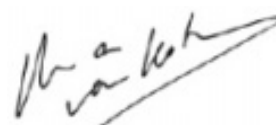
Mark Garrett
Chief Executive



Mark Tonkens
Chief Financial Officer



Markku Korvenranta



Martijn Arjen van Koten



Alfred Stern

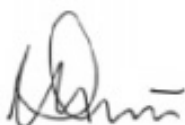
Statement of the Executive Board according to § 82 (4) Z 3 Vienna Stock Exchange Act

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, 15 February 2016

Executive Board:



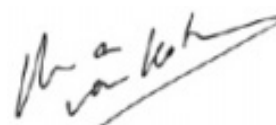
Mark Garrett
Chief Executive



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, 2015, including the management report, and the consolidated financial statements as of 31 December, 2015, 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 2016, the consolidated financial statements, and the consolidated management report were approved/acknowledged.

Vienna, 3 March 2016



Suhail Mohamed Faraj Al Mazrouei
Chairman of the Supervisory Board

Borealis AG

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Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY