



Borealis AG Financial Report 2017

Financial Statements
Standalone

 **BOREALIS**

Keep Discovering

Contents

About Borealis		Financial Report	
03	Executive Board	15	Auditor's Report
04	2017 Milestones	18	Management Report
05	Mission and Strategy	22	Group Management Report
06	Our Values	30	Financial Statements Standalone
		49	Statement of the Executive Board according to § 124 (1) Z 3 Vienna Stock Exchange Act
Our Business			
07	Polyolefins		
11	Innovation		
12	Base Chemicals		
13	Technology and Product Innovations		

About Borealis

Executive Board



MARKKU KORVENRANTA

Executive Vice President, Base Chemicals

MARK TONKENS

Chief Financial Officer

MARK GARRETT

Chief Executive

MARTIJN ARJEN VAN KOTEN

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

ALFRED STERN

Executive Vice President, Polyolefins and Innovation & Technology



PHILIPPE ROODHOOF was appointed Executive Vice President Middle East and Growth Projects on 1 November 2017.

2017 Milestones

1.

Safety first: unwavering focus on Goal Zero results in a TRI rate of 1.1 in 2017

2.

Net profit of EUR 1,095 million in 2017

3.

Framework agreement signed with ADNOC to advance the project Borouge 4 and PP5, the new Borstar® polypropylene plant in Ruwais, UAE

4.

Feasibility study for construction of world-scale dehydrogenation plant in Kallo moves to front end engineering and design (FEED) phase

5.

Memorandum of Understanding signed with NOVA Chemicals and Total to build new, 1,000 kilotonne-per-annum (ktpa) ethane cracker and 625 ktpa Borstar® polyethylene plant in Texas, US

6.

Announcement of plans to build dedicated automotive polypropylene compounding plant in North Carolina, US

7.

Completion of five major plant turnarounds, three of which were free of TRIs

8.

Consolidation of industry leadership in promoting the circular economy for polyolefins

9.

Inauguration of refurbished Grand-Quevilly quay in France, a key infrastructure investment to grow Fertilizers

10.

Global launch of pioneering solar umbrella brand Quentys™

11.

Launch of Borstar® Bimodal Terpolymer Technology and flagship brand Anteo™, a new family of linear low-density polyethylene packaging grades

12.

Borlink™ extruded high voltage direct current technology sets another energy transmission world record at 640 kV

Mission and Strategy

CONTINUITY COMBINED WITH THE FLEXIBILITY TO SEIZE NEW OPPORTUNITIES

Our mission

To be **THE** leading provider of innovative plastics, chemical and fertilizer solutions that create value for society.

Our strategy

We will

- Grow our PO business with a focus on **advanced applications** and **differentiated products**, strengthen our European base and ensure cost competitiveness from feedstock to customer.
- Pursue excellence and optimise **Borouge** in the Middle East and Asia, including **leveraging into Europe**.
- Continue to maximise the value of **Base Chemicals**, with a focus on **growth in Fertilizers** and **strengthening the cracker asset base** with increased feedstock flexibility.
- Realise **growth opportunities** in other geographies/related businesses.
- Pursue **operational excellence** and a **Goal Zero** mindset.
- Achieve a step change in **innovation**.
- Exceed in serving our customers with a focus on **quality** and **reliable execution**.
- Continue to develop our cross-cultural **organisational capability** and a **learning organisation**.
- **Drive sustainability**, explore and realise business opportunities from the **circular economy**.

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



Nimblivity™

- We are fit, fast and flexible
- We create and capture opportunities
- We seek the smart and simple solutions

Our Business

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

Borealis believes in progress. By driving ideas forward, Borealis aims to change the world for the better.

Borealis keeps discovering new applications and material solutions that address global challenges in the areas of climate, energy, food, health, water and sanitation, waste, and the mechanical recycling of polyolefins. As a reliable partner, Borealis creates ever more value for its customers and partners by developing new approaches, technologies and products.

Polyolefins

The polyolefin products manufactured by Borealis form the basis of many valuable plastics applications that are an intrinsic part of our daily lives. Advanced Borealis polyolefins have a role to play in saving energy along the

value chain and promoting more efficient use of natural resources. Borealis works closely with its customers and industry partners to provide innovative and value-creating plastics solutions in a variety of industries and segments that make end products safer, lighter, more affordable and more sustainable.

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).

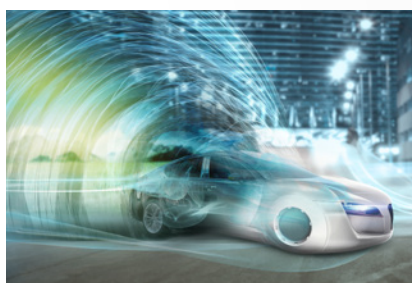
Industries Served

Automotive

Borealis is a leading supplier of innovative polyolefin plastic materials for engineering applications in the automotive industry.

Proprietary Borealis technologies are lighter weight replacement solutions for conventional materials like

POLYOLEFINS INDUSTRIES



Automotive



Energy



Pipe and Fittings

SEGMENTS SERVED



Consumer Products



Healthcare



Polymer Solutions



Circular Economy Solutions

Fig. 1: Industries served by Borealis' polyolefins applications

metal, rubber and engineering polymers. Borealis material solutions help facilitate lightweight construction and thus play an important role in reducing carbon emissions. For instance, over the lifespan of an automotive application like a bumper, eight kilogram (kg) of carbon emissions can be avoided by using one kg of polypropylene (PP) compounds.

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 the planet's resources. By combining PCR and virgin material to produce high-end grades of consistent quality, fewer resources are used and less waste is generated over the lifetime of the product.

Borealis offers these leading-edge, lightweight polyolefins for a wide range of exterior, interior, and under-the-bonnet applications, including: bumpers, body panels, dashboards, door claddings, central consoles, pedal housings, cooling systems, battery trays and semi-structural body parts. Working closely with key value chain partners, Borealis continually develops novel materials for specific composite applications such as structural carriers.

Energy

Borealis is a leading provider of polyolefin compounds for the global energy industry.

Step-change innovations based on the Borlink™ technology make electricity power grids more robust and reliable, eliminate wastage, and help transport energy from renewable sources more efficiently, and over longer distances. The broad range of sophisticated solutions include extra high, high, and medium voltage solutions for energy transmission, and low voltage solutions for energy distribution cable applications.

Safer wires and cables for the solar, automotive, and construction industries are made possible by unique Borealis polymer manufacturing technologies. Borealis also has a proven track record of innovation in the area of flame retardant cables for these industries.

Borealis offers a comprehensive range of communications cables solutions for advanced data, copper multipair, fibre optic, and coaxial cables, all of which enhance the efficiency of data and communication networks.

Leading Borealis PP material solutions are used to produce capacitor film products. Exhibiting exceptional cleanliness standards, these materials help achieve

outstanding electrical properties. Their consistent processing behaviour enables the production of extremely thin films.

Unique polymer and manufacturing technologies using Borlink, Visico™/Ambicat™, Borstar® and Casico™ allow Borealis to offer innovative compounds tailored to specific customer needs.

Borealis has recently expanded the scope of its endeavours in the energy sector. With the launch of the new flagship solar brand Quentys™ in 2017, Borealis began to revolutionise the global solar industry. Pioneering new products based on Quentys are making solar energy more effective and affordable. For example, the ICOSOLAR® CPO 3G, a co-extruded PP solar backsheet, boosts photovoltaic (PV) module output and reduces output decay. Borealis Polyolefin (BPO) encapsulant films improve the operational reliability of PV modules throughout product lifetime. This results in better cost efficiency and thus greater viability for solar power.

Pipes & Fittings

A trusted partner to the pipe industry for over 50 years, Borealis supplies advanced polyolefin pipe system materials to a wide range of projects and communities around the world.

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. These improved networks also help eliminate wastage and loss whilst at the same time offering energy savings. Water and sanitation systems can be made more efficient and reliable by using proprietary Borealis materials. For example, when compared to conventional materials, modern polyethylene (PE) systems reduce water losses by a factor of eight. Trenchless technology reduces installation costs by up to 60%.

Using its proprietary Borstar® technology as a base, Borealis offers pipes used in many different industries: water and gas supply, waste water, drainage and sewage disposal, and plumbing and heating.

For the oil and gas industry, Borealis provides reliable and high-quality solutions from one end of the pipeline to the other, including multi-layer coating solutions for onshore and offshore oil and gas pipelines.

Consumer Products

With over 50 years' experience in the industry, Borealis is an innovative and reliable supplier of superior polyolefin plastic materials used in advanced packaging, fibre, and appliances.

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.

Superior and proprietary Borealis technologies, such as Borstar®, 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).

Advanced PP solutions offered by Borealis make white goods (such as washing machines, refrigerators, air conditioning units and more); and small appliances (toasters, ventilators, power tools etc.) lighter yet more robust, more energy efficient yet visually appealing.

Healthcare

Borealis offers reliable solutions that add value to healthcare thanks to an impressive track record in Value Creation through Innovation, and close cooperation with customers.

The growing Bormed™ 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.

Healthcare products that have all been enhanced by advanced polyolefins made by Borealis include, among others: medical devices, medical pouches, sachets, syringes, insulin injection devices, unbreakable transparent bottles, and single-dose eye drop dispensers.

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.

Polymer Solutions

Borealis continually develops novel and performance-enhancing solutions such as polymer modifiers (plastomers and elastomers), foam solutions, and reinforced polyolefins for structural parts. These material solutions may be designed for new or existing applications.

In polymer modifiers, Borealis continues to expand its wide range of attractive solutions. The multitiered Queo™ brand helps bridge the performance gap between conventional plastics such as PE and conventional elastomers like ethylene propylene diene monomer. Queo makes it possible to meet or even surpass the most demanding requirements in sealing, flexibility, compatibility and processability.

Borealis' high melt strength (HMS), PP-based foamed products fulfil the varying and sophisticated needs of both converters and consumers in the packaging, automotive and construction industries. For example, foam solutions in packaging offer excellent recyclability, especially when compared to conventional alternatives. Furthermore, HMS PP foam also offers weight reduction, heat stability (for microwavable packaging) and good thermal insulation properties.

Borealis' reinforced polyolefins are novel, performance-enhancing material solutions. The wide range of PP compounds are globally available and help contribute to enhanced sustainability, for example through improved cost and energy efficiency.

Circular Economy Solutions

The Borealis Circular Economy Solutions team is dedicated to discovering new opportunities for long-term business growth in the areas of mechanical recycling and design for recyclability (DfR).

In a world of finite resources, the circular economy model offers a path to reinvent the economy in the interest of natural capital conservation and waste minimisation. A transition must be made from the linear model of "take-make-dispose" to the circular model of recycling, re-use, and DfR. For the polyolefins industry, this paradigm shift holds both opportunities and challenges. The move to the circular economy must be made as eco-efficiently as possible, but circularity must be the priority. It requires innovative material solutions and greater cooperation along the entire value chain.

As the first prime polyolefins producer to have acquired a plastics recycler, Borealis has proven its pioneering “Keep Discovering” mindset. Together, Borealis and its wholly owned subsidiary mtm plastics are leveraging their combined expertise and decades of experience to produce more high-quality plastic recyclates.

Over recent years, mechanical recycling has proven to be effective, and will likely remain the eco-efficient method of choice in the foreseeable future when implementing the principles of the circular economy. Borealis and mtm plastics are bundling their respective fields of know-how and experience – in polymer science, compounding and R&D on the one hand; and mechanical recycling, on the other – to explore the opportunities that arise when virgin producers and recyclers join forces.

The aim is to upscale recycling output; ensure the better availability of high-quality plastics recyclate for the European market; and ultimately, by enriching wherever possible the Borealis virgin polyolefins product portfolio with non-virgin polyolefin grades and to achieve increased polyolefins circularity.

Internal organisation

Within the internal organisational structure of Borealis Polyolefins, the **Industry Clusters** category includes diverse and wide-ranging applications in the

mature industry segments of Automotive, Consumer Products, Energy, and Pipes & Fittings. **Advanced Products** manages so-called specialty products in the areas of Healthcare, Appliances & Structured Products, Concentrates & Polymer Modifiers (including Plastomers, Elastomers, Masterbatch), and Oil & Gas.

New Business Development

Dedicated to turning innovative ideas into new business, New Business Development first identifies new opportunities found in any and all areas of Borealis Polyolefins. After a systematic assessment which evaluates both market demand and unmet market needs, as well as any technical and/or commercial factors crucial to success, the new business opportunity is cycled into development. Once the project has achieved certain predefined goals, it is transitioned to the next level of Advanced Products, where development and growth of this emerging business continues.

New Business Development identifies and assesses entirely new opportunities and develops these accordingly. At present, the units Foam & High Melt Strength (HMS) Polypropylene (PP), Solar, and Emerging Markets are contained in New Business Development.

- ▶ For more information on Borealis Polyolefins: www.borealisgroup.com/polyolefins

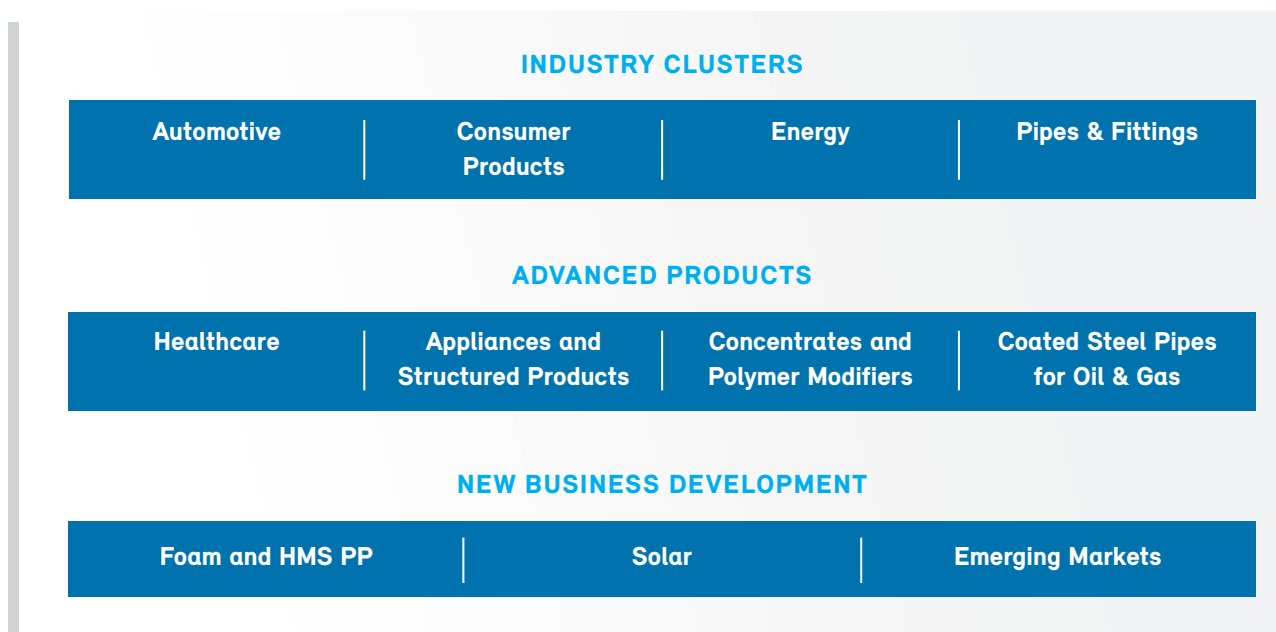


Fig. 2: Internal organisation of the Borealis Polyolefin business

Innovation

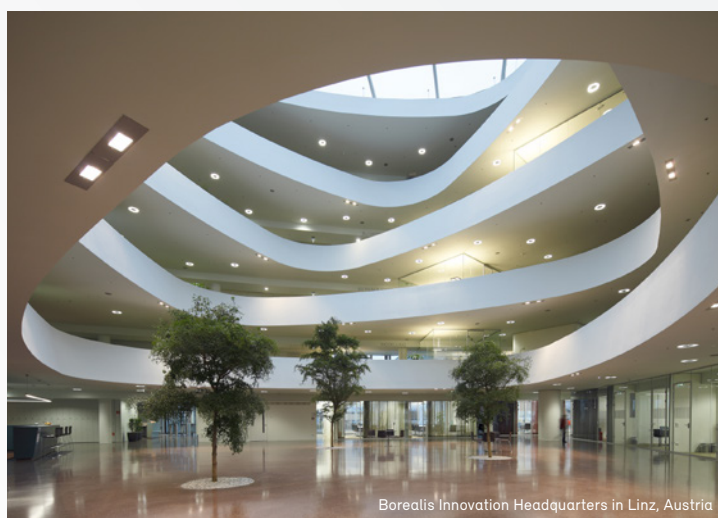
The Value Creation through Innovation strategy sets Borealis apart from other companies in the industry. This is because the Borealis strategy does not focus on any one product or solution, but on the polyolefins value chain in its entirety. Together with Borouge, Borealis does more than offer products. It examines the entire life cycle of a product from start to finish: how it can be created, processed, deployed, and ultimately recovered or recycled.

At Borealis, the Visioneering Philosophy™ describes this drive towards Value Creation through Innovation. The Visioneering Philosophy is about pushing the boundaries of science to develop customer solutions with exceptional performance. This means understanding what the customer wants and leveraging the right competencies, tools and expertise to develop the best solution with a specific service level. True to this mission, Borealis works to address the challenges of society with smarter, more sustainable solutions for the future.

Over 500 employees are active members of the global Borealis innovation community. Borealis invests approximately 1.6% of its gross turnover in innovation R&D, for example in the development of catalysts, processes and products. This exceeds the industry norm.

Borealis has an extensive patent portfolio comprising around 1,600 patent families. On average, Borealis registers roughly 100 different patents each year which safeguard Borealis' proprietary technologies. These include the Borstar® technology, the Sirius catalyst technology, and the Borealis product portfolio of high-quality plastics developed in house. In 2017, Borealis filed 106 priority patent applications.

The beating heart of innovation at Borealis is best felt at its Innovation Headquarters (IHQ) in Linz, Austria, or at one of the two Innovation Centres in Stenungsund, Sweden, and Porvoo, Finland. While each facility engages in independent yet coordinated efforts, what all have in common is the shared pursuit of innovative solutions that provide added value for customers and end users.



Borealis Innovation Headquarters in Linz, Austria

At the IHQ Linz research facilities, the main R&D focus lies on polymer design

and compound research for polymer applications in the energy, automotive, advanced packaging and healthcare industries. Another important focus is the surface aesthetics of plastics. The "Driving Tomorrow" initiative aims to reduce overall fuel consumption thanks to the use of lighter weight components in vehicles. The Borealis Sirius catalyst plant is also located in Linz.

In the Innovation Centre in Sweden, the focus is on polymer design, scientific services and R&D in the area of energy and infrastructure industry solutions.

With catalyst scale-up facilities and fully integrated Borstar® PE and PP pilot plant lines, the Borealis Innovation Centre in Finland is the site of advanced catalyst and process research, collaborating closely with both Finnish and international universities and research institutes.

The Borouge Innovation Centre in Abu Dhabi cooperates closely with Borealis' European Innovation Centres to explore enhanced infrastructure, automotive and advanced packaging application solutions.

Base Chemicals

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

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

Hydrocarbons & Energy

Borealis sources various feedstock such as naphtha, butane, propane and ethane from the oil and gas industry. Through its olefin units, it converts these into the building blocks of the chemical industry: ethylene, propylene and C4 hydrocarbons (petrochemical derivatives consisting of butanes, butylenes and butadienes), among others. Steam crackers in Finland, Sweden, and Abu Dhabi – the latter operated by Borouge – produce ethylene, propylene and C4 hydrocarbons, while propylene is also produced in a propane dehydrogenation plant in Kallo, Belgium. Feedstock and other olefins required for Borealis and Borouge polyolefin plants are either sourced from its owners, or purchased on the markets. A range of co-products from the steam cracking process, including butadiene, butene compounds, and pygas, are also sold on international markets.

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

Melamine

As the second-largest producer of high-quality melamine in Europe, Borealis produces melamine at its plants in Linz, Austria, and at its facility in Piesteritz, Germany. Converted from natural gas, melamine has 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 7.6 billion to over 9.6 billion by 2050, and an increasing number of people will live in densely populated urban areas. As incomes in emerging nations rise, more meat is consumed and thus more grain to feed livestock must be produced. Biofuels also generate demand for increased yields. Because space for agricultural expansion is limited, yields must be optimised.

At the same time, in many nations there is a heightened environmental awareness of the need to promote fertilizers with low carbon footprints, maintain healthy soil environments, and reduce run-off from fields.

Already a leading fertilizer company in Europe, Borealis has ambitious growth plans in select markets around the globe to further expand its fertilizer business. This ambitious growth strategy is reflected in the major investments in its own assets and supply chain facilities, the enlargement of its portfolio, and the continuing expansion of its market presence.

Borealis produces and then distributes and supplies around five million tonnes of fertilizers and technical nitrogen products each year via its Borealis L.A.T distribution network. With more than 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 fertilizers; complex fertilizers – a combination of nitrogen (N), phosphate (P) and potassium (K) as well as speciality fertilizers; and a range of technical nitrogen products, from ammonia and ammonium nitrates to nitric acid and urea solutions. Non-European markets are serviced mainly via the Borealis Rosier distribution network.

Technology and Product Innovations

Anteo™: the new ingredient for complete success

Its simultaneous launch in October at three different locations across the globe generated buzz in the industry: Anteo™, the new flagship brand enabled by the proprietary Borstar® Bimodal Terpolymer Technology. The excitement surrounding this new family of linear low-density polyethylene (LLDPE) packaging grades for the global packaging market is grounded in its ability to offer exceptional flexibility when it comes to polymer design, and unique PE resins with superior processability. Other high performance-related attributes include stiffness, toughness, purity, outstanding sealability, and appealing optics.

- For more information, please visit: www.borealisgroup.com/anteo



Quentys™: empowering the solar industry

In the energy industry, Borealis and Borouge have long established themselves as leaders in Value Creation through Innovation. With the 2017 launch of the new solar umbrella brand Quentys™, Borealis has now entered the global solar industry. Pioneering new products based on Quentys are making solar energy more effective and affordable. For example, the ICOSOLAR® CPO 3G, a co-extruded polypropylene (PP) solar backsheet, boosts photovoltaic (PV) module output and reduces output decay. A second wave of new products developed in partnership with leading solar industry partners will be launched shortly.



Smart fertilization creates value for farmers

Now being rapidly adopted across the globe, smart farming technologies increase crop yields whilst ensuring optimal fertilizer application. This not only reduces fertilizer costs to farmers, but also helps avoid over-fertilization and excess run-off from fields. One way in which Borealis L.A.T promotes smart farming is with the N-Pilot®, a diagnostic tool for nitrogen management which has now been launched in many European countries. Using such smart tools in tandem with high-quality fertilizer helps implement the so-called “4Rs” in practice: the right product, right dose, right time, and right place.

The Borealis L.A.T collaboration with the Francisco Josephinum, an agricultural school and research institution in Wieselburg, Austria, includes field trials, precision agriculture and technology development.



Financial Report

Auditor's Report*

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of Borealis AG, Vienna, which comprise the balance sheet as at 31 December 2017, the income statement for the fiscal year then ended and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance for the fiscal year then ended in accordance with the Austrian Commercial Code.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with Austrian Generally Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

- Description
- Audit approach
- Reference to related disclosures

Valuation of investments in affiliated companies

Description

Borealis AG, Vienna, owns investments in affiliated companies with book values in the amount of EUR 1,906,900 thousand as at 31 December 2017. The following investments in affiliated companies show a negative result for the fiscal year 2017:

- Borealis France S.A.S, Courbevoie, France
- Borealis L.A.T. GmbH, Linz, Austria

In accordance with Section 204 (2) UGB, investments are to be written down if the diminution in value is expected to be permanent. Management is of the opinion that the diminution in value of the above-mentioned investments in affiliated companies as at 31 December 2017 is not permanent and therefore no writedown is required.

Audit approach

When assessing the recoverability of these investments, we also audited the respective valuation models. In doing so, we assessed the valuation method as well as evaluated the parameters (cash flows planned and discount rates) used by management. We examined if these models comply with the generally accepted valuation principles and if the underlying assumptions are reasonable and appropriate.

Reference to related disclosures

Management explained this key audit matter in the notes to the financial assets.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Commercial Code and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with the Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Company

Pursuant to the Austrian Commercial Code, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the management report and the auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional Information in Accordance with Article 10 of the EU Regulation

We were appointed as auditor at the ordinary general meeting dated 23 February 2017. We were engaged by the supervisory board on 28 September 2017. We have audited the Company for an uninterrupted period since financial year 2016.

We confirm that the audit opinion in the "Report on the Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement is Peter Pessenlehner, Austrian Certified Public Accountant.

Vienna, 15 February 2018

PwC Wirtschaftsprüfung GmbH

Peter Pessenlehner

Austrian Certified Public Accountant

* This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of Section 281 (2) UGB apply.

Management Report as of 31 December 2017

Operational Review

The Polyolefin markets, where Borealis AG operates, did not continue their record performance of 2016, however remained on a very strong level in 2017. The feedstock prices continued to rise, not fully compensated by sales prices, resulting in lower industry margins compared to 2016. The average oil price increased by 22% compared to 2016 and averaged at 55 USD/bbl for the year. The overall sales volume of Borealis' products stayed 2% below the volume level of 2016 due to scheduled technical turnarounds at several production sites.

The Brent Crude oil price fluctuated from 45 to 67 USD/bbl in the period between January to December 2017. The price of Naphtha, a significant raw material for Borealis used in the production of olefins, followed the Brent oil price and increased by 26% to an average of 484 USD/t in 2017 from an average of 384 USD/t in 2016. Spot market prices for ethylene and propylene were averaging at 1,083 EUR/t and 839 EUR/t, respectively.

The Polyolefin clean sales margin per tonne in 2017 decreased by 9% compared to the previous year.

The performance of the Hydrocarbons & Energy business was impacted by the scheduled turnaround activity at the production sites Porvoo, Finland, and Kallo, Belgium. Although the clean sales margin increased by 5% compared to the previous year, the total olefin margins decreased by 10% compared to 2016.

The operating result decreased from a profit of EUR 980.5 million in 2016 to a profit of 690.6 million in 2017.

The financial result improved significantly, mainly as a result of higher dividend income amounting to EUR 542.0 million (2016: EUR 36.9 million), to EUR 470.5 million in 2017, from EUR -152.5 million in 2016.

Overall, Borealis AG generated a net income of EUR 1,016.1 million compared to a net income of EUR 699.6 million in 2016.

Borealis continued to invest into associated companies to increase its global reach.

The Abu Dhabi National Oil Company (ADNOC) and Borealis have signed a framework agreement under which the companies will advance two key projects that will expand both ADNOC's and Borealis' downstream petrochemicals business and support the delivery of

ADNOC's integrated smart growth and partnership strategy.

Under the agreement, ADNOC and Borealis will move to the pre-feed (front end engineering and design) stage for the construction of the Borouge 4 complex, which encompasses a world-scale, mixed feedstock cracker, using existing feedstock available in Abu Dhabi and downstream derivatives units for both polyolefin and non-polyolefin products. The proposed Borouge 4 complex is slated to come on stream around 2023 and will be integrated with ADNOC's Takreer refinery.

Simultaneously, the companies have agreed to commence engineering, procurement & construction (EPC) tendering for an additional polypropylene plant (PP5) based on Borealis' proprietary Borstar technology. The plant, to be integrated with the existing Borouge 3 complex, will add value to the surplus propylene available from Takreer's new Propane Dehydrogenation (PDH) unit, producing around 0.5 million tonnes per annum of polypropylene.

Borealis AG and NOVA Chemicals Corporation signed a preliminary agreement to form a joint venture (JV) with Total Petrochemicals and Refining USA, Inc. Key aspects of the JV will include building a new 1000 ktpa ethane cracker in Port Arthur, Texas, building a new 625 ktpa Borstar® PE plant in Bayport, Texas and include Total's existing Bayport PE facility with a total capacity of 400 ktpa.

The JV is expected to be established in early 2018, and the final investment decision on the Borstar® PE plant will be taken simultaneously. The ethane cracker and Borstar® PE plant are planned to start up in late 2020.

The company continues to strengthen its strategic production capabilities by announcing the commencement of a final study for a new, world-scale propane dehydrogenation (PDH) plant. The plant would be located at the existing Borealis production site in Kallo, Belgium. The study will be carried out over nine months. The final investment decision is expected to be taken in the third quarter of 2018, while the potential start-up of the plant is scheduled for the second half of 2021.

To take full advantage of the additional propylene supply coming from the new planned Borealis PDH project in Kallo, Borealis will study the feasibility to significantly increase the capacity of its polypropylene

(PP) plants in Europe. The study will initially target the three PP plants which Borealis is operating in Belgium. Final investment decisions are expected to be taken in Q4 of 2018, with capacity increases coming on stream from Q1 2020 to early 2022.

Borealis continued to bring innovative customer solutions also in the current financial year. These included, amongst others, Anteo™, a new family of linear low density polyethylene (LLDPE) packaging grades for the global packaging market. Anteo delivers easy processability at lower extruder pressure, better sealing integrity and improved puncture resistance in combination with strong optics for enhanced shelf appeal. Boasting a unique combination of end-use properties for high-performance film applications, Anteo completes the full solution offer for high performance, multilayer flexible packaging applications using Borealis' Borstar® Bimodal Terpolymer (BBT) Technology.

Borealis announced a new world record of 640 kilovolt (kV) for extruded high voltage direct current (HVDC) cable technology. The record-breaking voltage level and the robustness of a cable system based on Borlink™ LS4258DCE and Borlink™ LE0550DC was proven by way of successful type and pre-qualification testing in accordance with Cigré recommendation TB496. This innovative material technology enables the efficient delivery of even more transmission capacity over longer distances, better interconnectivity among countries and grids, and better connection of renewable energy sources to future grids.

Borealis AG continues to benefit from its well-diversified financing portfolio and the related maturities of those refinancing sources, as well as from its improved liquidity position after a period of strong business results. Furthermore, Borealis has a well-established access to capital markets as well as private placements, which serve as additional sources of financing. Overall, the company has sufficient liquidity headroom which provides flexibility and supports further growth.

Borealis AG has representations in Abu Dhabi, Moscow and Saint Petersburg.

Non-financial performance indicators are not monitored separately for Borealis AG, but rather within the context of the entire Borealis Group. The average number of employees increased by 18 employees to 229 by the end of 2017.

Risk Management

Borealis' enterprise risk management enables management to effectively deal with uncertainty and

associated risks and opportunities in order to enable the company's leadership to base decisions on sound assessments of the associated risks and opportunities and to preserve and enhance its value for the organisation in a proactive and preventive manner.

Borealis' risk consolidation and reporting provides the Executive Board with an overview of the company's and group's risk exposure and with a tool to track the status of mitigation actions taken by the risk owners in their efforts to reduce risk exposure.

The internal control systems, as well as the risk management in relation to accounting processes, define all processes used to ensure economic viability and accuracy of accounting systems, thereby reducing the proneness to error, protecting assets against losses due to damage, negligence or fraud, and guaranteeing the conformity of company procedures with its articles of association, group directives and legal framework.

The control environment for the accounting process is characterised by a clearly defined operational and organisational structure. The finance organisation periodically executes a self-assessment of defined internal controls and takes actions as needed. Accounting guidelines are laid down in a group manual which is continuously revised and subject to obligatory implementation by Borealis AG and its subsidiary companies.

SAP supplies standardised resource planning software which is used throughout the group. This enables management to obtain an overview of the companies' development at all times. Close cooperation with the internal and external audit functions, which validate the application of uniform accounting standards by means of an international network, ensures the comprehensive and efficient statutory auditing of the group's financial statements.

In addition to the accounting process, Borealis AG is also subject to other risks for which an adequate risk management system has been implemented.

Strategic risks are risks that may negatively impact the company's strategy or its reputation. To counteract these risks appropriate contingency plans have been put in place which are intended to ensure that strategies can be implemented as planned. Strategic risks usually relate to long-term trends such as market and industry shifts, strategic moves in relation to competitive conditions (e.g. innovations, mergers and acquisitions, etc.), or attacks on the company's reputation that have long-lasting effects.

Operative risks include health, safety and the environment, as well as price risks related to finished products, which frequently occur in the company's business activities. They are managed through a wide range of control mechanisms.

Subsequently, potential financial risks and corresponding risk mitigation measures are discussed. Risk management for the group companies is driven by Borealis AG. Contracts for derivative short-term financial instruments are concluded by Borealis Financial Services N.V. Borealis AG addresses the following potential financial risks:

Credit Risk

The management has set up processes to continuously monitor default risk. The level of default risk relating to a specific debtor consists of the sum of all outstanding trade receivables and is reconciled with the individually agreed credit limit. Evaluations of credit limits take place on a daily basis and, in addition, the entire customer portfolio is reviewed at least once a year. Changes to the credit limits must be approved on a case-by-case basis. On the balance sheet date, Borealis AG was not exposed to any significant concentrations of default risks (up to 10 percent of the outstanding trade receivables). No significant default risks associated with trade receivables sold under the securitisation programme remain with Borealis AG.

Liquidity Risk

Liquidity reserves are managed on a day-to-day basis, in order to ensure that sufficient liquidity is available at all times while at the same time keeping working capital at the lowest level possible.

Foreign Currency Risk

Borealis AG is exposed to foreign currency risks through transactions like sales, purchase or financing denominated in other currencies than EUR. The key foreign currency risks are associated with the fluctuations of USD, SEK and GBP against EUR (ranking reflects materiality).

Borealis AG hedges trade receivables and payables, cash positions and other forecast positions denominated in currencies other than EUR. The company can also hedge long-term business risks within pre-defined limits at any time. Positions held in foreign currencies are generally hedged through a combination of forward exchange contracts and foreign currency options.

Interest Rate Risk

Borealis AG uses modified duration as a means of reducing interest rate risk, whereby average modified

duration may only deviate from a pre-defined value within a given range. Therefore, Borealis AG has purchased interest rate derivatives denominated in EUR and USD to reach this target. Terms and conditions of interest rate derivatives purchased must conform to the underlying current or future loan requirements with regard to maturity or other conditions.

Additional risks associated with the toll manufacturing

The switch to toll manufacturing has been accompanied by the transfer of market and price risks for finished products, raw materials and inventory risk.

The company uses large quantities of petrochemical raw materials and energy in its various production processes. These materials can be resold, where appropriate. Borealis AG has entered into long-term agreements with various suppliers and customers, respectively, to hedge against price risks relating to raw material. In addition, derivative instruments are used to smooth effects of price fluctuations of raw materials on the income statement and, thus, on the company's equity in the long term.

Research and Development

Since 2008, research and development for Borealis AG has been carried out by group companies and external service providers on a contractual basis, whereby existing intellectual property of the group is concentrated within the company.

In 2017, the projects focused both on further developments of existing technologies, as well as on targeted solutions for customer needs. In particular, the ongoing projects deal with improving product properties, catalyst capabilities and the 3rd generation of the Borstar technology.

Outlook for 2018

The management of Borealis AG expects relatively favourable market conditions also in 2018. The tightness in the polyolefin market is expected to gradually disappear in the course of 2018.

Risk and uncertainty remain with regard to the feedstock price environment, with upward pressures. The concerns in respect of the economic growth, geopolitical development and EU stability will remain. Despite these uncertainties Borealis' management expects a solid performance in 2018.

Vienna, 15 February 2018

Executive Board:

Mark Garrett
Chief Executive

Mark Tonkens
Chief Financial Officer

Markku Korvenranta

Martijn Arjen van Koten

Philippe Roodhooft

Alfred Stern

Group Management Report

(The following information is based on the consolidated financial statements of Borealis AG from 31 December 2017, prepared in accordance with IFRS and accepted by the EU.)

World-class safety performance

In 2017, Borealis reported a Total Recordable Injuries (TRI) frequency per million working hours of 1.1. While this rate is a slight deterioration versus the 0.9 posted in 2016, a TRI of less than two is considered world-class in the industry. In order to achieve the ultimate goal of zero accidents, Borealis took significant steps in 2017 to improve process safety and deliver an accident-free work environment for both employees and contractors. Borealis will continue to strive to reach this goal.

Very strong financial performance

Borealis achieved the second best financial result in its history in 2017, with a net profit of EUR 1,095 million, slightly below the record EUR 1,107 million in 2016. The result was driven by strong polyolefins margins. The base chemicals segment performed solidly, but contributed less in 2017 compared to the previous year. The improved Borouge contribution to the Borealis financial result, compared to 2016, was a further key element of the strong financial performance in 2017.

The Brent Crude oil price fluctuated from 45 to 67 USD/bbl in 2017, bottoming out around the middle of the year as oil markets reacted to oversupply and high inventory levels. Towards the end of 2017, the Brent Crude oil price rose, peaking at 67 USD/bbl, due in part to unusually cold weather in the US and China, as well as production interruptions in the North Sea and Libya. The annual average Brent Crude oil price of 55 USD/bbl in 2017 was up 22% from the average 45 USD/bbl in 2016. Feedstock price increases exceeded the upward development of the Brent Crude oil price. In contrast to higher feedstock prices, polyolefin prices showed only a moderate increase in 2017 versus 2016. Polyolefin prices peaked at the beginning of the second quarter of 2017, but fell in the second half of the year. In 2017, polyethylene prices averaged 2% lower compared to 2016, while polypropylene prices averaged 12% higher in 2017 than in 2016.

Borealis saw the sales volume of its European-produced polyolefins decrease by 1% in 2017, while the European polyolefins market continued its growth at 2% compared to 2016. The market share of 13% in 2017 was slightly lower than the previous year's 14%. Fertilizer sales volumes decreased by 9% in 2017 compared to 2016.

Despite the lower fertilizer sales volumes, the European market share remained unchanged at 7% in 2017.

In 2017, polyolefin industry margins started to retreat from the record levels reached in 2016, but remained healthy. Despite year-on-year increased feedstock costs, polyolefin prices showed a moderate increase in 2017 versus 2016. As a result, olefin and polyolefin industry margins declined versus last year. The profit contribution delivered from the polyolefins business segment was strong, but lower compared to last year.

In fertilizer, global oversupply and depressed prices throughout 2017 kept industry margins low; overall, margins were down slightly from 2016. Calcium Ammonium Nitrate (CAN) fertilizer sales prices hit a low in the third quarter of 2017, but rebounded towards the end of the year. Lower production volumes and lower price realisation further impacted the Borealis fertilizer business result, leading to a 2017 performance below expectations.

Return on capital employed (ROCE) after tax of 15% in 2017 remained substantially above the company's target of 11% through the cycle and was only 1 percentage point below 2016. This decrease reflects the slightly lower business result combined with an increased average capital employed, the latter driven by a high level of investment in growth projects and turnarounds in 2017. The completion of ongoing investment programmes, as well as the focus on operational and commercial excellence, will enable Borealis to continue to realise the targeted ROCE level of 11% through the cycle.

In 2017, Borealis net debt increased by EUR 140 million. This resulted in a gearing ratio of 12% at the end of 2017, compared to 10% at the end of 2016. This gearing level is below the target gearing of 40–60%. Borealis benefits from a well-diversified financing portfolio and a balanced maturity profile. Going forward, the company will maintain access to a wide range of funding options, including capital markets and bank funding as well as private placements.

Continuing the journey of sustainable global growth

Borealis continued to pursue a new phase of growth and global outreach. To ensure the successful execution of major growth projects, Philippe Roodhooft joined

the Executive Board as Executive Vice President Middle East & Growth Projects in November 2017.

In March 2017, Borealis and NOVA Chemicals signed an agreement to form a joint venture with Total.

Key aspects of the joint venture include building a new 1,000 kilotonne per annum (ktpa) ethane cracker in Port Arthur, Texas, and a new 625 ktpa Borstar® polyethylene (PE) plant in Bayport, Texas. Ownership and operation of Total's existing Bayport polyethylene facility, with a total capacity of 400 ktpa, is also included in the agreement. The start-up of both ethane cracker and Borstar PE plant is scheduled for late 2020. The joint venture will create significant synergies by enabling both a strong integration of the value chain as well as the first-time use of the proprietary Borstar PE process technology in the Americas. It will also provide competitive export access to markets outside of North America, and help meet the growing global demand for polyethylene.

Demonstrating its ongoing commitment to the global automotive industry, Borealis announced its decision to build a dedicated automotive polypropylene compounding plant in North Carolina, US. The new facility will help secure the position of Borealis as a local supplier to automotive OEMs and their Tier partners in North America. It will also bolster the strong position of both Borealis and Borouge in Europe, Brazil and China. The plant is scheduled to become commercially operational in early 2019 and will complement the existing Borealis Automotive compounding assets located in New Jersey, US, as well as the current production via tolling partners.

In September 2017, Borealis announced that it is moving into the front end engineering and design (FEED) phase for a new, world-scale propane dehydrogenation (PDH) plant, after successfully concluding the pre-FEED phase. Initial plans call for the facility to be located at the existing Borealis production site in Kallo, Belgium. The final investment decision is expected to be taken in the third quarter of 2018, with plant start-up anticipated for the beginning of 2022. The PDH plant is to have a targeted annual production capacity of 740 ktpa, making it one of the largest and most efficient facilities in the world. This investment is meant to make good on Borealis' long-term commitment to be the innovative polypropylene and propylene supplier which meets customer needs today, and in future.

Borealis is studying the feasibility of significantly increasing the capacity of its polypropylene (PP) plants in Europe in order to take full advantage of additional propylene supply from the new planned Borealis

PDH plant in Kallo, Belgium. The feasibility study is evaluating a series of capacity increases through the debottlenecking of existing European PP assets, and initially targets the three PP plants operated by Borealis in Belgium. Final investment decisions are expected to be taken towards the end of 2018, with capacity increases coming on stream from the first quarter of 2020 to early 2022. The envisaged total capacity increase will be in the range of a new, world-scale PP plant.

Strengthening European assets

The solid Borealis foundation of European assets was further strengthened by a continuous focus within the organisation on achieving excellence in every aspect of Borealis' operations. Important steps were taken to further improve asset efficiency and reliability by way of investments, training, and knowledge sharing across locations. Further work is required to reach the desired level of reliability, especially in the fertilizer segment.

In 2017, Borealis successfully completed the largest number of turnarounds ever undertaken within one year: at Kallo, Belgium, Geleen, the Netherlands, Grandpuits, France, Schwechat, Austria, and Porvoo, Finland. Successful turnarounds are essential to ensure the safe, reliable and competitive operation of Borealis' assets in future. The five completed turnarounds were vital in order to secure and increase asset reliability and process safety by overhauling equipment and carrying out necessary repairs. While three of the turnarounds were free of TRIs, four turnaround-related TRIs were recorded in total over the course of the year.

Further investments in Borouge

In July 2017, the Abu Dhabi National Oil Company (ADNOC) and Borealis agreed to extend and expand Borouge's downstream petrochemicals business in Ruwais, UAE, by advancing two key projects. Under this framework agreement, Borouge will move to the pre-FEED stage for the construction of the Borouge 4 complex, which encompasses a world-scale, mixed feedstock cracker using existing feedstock available in Abu Dhabi, and downstream derivatives units for both polyolefin and non-polyolefin products. The proposed Borouge 4 complex will be integrated with ADNOC Refining's refinery and is scheduled to come on stream around 2023. The companies also simultaneously agreed to commence engineering, procurement and construction (EPC) tendering for an additional polypropylene plant (PP5) based on the

proprietary Borealis Borstar® technology. The plant will add value to the surplus propylene available from ADNOC Refining's new PDH unit.

Commitment to R&D and innovation

Borealis' commitment to innovation is firm. Over 500 employees work in the R&D organisation, which includes the Innovation Headquarters in Linz, Austria, and two Innovation Centres in Stenungsund, Sweden, and Porvoo, Finland. The Borealis Open Innovation ecosystem means that research efforts support innovation in all Borealis business areas and groups, and projects are conducted in close collaboration with key customers and numerous other partners.

In April 2017, Borealis and Borouge announced a new world record of 640 kilovolt (kV) for extruded high voltage direct current (HVDC) cable technology. As a global leading innovator, Borealis builds on over 15 years of operational experience in extruded HVDC materials and on its proprietary Borlink™ technology to set ever higher standards in proven system performance. This new step-change in electrical performance and record-breaking voltage level has been made possible through the unique properties of tailored polymers based on Borlink, in combination with the high levels of chemical and physical cleanliness of these compounds.

The new solar umbrella brand, Quentys™, will help exploit the full potential of solar energy by making solar applications more affordable, reliable, and durable. It was launched by Borealis and Borouge in May 2017. Borealis and Borouge are leveraging their decades of experience in the energy sector and forming new strategic partnerships along the entire solar value chain in order to deliver step-change innovations to the market.

In October 2017, Borealis and Borouge launched Anteo™, a new family of linear low density polyethylene (LLDPE) packaging grades for the global packaging market. Anteo delivers easy processability at lower extruder pressure, better sealing integrity, and improved puncture resistance in combination with strong optics for enhanced shelf appeal. As a major breakthrough in polymer design enabled by the Borealis Borstar® Bimodal Terpolymer (BBT) Technology, the Anteo portfolio now completes the full solution offer for high performance, multilayer flexible packaging applications for the global market. Anteo is produced by Borouge at the Ruwais facility.

Improving energy efficiency

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, among other areas, the optimisation of equipment and process operations, technology changes, and site optimisation as the elements for success.

To sustain its energy step-change efforts, Borealis has initiated a Group-wide certification to ISO 9001 and ISO 14001, covering nearly all locations. Energy is an integral part of the environmental management system. To further strengthen its energy management, Borealis started to certify 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. The full list of certificates can be found on the Borealis website.

Changes to the Supervisory Board

Effective as of 14 April 2017, Musabbeh Al Kaabi, CEO of Petroleum & Petrochemicals platform, Mubadala Investment Company, and Khalifa Al Suwaidi, Executive Director of Refining and Petrochemicals within the Petroleum & Petrochemicals platform, Mubadala Investment Company, were appointed as Supervisory Board members. Musabbeh Al Kaabi and Khalifa Al Suwaidi succeeded Murtadha Al Hashmi and Rashed Saud Al Shamsi.

The 2017 People Survey

The Borealis People Survey is a very important vehicle for employee feedback. Among other things, it measures levels of employee engagement, and compares these to other companies in the chemical sector and beyond.

The survey questionnaire was overhauled completely in 2016 to include fewer questions and an improved response scale. The response rate to the new and improved 2017 survey, which was sent to employees in the fall of 2017, was 83%. This rate is excellent and a slight improvement over the previous survey cycle.

The “People Actions” derived from survey results are being developed in the first quarter of 2018 in the respective Business Groups and locations, and will be evaluated in 2018 by way of the People KPI in the Borealis Group scorecard.

Outlook to 2018

Management expects 2018 to be another good year for Borealis. Despite less favourable market conditions expected in polyolefins compared to 2017, Borealis is well positioned for the future thanks to the preparations taken in the past few years. Improvements in operational reliability and the establishment of a commercial and operational excellence mindset are embedded in the organisation. The committed investments in 2018 and beyond will further strengthen the three Borealis profit centres Polyolefins, Base Chemicals, and Borouge.

Driven by an improvement in market conditions and a targeted enhanced operational and commercial performance, the contribution from the fertilizer business is expected to improve. Significant new polyolefin capacity coming on stream in North America will result in increased exports into Europe. With European polyolefin prices coming under pressure, a declining contribution from the polyolefin business is expected. The profit contribution from Borouge to Borealis is expected to remain at the same level as in 2017.

Borealis’ management believes that the company is in a strong position to take advantage of the opportunities that the current economic and market environments provide by maintaining their commitment to being the leading provider of chemical and innovative plastic solutions that create value for society.

Review of results

Sales

The European polyolefins industry saw an increase in total sales volumes of 2% in 2017, compared to a 1% increase in 2016. Borealis sold 3.6 million tonnes of polyolefins in 2017, a 2% decline versus 2016. Fertilizer sales reached 4.2 million tonnes, a decrease of 0.4 million tonnes versus 2016. Melamine sales volumes were 140 kilotonnes in 2017, unchanged from 2016.

Cost development

With the higher feedstock price environment the production costs increased in 2017 compared to 2016, despite overall lower sales volumes. Sales and distribution costs of EUR 673 million in 2017 increased from EUR 653 million in 2016; administration costs decreased by 4% to EUR 220 million. Research and development costs amounted to EUR 138 million in 2017, an increase of EUR 24 million from 2016. The number of full-time equivalent employees (FTE) as per year end 2017 was 6,619, an increase of 125 compared to last year.

Operating profit

Operating profit amounted to EUR 791 million compared to EUR 938 million in 2016. The decrease is due to lower contributions from both the Polyolefins and the Base Chemicals business segments compared to 2016.

Return on capital employed (ROCE)

The return on capital employed after tax decreased to 15%, compared to 16% in 2016, mainly as a result of the reduced operating profit.

Financial income and expenses

Net financial expenses amounted to EUR 66 million, a decrease from EUR 77 million in 2016, mainly due to lower interest expenses to finance institutions compared to 2016.

Taxes

Income taxes amounted to EUR 173 million, a decrease of EUR 68 million from tax charges of EUR 241 million in 2016. The reduced overall tax charge in 2017 was mainly due to a lower operating profit and the capitalisation of previously unrecognized tax losses due to improved profitability forecasts. Borealis paid income taxes in the amount of EUR 260 million in 2017, compared with EUR 82 million in 2016.

Net profit and distribution of dividend

The net profit for the year amounted to EUR 1,095 million, compared to a net profit of EUR 1,107 million in 2016. During 2017, Borealis distributed a dividend of EUR 750 million to its shareholders and EUR 1 million to non-controlling interest.

Financial position

Total assets/capital employed

At year-end, total assets and capital employed stood at EUR 9,395 and EUR 7,401 million, respectively, compared to EUR 9,932 and EUR 7,927 million at the end of 2016.

The solvency ratio was 66% at year-end 2017, compared to 64% at year-end 2016. The gearing ratio increased to 12% at year-end 2017, compared to 10% in 2016, as a result of the increased net debt and a decreased total equity.

Cash flows and liquidity reserves

Cash flow from operations was EUR 725 million, driven by solid operating profitability. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,395 million at year-end 2017, compared to EUR 1,928 million at year-end 2016.

Net interest-bearing debt increased to EUR 790 million at year-end, up from EUR 651 million at the end of 2016. The change in net interest-bearing debt is analysed in the following table.

EUR million	2017	2016
Change of net interest-bearing debt		
Cash flow provided by operating activities	725	1,145
Capital expenditure	-505	-384
Acquisitions of and investments in other financial investments	-14	-2
Advanced payments for investments into associated companies and joint ventures	-72	0
Capital contributions to and financing of associated companies and joint ventures	-12	-6
Dividends/capital repayments of associated companies	479	144
Acquisition of subsidiaries net of cash	-12	-18
Other (mainly relating to foreign exchange differences)	22	-9
Dividends paid to equity holders and non-controlling interest	-751	-425
Total decrease/increase	-140	445

Capital expenditure

Investments in tangible fixed assets amounted to EUR 453 million in 2017, compared to EUR 333 million in 2016. The largest portion of the total investment relates to the upgrade and revamp of four cracker furnaces in Stenungsund, the upgrade of the steam cracker in Porvoo, the construction of a LPG cavern in Porvoo, and the site turnarounds in five locations.

HSE capital expenditure amounted to EUR 27 million, compared to EUR 20 million in 2016. Depreciation and amortisation amounted to EUR 393 million, compared to EUR 400 million in 2016.

Shareholders' equity

The shareholders' equity at year-end 2017 was EUR 6,365 million.

EUR million	2017	2016
Equity development		
Net result attributable to the parent	1,095	1,109
Exchange and fair value adjustment (net)	-475	115
Gross increase/decrease	619	1,224
Dividend paid	-750	-425
Contribution by shareholders	0	0
Net increase/decrease	-131	799
Opening equity	6,496	5,697
Ending equity	6,365	6,496

Risk

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

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

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

Financial risks can be associated with liquidity, interest rate, foreign exchange rate, credit, commodity price, and insurance. The assessment of financial risk management is described in detail in note 16 of the consolidated financial statement. The Director Treasury & Funding and the General Counsel 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. The applicable key risks related to an individual project, including financial, market, technical, legal, patent infringement, strategic, operational, country risk, and political factors, are assessed. The risk assessment shall also reflect the probability that the project will be completed within the estimated time frame and with the estimated resource requirements as well as the probability that the key project objectives will be achieved. Project-related risks shall be managed by the Project Manager and reported to the Project Steering Committee.

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

The Executive Board periodically reviews the Group's key risks, defines the Group's risk tolerance levels, monitors the implementation of mitigation actions and reports the key risks and mitigation steps to the Supervisory Board. The Executive Board 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.

		2017	2016	2015	2014
Health, Safety & Environment					
Total Recordable Injuries	number/million workhours	1.1	0.9	1.4	1.3
EU ETS CO ₂ emissions	kilotonnes	4,210	4,600	4,270	4,250
Number of employees (Full-time equivalent)		6,619	6,494	6,266	6,290
Income and profitability					
Net sales	EUR million	7,564	7,218	7,700	8,330
Operating profit	EUR million	791	938	718	280
Operating profit as percentage of net sales	%	10	13	9	3
Net profit	EUR million	1,095	1,107	988	571
Return on capital employed, net after tax	%	15	16	15	10
Cash flow and investments					
Cash flow from operating activities	EUR million	725	1,145	1,103	428
Investments in tangible fixed assets	EUR million	453	333	336	370
Financial position					
Net interest-bearing debt	EUR million	790	651	1,096	1,798
Equity attributable to owners of the parent	EUR million	6,365	6,496	5,697	4,511
Gearing	%	12	10	19	40

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 2018

Executive Board:

Mark Garrett
Chief Executive

Mark Tonkens
Chief Financial Officer

Markku Korvenranta

Martijn Arjen van Koten

Philippe Roodhooft

Alfred Stern

Balance Sheet as of 31 December 2017

Assets

	31.12.2017, EUR	31.12.2016, TEUR
A. Fixed assets		
I. Intangible assets		
1. Rights and licenses	18,508,040.65	13,881
II. Tangible assets		
1. Office equipment	1,725,016.81	1,165
2. Construction in progress	2,340.00	50
	1,727,356.81	1,215
III. Financial assets		
1. Investments in affiliated companies	1,906,900,109.35	1,707,876
2. Loans to affiliated companies	67,500,000.00	75,000
thereof with residual maturity of more than one year EUR 52,500,000.00; 2016: TEUR 75,000		
3. Investments in associated companies	413,338,576.05	418,972
4. Loans to associated companies	6,908,288.10	0
thereof with residual maturity of more than one year EUR 6,908,288.10; 2016: TEUR 0		
5. Securities	2,597,848.75	2,638
	2,397,244,822.25	2,204,486
	2,417,480,219.71	2,219,582
B. Current assets		
I. Inventories		
1. Raw materials and supplies	219,855,873.08	212,962
2. Finished goods and merchandise	640,840,443.07	568,636
	860,696,316.15	781,598
II. Receivables and other assets		
1. Trade receivables	405,694,559.88	365,982
thereof with residual maturity of more than one year EUR 0.00; 2016: TEUR 0		
2. Receivables from affiliated companies	943,093,155.67	1,137,641
thereof with residual maturity of more than one year EUR 0.00; 2016: TEUR 3,250		
3. Receivables from associated companies	67,854,086.24	76,922
thereof with residual maturity of more than one year EUR 0.00; 2016: TEUR 0		
4. Other receivables and other assets	248,278,368.97	171,525
thereof with residual maturity of more than one year EUR 2,500,000.00; 2016: TEUR 0		
	1,664,920,170.76	1,752,070
in total thereof with residual maturity of more than one year EUR 2,500,000.00; 2016: TEUR 3,250		
III. Cash and cash equivalents	155,485,738.65	543,601
	2,681,102,225.56	3,077,269
C. Prepaid Expenses	9,874,819.71	15,425
D. Deferred Tax Assets	8,223,108.50	8,045
Total Assets	5,116,680,373.48	5,320,320

Shareholders' Equity and Liabilities

	31.12.2017, EUR	31.12.2016, TEUR
A. Shareholders' Equity		
I. Nominal capital called up and paid in	300,000.00	300
nominal capital subscribed EUR 300,000.00; 2016: TEUR 300		
II. Capital reserves		
1. Appropriated	101,604,460.00	101,604
2. Unappropriated	1,539,783,410.00	1,539,784
	1,641,387,870.00	1,641,388
III. Revenue reserves		
1. Legal reserve	30,000.00	30
IV. Retained earnings	1,172,209,708.85	906,134
thereof profit carried forward EUR 156,134,246.69; 2016: TEUR 206,532		
	2,813,927,578.85	2,547,852
B. Special item for investment grants to fixed assets	409,875.00	474
C. Provisions		
1. Provisions for pensions	15,768,108.78	13,028
2. Provisions for taxes	48,519,674.57	120,327
thereof provisions for deferred tax liabilities EUR 0.00; 2016: TEUR 0		
3. Other Provisions	174,100,633.46	175,907
	238,388,416.81	309,263
D. Liabilities		
1. Bonds	125,000,000.00	325,000
thereof with residual maturity up to one year EUR 0.00; 2016: TEUR 200,000		
thereof with residual maturity of more than one year EUR 125,000,000.00; 2016: TEUR 125,000		
2. Bank loans and overdrafts	865,729,335.79	1,045,976
thereof with residual maturity up to one year EUR 167,343,569.07; 2016: TEUR 157,003		
thereof with residual maturity of more than one year EUR 698,385,766.72; 2016: TEUR 888,973		
3. Trade accounts payable	435,630,606.53	359,020
thereof with residual maturity up to one year EUR 435,630,606.53; 2016: TEUR 359,020		
thereof with residual maturity of more than one year EUR 0.00; 2016: TEUR 0		
4. Accounts payable to affiliated companies	567,310,240.71	635,196
thereof with residual maturity up to one year EUR 561,663,181.89; 2016: TEUR 625,784		
thereof with residual maturity of more than one year EUR 5,647,058.82; 2016: TEUR 9,412		
5. Accounts payable to associated companies	52,109,434.82	82,647
thereof with residual maturity up to one year EUR 52,109,434.82; 2016: TEUR 82,647		
thereof with residual maturity of more than one year EUR 0.00; 2016: TEUR 0		

Shareholders' Equity and Liabilities

	31.12.2017, EUR	31.12.2016, TEUR
6. Other liabilities	18,174,884.97	14,893
thereof taxes: EUR 1,579,800.66; 2016: TEUR 744		
thereof social security: EUR 0.00; 2016: TEUR 0		
thereof with residual maturity up to one year EUR 18,174,884.97; 2016: TEUR 14,893		
thereof with residual maturity of more than one year EUR 0.00; 2016: TEUR 0		
	2,063,954,502.82	2,462,731
in total thereof with residual maturity up to one year EUR 1,234,921,677.28; 2016: TEUR 1,439,347		
in total thereof with residual maturity of more than one year EUR 829,032,825.54; 2016: TEUR 1,023,384		
Total equity and liabilities	5,116,680,373.48	5,320,320

Income Statement for the Year 2017

	2017, EUR	2016, TEUR
1. Sales	6,325,784,888.03	6,070,680
2. Increase or decrease in finished goods	86,373,294.89	106,252
3. Other operating income		
a) Income from the reversal of provisions	0.00	378
b) Other income	58,605,276.27	76,711
	58,605,276.27	77,089
4. Cost of materials and purchased services		
a) Cost of materials	-4,058,147,388.12	-3,715,815
b) Cost of purchased services	-1,132,393,159.60	-942,175
	-5,190,540,547.72	-4,657,990
5. Personnel expenses		
a) Salaries	-48,885,516.59	-50,766
b) Social contributions	-13,933,925.06	-17,542
thereof pension fund contributions EUR 4,131,207.08; 2016: TEUR 6,593		
aa) Expense for severance payments and corporate staff and self-employment fund contributions EUR 591,024.35; 2016: TEUR 905		
bb) Expense for statutory social security and payroll related taxes and contributions EUR 6,776,261.61; 2016: TEUR 6,237		
	-62,819,441.65	-68,308
6. Amortisation and depreciation of intangible and tangible assets	-2,267,593.71	-1,935
7. Other operating expenses		
a) Taxes, other than those reported in line item 16	-1,204,254.52	-1,194
b) Other expenses	-523,283,226.72	-544,120
	-524,487,481.24	-545,314
8. Subtotal from line 1 to 7 (Operating result)	690,648,394.87	980,474
9. Income from investments	542,025,952.11	36,934
thereof affiliated companies EUR 63,822,949.57; 2016: TEUR 22,687		
10. Interest income from long-term loans	976,954.84	1,250
thereof affiliated companies EUR 976,954.84; 2016: TEUR 1,250		
11. Other interest and similar income	18,190,434.96	26,811
thereof affiliated companies EUR 15,741,514.15; 2016: TEUR 17,237		
12. Expense arising from financial assets	-39,653.00	-53
Impairment losses on financial assets EUR 39,653.00; 2016: TEUR 54		
13. Interest and similar expenses	-90,641,541.20	-217,436
thereof affiliated companies EUR 4,449,318.61; 2016: TEUR 52,511		
14. Subtotal from line 9 to 13 (Financial result)	470,512,147.71	-152,494
15. Result before Tax (subtotal from line 8 and 14)	1,161,160,542.58	827,979
16. Taxes on income	-145,085,080.42	-128,377
thereof income from deferred tax assets EUR 178,127.50; 2016: TEUR 8,045		
17. Income after Tax	1,016,075,462.16	699,602
18. Net income for the year	1,016,075,462.16	699,602
19. Profit carried forward from previous year	156,134,246.69	206,532
20. Retained earnings	1,172,209,708.85	906,134

Notes

I. Accounting and valuation policies

The financial statements have been prepared in accordance with the Austrian Commercial Code ("UGB"), Austrian Generally Accepted Accounting Principles, and the general standard of presenting a true and fair view of the financial position and financial performance of the entity. The presentation of the financial statements also corresponds with the criteria set out in the Austrian Commercial Code.

Presentation, valuation and disclosure of financial statement items are in line with the Austrian Commercial Code and its special regulations for corporations. The financial statements have been prepared on a going concern basis and assets and liabilities have been reported using the unit account method of valuation. The financial statements have been compiled according to the principle of completeness. The principle of prudence was taken into account insofar that particularly only gains realised at balance sheet date were accounted for. All recognisable risks and impending losses incurred until the balance sheet date were included. Estimates are based on prudent judgement. On existence of statistically determined experiences for similar facts, those experiences were taken into account for estimates.

Prevailing accounting and valuation principles have been maintained.

Tangible and intangible assets are reported at cost less accumulated depreciation and impairment losses. Impairments of tangible and intangible assets in excess of scheduled depreciation are recognised as write-downs in case impairment is deemed to be sustainable.

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

Loans to affiliated companies are reported at cost. In case of sustained and material impairment, lower values are recognised.

Raw materials and supplies are capitalised at acquisition cost in line with the weighted average price method.

Finished goods are stated at the lower of production cost, originating from the company's cost accounting, or net sales value. Acquisition cost is stipulated following the first-in, first-out (FIFO) method.

Production costs comprise:

- prime costs
- special production costs
- variable factory overheads

Receivables and other assets are reported at nominal value. All recognisable individual risks were accounted for by valuation allowances.

According to Position Paper No. 27 dated June 2016 of the Austrian Financial Reporting and Auditing Committee (AFRAC) "Accruals for pensions and severance payments, provisions for anniversary bonuses and comparable obligations falling due in the long-term under the provision of the Austrian Commercial Code", provisions for pensions are calculated actuarially using the projected-unit-credit method and mortality tables published by "Aktuarvereinigung AVÖ 2008-P". Additionally, the earliest date possible for retirement according to Austrian social insurance legislation is adopted for the calculation. The discount rate used is 1.50% (2016: 1.50%). The discount rate is determined by reference to market rates at balance sheet date at which high quality corporates are able to borrow capital for the average residual term of the liability. No staff fluctuation deduction is considered. The interest expense relating to provisions for pensions along with effects on changes in discount rates are recorded under the corresponding personnel expense.

Provisions for anniversary bonuses are calculated in accordance with IFRS (IAS 19) using a discount rate of 1.50% (2016: 1.50%).

At year end, all risks recognisable in the light of sound commercial judgement and contingent liabilities are provided for including provisions for impending losses from negative fair values of derivative instruments. Provisions with a residual term of more than one year are discounted using customary market rates.

Liabilities are reported at the settlement amount.

The income statement has been prepared using the total expenditure format.

Obligatory disclosures on financial statement items were omitted in case there were no corresponding facts.

The financial statements are prepared in EUR (i.e. reporting currency). Generally, receivables denominated in other currencies are valued at the lower of acquisition rate or the exchange rate prevailing at balance sheet date, whereas liabilities denominated in foreign currencies are valued at the higher rate of origin or the exchange rate prevailing at balance sheet date.

Derivative financial instruments are reported at the lower of acquisition cost or the fair value at balance sheet date. Provisions for impending losses from unclosed transactions are measured following the imparity principle at the unit account method. Starting with 2011 due to the implementation of the new AFRAC position paper (Austrian Financial Reporting and Auditing Committee), derivative financial instruments designated for hedging purposes have been presented and measured as a unit with the underlying transaction. Fair value hedges (i.e. hedges of the exposure to changes in fair value of a recognised asset or liability or unrecognised firm commitment) as well as cash flow hedges (i.e. hedges of the exposure to changes in cash flows) are in use.

A prerequisite for hedge accounting is primarily the effectiveness of the hedge relationship, which is represented by matching risks and chances out of hedged items or transactions and hedging instruments, matching currencies and interest maturities, matching credit ratings and durations. Hedging cash flows requires the hedge to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk (risks of transactions being matched by counter-risks of derivatives) during the period for which the hedge is designated.

Hedge accounting requires the entity to assess retrospectively whether the hedge relationship was highly or completely effective during the particular period. Hedge ineffectiveness of designated

derivative instruments is recognised in profit or loss via provisions for impending losses.

Hedge accounting requires designated derivatives to form a valuation unit with the hedged transactions or items. Foreign exchange receivables and payables with their exchange risk being hedged by foreign exchange transactions are measured at the forward exchange rate. In case of effective hedge relationships, measurement of provisions for impending losses of designated derivatives is based on opposite income-related cash flows of the hedged transaction.

Deferred tax assets are recognised for differences between the carrying amounts of assets, provisions, liabilities and other deferred items and their tax bases to the extent that it is probable that the differences will be recovered in future periods. Additionally, deferred tax assets are recognised for an unused tax loss carryforward if it is considered probable that there will be sufficient future taxable profits against which the loss can be utilised.

The following companies signed toll manufacturing contracts with Borealis, effective on 1 January 2010:

- Borealis Polyolefine GmbH, Austria
- Borealis Polymere GmbH, Germany
- Borealis Polymers N.V., Belgium
- Borealis Kallo N.V., Belgium
- Borealis Antwerpen N.V., Belgium
- Borealis Italia S.p.a., Italy
- Borealis AB, Sweden
- Borealis Polymers OY, Finland

Another toll manufacturing contract was signed with Borealis Plastomers B.V., the Netherlands, effective on 1 January 2014.

Borealis AG supplies all raw materials, consumables and other means of production to the toll manufacturers for finished goods fabrication. Finished goods as well as productive factors thereby remain the property of Borealis AG, with end products being marketed by Borealis AG itself and toll manufacturers being remunerated at market rates for their services.

II. Notes to the balance sheet

Assets

1. Fixed assets

Development of fixed assets:

EUR	Acquisition Cost				Balance as of 31 December 2017
	Balance as of 1 January 2017	Additions	Disposals	Reclassifications	
Intangible assets					
Rights and licenses	59,214,404.18	6,193,746.44	0.00	0.00	65,408,150.62
	59,214,404.18	6,193,746.44	0.00	0.00	65,408,150.62
Tangible assets					
Office equipment	4,437,807.47	1,210,569.31	0.00	49,907.22	5,698,284.00
Construction in progress	49,907.22	2,340.00	0.00	-49,907.22	2,340.00
	4,487,714.69	1,212,909.31	0.00	0.00	5,700,624.00
Financial assets					
Investments in affiliated companies	3,596,517,629.35	191,815,233.12	0.00	7,209,226.88	3,795,542,089.35
Loans to affiliated companies	75,000,000.00	0.00	-7,500,000.00	0.00	67,500,000.00
Investments in associated companies	418,972,485.93	1,575,317.00	0.00	-7,209,226.88	413,338,576.05
Loans to affiliated companies	0.00	6,908,288.10	0.00	0.00	6,908,288.10
Securities	2,694,048.75	0.00	0.00	0.00	2,694,048.75
	4,093,184,164.03	200,298,838.22	-7,500,000.00	0.00	4,285,983,002.25
Total fixed assets	4,156,886,282.90	207,705,493.97	-7,500,000.00	0.00	4,357,091,776.87

EUR	Accumulated Amortisation/Depreciation			Carrying Values		
	Balance as of 1 January 2017	Additions	Disposals	Balance as of 31 December 2017	as of 31 December 2016	as of 31 December 2017
Intangible assets						
Rights and licenses	-45,333,301.60	-1,566,808.37	0.00	-46,900,109.97	13,881,102.58	18,508,040.65
	-45,333,301.60	-1,566,808.37	0.00	-46,900,109.97	13,881,102.58	18,508,040.65
Tangible assets						
Office equipment	-3,272,481.85	-700,785.34	0.00	-3,973,267.19	1,165,325.62	1,725,016.81
Construction in progress	0.00	0.00	0.00	0.00	49,907.22	2,340.00
	-3,272,481.85	-700,785.34	0.00	-3,973,267.19	1,215,232.84	1,727,356.81
Financial assets						
Investments in affiliated companies	-1,888,641,980.00	0.00	0.00	-1,888,641,980.00	1,707,875,649.35	1,906,900,109.35
Loans to affiliated companies	0.00	0.00	0.00	0.00	75,000,000.00	67,500,000.00
Investments in associated companies	0.00	0.00	0.00	0.00	418,972,485.93	413,338,576.05
Loans to affiliated companies	0.00	0.00	0.00	0.00	0.00	6,908,288.10
Securities	-56,547.00	-39,653.00	0.00	-96,200.00	2,637,501.75	2,597,848.75
	-1,888,698,527.00	-39,653.00	0.00	-1,888,738,180.00	2,204,485,637.03	2,397,244,822.25
Total fixed assets	-1,937,304,310.45	-2,307,246.71	0.00	-1,939,611,557.16	2,219,581,972.45	2,417,480,219.71

Intangible assets

Intangible assets purchased from affiliated companies amount to acquisition costs of EUR 25,531,739.58 (2016: TEUR 25,532).

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

In the financial year 2017, no impairment losses on intangible assets have been recognised (2016: TEUR 0).

Tangible assets

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

Financial assets

Investments in affiliated and associated companies are broken down into the following table:

TEUR	Investment in %	proportional Equity IFRS	proportional Net Profit IFRS
Investments in affiliated companies			
Borealis Argentina S.R.L., Buenos Aires, Argentina	98.00	5	n/a
Borealis Asia Ltd, Hong Kong, Hong Kong	100.00	235	81
Borealis Brasil SA., Itatiba, Brazil	80.00	32,176	1,877
Borealis Chemicals ZA Proprietary Limited, Germison South, South Africa	100.00	50	n/a
Borealis Chile SpA, Santiago, Chile	100.00	-14	-28
Borealis Chimie S.A.R.L., Casablanca, Morocco	100.00	78	41
Borealis Colombia S.A.S., Bogotá, Colombia	100.00	87	8
Borealis Compounds Inc., Rockport, USA	100.00	90,349	6,098
Borealis Financial Services N.V., Mechelen, Belgium	99.99	181,654	2,166
Borealis France S.A.S., Courbevoie, France	100.00	315,882	-26,219
Borealis Funding Company Ltd, Ramsey, Isle of Man	100.00	3	0
Borealis Insurance A/S, Copenhagen, Denmark	100.00	74,166	10,448
Borealis Italia S.p.A., Monza, Italy	100.00	26,158	12,509
Borealis Plasticos SA. de C.V., Mexico City, Mexico	99.99	12	1
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Sirketi, Istanbul, Turkey	100.00	560	299
Borealis Plastomers B.V., Geleen, the Netherlands	100.00	-5,345	2,881
Borealis Poliolefinas da América do Sul Ltda., Campinas, Brazil	99.99	447	315
Borealis Polska Sp.z.o.o., Warsaw, Poland	100.00	305	91
Borealis Polymere GmbH, Burghausen, Germany	100.00	69,434	1,674
Borealis Polymers N.V., Beringen, Belgium	99.99	214,326	8,599
Borealis Polymers OY, Porvoo, Finland	100.00	386,482	20,357
Borealis Rus LLC, Moscow, Russia	100.00	222	170
Borealis s.r.o., Prague, Czech Republic	100.00	190	58
Borealis Sverige AB, Stenungsund, Sweden	100.00	304,825	0
Borealis Technology OY, Porvoo, Finland	100.00	120,671	1,063
Borealis UK Ltd, Manchester, United Kingdom	100.00	213	134
Borealis USA Inc, Delaware, USA	100.00	42	n/a
FEBORAN EOOD, Sofia, Bulgaria	100.00	22,204	-943
mtm compact GmbH, Niedergebra, Germany	100.00	910	49
mtm plastics GmbH, Niedergebra, Germany	100.00	6,753	2,392
Borealis Química Espana S.A., Barcelona, Spain	100.00	451	123
Rosier S.A. Moustier, Belgium	77.47	34,798	-462

TEUR	Investment in %	proportional preliminary Equity local GAAP	proportional preliminary Net Profit local GAAP
Borealis Agrolinz Melamine GmbH, Linz, Austria	100.00	142,985	35,850
Borealis L.A.T GmbH, Linz, Austria	100.00	1,048	-41,434
Borealis Polyolefine GmbH, Schwechat, Austria	99.99	181,146	9,563

TEUR	Investment in %	proportional Equity IFRS	proportional Net Profit IFRS
Investments in associated companies			
Abu Dhabi Polymers Company Ltd, Abu Dhabi, UAE	40.00	3,294,481	518,398
Borouge Pte, Singapore, Singapore	50.00	67,130	24,351
Kilpilahden Voimalaitos Oy, Espoo, Finland	20.00	1,675	0,00

Loans to affiliated companies totalling EUR 67,500,000.00 (2016: TEUR 75,000) will mature within one year amounting to EUR 15,000,000.00 (2016: TEUR 0) and in more than five years amounting to EUR 0.00 (2016: TEUR 75,000).

Securities serve to fulfil coverage requirements for pension provisions. An impairment loss of EUR 39,653.00 (2016: TEUR 54) was recognised for securities.

2. Inventories

	2017, EUR	2016, TEUR
Raw materials and supplies	219,855,873.08	212,962
Finished goods and merchandise	640,840,443.07	568,636
Total	860,696,316.15	781,598

3. Receivables and other assets

Trade receivables comprise CO₂ emission allowances amounting to EUR 3,994,163.37 (2016: TEUR 4,469) and are stated at acquisition cost.

Receivables from affiliated companies totalling EUR 943,093,155.67 (2016: TEUR 1,137,641) are broken down into trade receivables of EUR 36,514,613.09 (2016: TEUR 175,940) and other receivables of EUR 906,578,542.58 (2016: TEUR 961,701).

Receivables from associated companies of EUR 67,854,086.24 (2016: TEUR 76,922) are exclusively trade receivables.

Other receivables and other assets do not contain any material income that will produce an inflow of cash after balance sheet date.

4. Deferred Tax Assets

Changes in deferred tax assets, broken down into types of temporary differences and unused tax losses carried forward, are reported as follows:

TEUR	Fixed Assets	Current Assets	Unused tax losses carried forward	Provisions	Total
Deferred tax assets as of 01.01.2017	317	4,248	0	3,480	8,045
Recognised through profit and loss in 2017	-317	1,021	0	-525	179
Deferred tax assets as of 31.12.2017	0	5,269	0	2,955	8,224

Deferred tax assets are measured at a tax rate of 25%.

Shareholders' equity and liabilities

1. Shareholders' equity

Nominal capital called up and paid in

At the Extraordinary General Meeting dated 22 May 2007, a resolution was approved for an increase in share capital by EUR 137,142.86 from EUR 142,857.14 to EUR 280,000.00. This capital increase was disclosed by reclassification of part of the unappropriated capital reserves of the company.

At the Extraordinary General Meeting of Borealis GmbH, Vienna, dated 20 June 2007, it was agreed to change the company structure from a limited liability company to a joint stock company.

At the first Extraordinary General Meeting of Borealis AG, Vienna, on 6 August 2007, it was agreed to raise the share capital of the company from EUR 280,000.00 to EUR 300,000.00, issuing 20,000 new bearer shares by contributing the economic ownership of stocks in AMI Agrolinz Melamine International GmbH, Linz.

The share capital consists of 300,000 bearer shares at balance sheet date.

Capital reserves

The reported unappropriated capital reserves result from indirect shareholder grants by OMV Aktiengesellschaft amounting to EUR 10,000.00 and by OMV Refining & Marketing GmbH amounting to EUR 643,990,000.00.

In addition, on the basis of an agreement of a contribution in kind between Borealis AG, Vienna, and IPIC Denmark Holdings ApS dated 5 December 2005, relating to a 40 per cent interest in Borealis A/S and a 50 per cent

interest in IOB, a sum of EUR 1,195,920,552.86 was allocated to unappropriated capital reserves.

Furthermore, due to an agreement of a contribution in kind between Borealis AG, Vienna, International Petroleum Investment Company, Abu Dhabi, and OMV Aktiengesellschaft, Vienna, regarding AMI Agrolinz Melamine International GmbH, Linz, an amount of EUR 101,604,460.00 was allocated to the appropriated capital reserves.

In 2010, 2012 and 2013, unappropriated capital reserves amounting to EUR 100,000,000.00, EUR 180,000,000.00 and EUR 20,000,000.00, respectively, were released through profit and loss.

Retained earnings

According to Section 235 UGB, unappropriated retained earnings amounting to EUR 8,223,108.50 (2016: TEUR 8,045) are not available for distribution. The entire amount is attributable to the recognition of deferred tax assets according to Section 235 (2) UGB.

Borealis AG intends to pay a dividend of EUR 700,000,000.00 (2016: TEUR 750,000) and to carry forward the remaining profit to new account.

2. Special item for investment grants to fixed assets

The special item for investment grants to fixed assets comprises subsidies granted to the company in connection with investments in office equipment amounting to EUR 409,875.00 (2016: TEUR 474). The investment grant is recognised on a straight-line basis over a ten-year-term and amounted to EUR 64,420.00 (2016: TEUR 64) for the financial year 2017.

3. Other Provisions

	2017, EUR	2016, TEUR
Provisions for customer rebates and bonuses	38,715,519.16	36,575
Provisions for long-term incentive plan	20,587,361.73	19,092
Provisions for impending losses from uncompleted transactions	39,541,337.41	14,625
Provisions for outstanding invoices	25,796,297.02	40,733
Provisions for employee bonuses	8,048,982.48	7,618
Provisions for not consumed vacation	3,379,349.47	2,474
Provisions for accrued interest	9,925,696.68	17,565
Provisions for anniversary bonuses	1,126,458.00	1,011
Provisions for social fund	13,023,977.59	9,170
Other provisions	13,955,653.92	27,044
Total	174,100,633.46	175,907

4. Liabilities

The maturities of payables are broken down in the following table:

2017 EUR	Carrying value as of 31.12.2017	Maturity >five years
Bonds	125,000,000.00	0.00
Bank loans and overdrafts	865,729,335.79	95,806,907.92
Trade accounts payable	435,630,606.53	0.00
Accounts payable to affiliated companies	567,310,240.71	0.00
Accounts payable to associated companies	52,109,434.82	0.00
Other liabilities	18,174,884.97	0.00
Total	2,063,954,502.82	95,806,907.92

2016 EUR	Carrying value as of 31.12.2016	Maturity >five years
Bonds	325,000,000.00	0.00
Bank loans and overdrafts	1,045,975,692.39	181,129,893.07
Trade accounts payable	359,020,328.32	0.00
Accounts payable to affiliated companies	635,195,761.17	0.00
Accounts payable to associated companies	82,646,797.07	0.00
Other liabilities	14,892,790.08	0.00
Total	2,462,731,369.03	181,129,893.07

Accounts payable to affiliated companies totalling EUR 567,310,240.71 (2016: TEUR 635,196) consist of financial payables of EUR 262,130,975.43 (2016: TEUR 351,480) and trade payables of EUR 305,179,265.28 (2016: TEUR 283,716).

Accounts payable to associated companies amounting to EUR 52,109,434.82 (2016: TEUR 82.647) are exclusively trade payables.

In April 2010, a 7-year bond was issued with a nominal value of TEUR 200,000 and a fixed interest rate of 5.375%. This bond was repaid in April 2017.

In July 2012, a second 7-year bond was issued with a nominal value of TEUR 125,000 and an interest rate of 4.000%.

The bond is listed at the secondary market of the Vienna Stock Exchange.

Other liabilities do not contain any material expense that will produce an outflow of cash after the balance sheet date.

5. Obligations from the use of fixed assets not stated in the balance sheet

2017 TEUR	expense for the next year	expense for the next five years
Obligations from lease agreements	11,817	57,774
Obligations from rental agreements	3,114	10,105
Total	14,931	67,879

6. Notes to financial instruments

According to the financial policy of Borealis Group, inter alia, derivative instruments are designated to hedge relationships in order to reduce the risks of operating, finance and investment activities, i.e. risks of foreign exchange rates, interest rates and commodity prices. Therefore, Borealis AG uses forward exchange transactions, interest rate swaps, foreign exchange derivative contracts and commodity futures.

Financial risk management is centralised in the Treasury and Funding Department where foreign

exchange risks out of short-term cash flows are hedged and limits for long-term foreign exchange exposures are set. The majority of borrowings are based on variable interest rates which are transformed into fixed interest rates using interest rate swaps. Part of its forecast feedstock purchases and finished goods sales is hedged by feedstock swaps. Commodity price risks are managed by feedstock traders and monitored by Trade Support and Risk Management. Forecast energy purchases are hedged by using electricity and natural gas swaps.

At balance sheet date, financial instruments were broken down as follows and reported in the respective balance sheet items:

Derivatives 2017	Nominal Value		Fair Value		Carrying Value	Balance Sheet Item
			positive	negative		
		unit	TEUR	TEUR	TEUR	
Forward Exchange Transactions	105,570	TUSD	2,091	-		
	56,770	TUSD	-	-145	-	
	1,453,000	TSEK	-	-2,834		
thereof valuation unit	105,570	TUSD	2,091	-		
with hedged transaction	56,770	TUSD	-	-145	-	
	1,453,000	TSEK	-	-2,834		
Interest Rate Swaps	57,692	TEUR	-	-992	-	
thereof valuation unit with hedged transaction	57,692	TEUR	-	-992	-	
Foreign Exchange Derivative Contracts	30,000	TGBP	-	-3,246	-3,246	Other Provisions
thereof valuation unit with hedged transaction	-	-	-	-	-	
Commodity Futures	894	kt	41,105	-46,176	-36,295	Other Provisions
	7,226	GWh	46,230	-12,999		
thereof valuation unit	318	kt	12,306	-9,881	-	
with hedged transaction	7,226	GWh	46,230	-12,999		

Derivatives 2016	Nominal Value		Fair Value		Carrying Value	Balance Sheet Item
			positive	negative		
		unit	TEUR	TEUR	TEUR	
Forward Exchange Transactions	614,000	TSEK	800	-		
	760,000	TSEK	-	-1,306	-	
	205,250	TUSD	-	-10,974		
thereof valuation unit	614,000	TSEK	800	-		
with hedged transaction	760,000	TSEK	-	-1,306	-	
	205,250	TUSD	-	-10,974		
Interest Rate Swaps	75,000	TEUR	-	-1,583	-	
thereof valuation unit with hedged transaction	75,000	TEUR	-	-1,583	-	
Foreign Exchange Derivative Contracts	30,000	TGBP	-	-1,885	-1,885	Other Provisions
thereof valuation unit with hedged transaction	-	-	-	-	-	
Commodity Futures	1,150	kt	31,185	-31,351	-12,740	Other Provisions
	7,498	GWh	38,204	-16,865		
thereof valuation unit	660	kt	20,357	-18,611	-	
with hedged transaction	7,498	GWh	38,204	-16,865		

The fair value of forward exchange transactions corresponds to the quoted market price at balance sheet date, i.e. the present value of the quoted forward price. The fair value of interest rate swaps corresponds to the calculated amount the Group would receive or pay in case of closing of the position at balance sheet date, with current interest rates taken into account. The fair value of commodity futures corresponds to the market price quoted at balance sheet date.

Impending losses from negative fair values of derivative instruments not presented as valuation units have been provided for in provisions amounting to TEUR 39,541 (2016: TEUR 14,625) at balance sheet date.

Forward exchange transactions mature at an average of six months, where all contracts existing at balance sheet date mature by the end of the year 2018 at the latest. At balance sheet date, Borealis AG had outstanding interest rate derivatives with maturities until 2022 as well as a foreign exchange derivative contract maturing in 2021. At balance sheet date, Borealis AG had commodity futures transactions for hedging the price of raw materials maturing at an average of six months and for hedging the price of energy and gas maturing at an average of 19 months. Commodity futures mature up to the year 2020.

Provisions for impending losses are accrued respectively, in case those transactions show a negative fair value at balance sheet date and are not designated as hedging instruments. Forward exchange transactions and commodity futures, respectively, which show a positive

fair value at balance sheet date and are not designated as hedging instruments are not capitalised. Interest rate swaps for interest bearing loans are not capitalised as they are regarded to form a valuation unit with the underlying loan.

Expenses and income from derivative instruments not designated to hedge relationships are generally disclosed in the profit and loss items as other operating expenses and other operating income, respectively. Equally, results from derivative instruments related to financing or financial investments are generally disclosed in the financial result. In case derivatives are designated as hedging instruments, results thereof are disclosed in the same profit and loss item as the results of the hedged transaction.

Hedge effectiveness of all existing hedges is assessed prospectively using the critical term match method. The retrospective assessment uses the cumulative dollar-offset-method. For a hedge to be classified highly effective, the actual results of the hedge (retrospective hedge effectiveness assessment) have to be within a range of 80% to 125%. At balance sheet date, all derivatives designated as hedging instruments are classified highly effective.

7. Contingent Liabilities

Borealis AG assumed guarantees amounting to EUR 33,194,273.71 (2016: TEUR 13,176) to external loans and liabilities for affiliated companies.

III. Notes to the income statement

A. Sales and cost of materials

Sales and cost of materials relate to the sale of products from Borealis Group predominantly to external customers.

2017 TEUR	Sales by market and business areas			
	Polyolefins	Base Chemicals	Other	Total
EU countries	3,595,238	1,216,910	94,209	4,906,357
Non-EU countries	678,429	43,120	0	721,549
Total Europe	4,273,667	1,260,030	94,209	5,627,906
North America	96,776	15,649	1,406	113,831
South America	80,185	0	0	80,185
Middle East (excl. UAE)	46,367	40	0	46,407
United Arab Emirates	10,599	0	83,168	93,767
Asia	236,574	0	0	236,574
Australia, New Zealand	5,975	0	0	5,975
Africa	96,081	25,059	0	121,140
Total	4,846,224	1,300,778	178,783	6,325,785

2016 TEUR	Sales by market and business areas			
	Polyolefins	Base Chemicals	Other	Total
EU countries	3,384,749	872,253	437,343	4,694,345
Non-EU countries	551,454	10,118	0	561,572
Total Europe	3,936,203	882,371	437,343	5,255,917
North America	45,464	13,226	40,849	99,539
South America	65,812	2,764	610	69,186
Middle East (excl. UAE)	67,601	0	0	67,601
United Arab Emirates	33,464	0	87,441	120,905
Asia	312,906	22,434	679	336,019
Australia, New Zealand	5,431	0	0	5,431
Africa	100,877	15,205	0	116,082
Total	4,567,758	936,000	566,922	6,070,680

B. Personnel expenses

In the year 2017, the average number of employees was 229 (2016: 211).

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

	2017, EUR	2016, TEUR
Management Board	720,053.91	664
Managerial employees	874,865.91	763
Other employees	950,378.64	756
Total	2,545,298.46	2,183

Severance payments amounted to TEUR 0 (2016: TEUR 122) and are broken down as follows:

	2017, EUR	2016, TEUR
Management Board	0.00	0
Managerial Employees	0.00	0
Other Employees	0.00	122
Total	0.00	122

C. Other operating expenses

	2017, EUR	2016, TEUR
Freight	249,243,922.25	265,941
Storage	40,749,475.07	20,770
Insurance	8,785,885.39	8,695
Consulting services	24,384,009.38	18,941
Commission	13,433,087.70	55,867
Rents	4,574,675.81	4,065
Travel expense	3,455,993.83	3,033
Trainings, seminars	2,598,940.62	2,643
Royalties	58,427,341.36	34,845
Sundry	117,629,895.31	129,321
Total	523,283,226.72	544,120

The negative result realised from commodity derivatives (raw materials) amounting to TEUR 18,109 (2016: positive result of TEUR 6,446) is included in the profit and loss item "Cost of materials".

D. Audit expense

	2017, EUR	2016, TEUR
Audits of statutory national and consolidated financial statements	262,671	259
Other assurance services	156,000	62
Other services	54,236	17
Total	472,907	338

E. Financial result

The financial result is broken down as follows:

	2017, EUR	2016, TEUR
Income from investments		
Abu Dhabi Polymers Company Ltd, UAE	478,203,002.54	14,248
Borealis Agrolinz Melamine GmbH, Austria	24,000,000.00	20,000
Borealis Brasil S.A., Brazil	4,002,707.10	1,377
Borealis UK Ltd, United Kingdom	570,242.47	852
Borealis Italia S.p.A., Italy	15,000,000.00	0
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Sirketi, Turkey	450,000.00	0
Borealis Polymere GmbH, Germany	2,800,000.00	0
Borealis Polyolefine GmbH, Austria	17,000,000.00	0
Borealis s.r.o., Czech Republic	0.00	57
Borealis Química Espana S.A., Spain	0.00	400
	542,025,952.11	36,934
Interest income from loans to affiliated companies		
Borealis Polyolefine GmbH, Austria	976,954.84	1,100
Borealis Brasil S.A., Brazil	0.00	150
	976,954.84	1,250
Other interest and similar income		
Interest and other income from interest rate swaps	0.00	7,417
Interest income from intercompany financing	15,948,540.25	17,237
Other	2,241,894.71	2,157
	18,190,434.96	26,811
Expense arising from financial assets		
Impairment losses recognised on securities held as fixed assets	39,653.00	53
	39,653.00	53

	2017, EUR	2016, TEUR
Interest and similar expense		
Interest expense from intercompany financing	4,449,318.61	52,511
Interest expense from interest rate swaps	1,613,192.55	7,285
Result from foreign exchange translations	36,330,188.47	89,277
Interest charged from banks	40,216,588.70	55,163
Interest expense in the context of forfaiting	2,612,343.04	5,892
Other	5,419,909.83	7,308
	90,641,541.20	217,436
Financial result	470,512,147.71	-152,494

F. Taxes on income

Since 2008, the company has been the parent in a tax group in line with Section 9 of the Austrian Corporation Tax Act. Group member is Borealis Polyolefine GmbH, Schwechat, Austria.

Becoming effective on 1 January 2012, the existing tax group, comprising Borealis AG (tax group parent) and Borealis Polyolefine GmbH, Schwechat (tax group member), added Borealis Agrolinz Melamine GmbH, Linz, and Borealis L.A.T GmbH, Linz, as additional tax group members.

According to the group tax contract, the group is charged with the related corporation tax expense attributable to any positive result. In case of negative results of the tax group members, no tax compensation is credited. Negative results have to be documented by the group parent and offset against positive future results without immediate tax charges to be paid.

Provisions for deferred taxes of EUR 54,112,020.59 (2016: 42,277) have been recognised in connection

with notional accumulated losses brought forward from Borealis Polyolefine GmbH amounting to TEUR 186,240 (2016: TEUR 170,138) and from Borealis L.A.T. GmbH amounting to TEUR 62,957 (2016: TEUR 21,999) since the existing losses carried forward had already been used in 2016.

Tax group member Borealis Agrolinz Melamine GmbH generated taxable profits in 2017 and has, therefore, been charged with tax compensations payable to the tax group parent amounting to TEUR 7,376 (2016: TEUR 10,270).

G. Significant events after the balance sheet date

Following the Memorandum of Understanding signed on 24 March 2017, Borealis AG, NOVA Chemicals Corporation and Total Petrochemicals and Refining USA, Inc. have signed on 14 February 2018 the definitive agreements that will lead to the creation of the joint venture in Texas, USA, pending regulatory approvals.

IV. Other information

Salaries of Management Board members amounted to TEUR 8,962 (2016: TEUR 7,323) along with additional payments into pension funds amounting to TEUR 583 (2016: TEUR 552). Active members of the Supervisory Board received a remuneration totalling TEUR 856 (2016: TEUR 856). Members of the Company Boards have not been granted any advances, loans or guarantees.

Borealis AG is a large joint stock company pursuant to Section 221 of the Austrian Company Code.

Borealis AG prepares consolidated financial statements in compliance with International Financial Reporting Standards (IFRS) including the Interpretations of the International Reporting Committee (IFRIC) as adopted by the EU. The consolidated financial statements are filed under No. 269858a at the Commercial Register in Vienna.

Borealis AG is included in the consolidated financial statements of the International Petroleum Investment Company (IPIC), Abu Dhabi.

Executive Board

Mark Garrett, Mark Tonkens, Markku Korvenranta, Martijn Arjen van Koten, Philippe Roodhooft (since 1 November 2017), Alfred Stern

Supervisory Board

Suhail Mohamed Faraj Al Mazrouei (Chairman), Rainer Seele (Vice Chairman), Murtadha Al Hashmi (until 14 April 2017), Rashed Saud Al Shamsi (until 14 April 2017), Musabbeh Al Kaabi (since 14 April 2017), Khalifa Al Suwaidi (since 14 April 2017), Manfred Leitner

Vienna, 15 February 2018

Executive Board:

Mark Garrett
Chief Executive

Mark Tonkens
Chief Financial Officer

Markku Korvenranta

Martijn Arjen van Koten

Philippe Roodhooft

Alfred Stern

Statement of the Executive Board according to § 124 (1) Z 3 Vienna Stock Exchange Act

We confirm to the best of our knowledge that the standalone financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company of the Group as required by the applicable accounting standards

and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 15 February 2018

Executive Board:

Mark Garrett
Chief Executive

Mark Tonkens
Chief Financial Officer

Markku Korvenranta

Martijn Arjen van Koten

Philippe Roodhooft

Alfred Stern

Borealis AG

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