STANDALONE AND GROUP

Borealis AG
Financial Report
2022

Keep Discovering

BOREALIS

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Cover image: Borealis' new photovoltaic park in Schwechat, Austria
Gender Disclaimer: For reasons of better readability and easier comprehension, the male form used refers equally to all gender identities (without any judgemental distinction).

About Borealis

Executive Board

Thomas Gangl
Chief Executive Officer
Appointed in April 2021
Male / Austrian national

Prior to joining Borealis as new CEO in April 2021, Thomas Gangl was a member of the OMV Executive Board and in charge of Refining & Petrochemical Operations at OMV from 2019. In his 20 years at OMV, Thomas Gangl helped shape the company's refining and petrochemicals business. He played a crucial role in laying the foundation of the OMV circular economy strategy, most notably by establishing chemical recycling at OMV. Since starting in 1998 as a process engineer, his OMV career positions include General Manager of OMV Deutschland GmbH and Senior Vice President, Business Unit Refining & Petrochemicals.

Significant external positions
- Borouge PLC; Vice Chairman of the Board of Non-Executive Directors
- World Energy Council Austria (WEC); Vice President of the Board of Non-Executive Directors
- Austro-Arab Chamber of Commerce; Member of the Board of Non-Executive Directors
- World Business Council for Sustainable Development (WBCSD); Member of the Board of Non-Executive Directors
- Industriellenvereinigung Wien; Member of the Board of Non-Executive Directors
- Österreichischer Verband CREDITREFORM (ÖVC); Member of Advisory Council

Mark Tonkens
Chief Financial Officer
Appointed in April 2014
Male / Dutch national

Mark Tonkens joined Borealis in 2009. Before assuming the position as Borealis CFO in November 2014, he had served as Borealis Senior Vice President Group Controlling. Mark Tonkens came to Borealis after holding a number of senior management roles in the Royal Philips group, acting as CFO and Senior Vice President of major business units and country organisations around the globe, from the Netherlands and Greece in Europe, to Taiwan and Hong Kong in Asia.

Significant external positions
- Borouge PLC; Member of the Board of Non-Executive Directors
- Bayport Polymers PLC (Baystar); Member of the Board of Non-Executive Directors

Lucrèce Foufopoulos-De Ridder
Executive Vice President Polyolefins, Circular Economy Solutions and Innovation & Technology
Appointed in January 2019
Female / dual Belgian-Swiss citizenship

Lucrèce Foufopoulos-De Ridder was appointed to the Borealis Executive Board as Executive Vice President Polyolefins, Circular Economy Solutions and Innovation & Technology in January 2019. She joined Borealis after a career of more than 20 years in the chemical and petrochemical industry, most recently at Eastman, where she served as Vice President & General Manager of the Rubber Additives business unit. Prior to that, Lucrèce Foufopoulos-De Ridder held a variety of positions at multinationals, including Dow Chemical, Rohm and Haas, Dow Corning and Tyco. She currently serves on the supervisory board of Royal Vopak.

Significant external positions
- Sika, Switzerland – Member of the Board of Non-Executive Directors
- Royal Vopak, The Netherlands – Member of the Board of Non-Executive Directors
- Borouge Pte. Ltd.; Member of the Board of Non-Executive Directors
- Plastics Europe – Vice President of the Steering Board, Chair of the Advocacy Committee

Wolfram Krenn
Executive Vice President Base Chemicals & Operations
Appointed in July 2021
Male / Austrian national

Wolfram Krenn was appointed Executive Vice President Base Chemicals and Operations and member of the Borealis Executive Board in July 2021. Immediately prior to joining Borealis, Wolfram Krenn had held the position of Senior Vice President for Refining Assets at OMV since 2019. Having started his career at OMV in 1998 as a process engineer, he gained international experience in production and operations as lead for OMV Petrom's Petrobrazi Refinery in Romania. In 2018, he was appointed Senior Vice President Site Management Schwechat, Austria.

Significant external positions
- TÜV Austria Holding AG; Member of the Supervisory Board

Philippe Roodhooft
Executive Vice President Joint Ventures & Growth Projects
Appointed in November 2017
Male / Belgian national

Philippe Roodhooft was appointed Executive Vice President Middle East and Growth Projects in November 2017, after having served since 2013 as Chief Operating Officer of Borouge ADP in the UAE. Prior to that, Philippe Roodhooft held Vienna-based senior management positions, including Senior Vice President Supply Chain and Product Management for Polyolefins, Senior Vice President Operations for the Borealis Group and General Manager for the Central European production sites.

Significant external positions
- Bayport Polymers LLC; Chairman of the Board of Non-Executive Directors
- Borouge Pte. Ltd.; Vice Chairman of the Board of Non-Executive Directors
- Borouge PLC; Member of the Board of Non-Executive Directors

Milestones 2022

Safety first – new "B-safe" programme kicked off to further improve safety performance

Highest ever achieved net profit of EUR 2.1 billion achieved in environment of geopolitical strife, rising inflation, market volatility, and lingering pandemic effects

Launch of Borealis Strategy 2030, an evolution centred on sustainability, geographic expansion and company transformation

Borouge IPO was the largest ever on the Abu Dhabi Securities Exchange, raising over USD 2 billion in gross proceeds for a 10% float

ADNOC acquired 25% stake in Borealis previously held by Mubadala, further deepening and extending a strong partnership

Global growth projects progressed: ground-breaking ceremony for Borouge 4, successful start-ups of Borouge PP5 plant and the Baystar™ ethane cracker

Launch of groundbreaking Borstar® Nextension Technology for tailored, performance-based polyolefins based on unique combination of Borstar® and single-site catalysts manufactured at newly-built Borealis plant in Porvoo, Finland

"Innovate, Collaborate, Accelerate" at the K 2022: launch of multiple applications across diverse sectors, many based on The Bornewables™, Borcycle™ C, or Borcycle™ M grade portfolios

Projected six-fold increase by 2025 in annual production capacity of circular products to be enabled by new commercial-scale Borcycle M advanced recycling plant in Austria and the Borvida™ portfolio of circular base chemicals, among other endeavours

Ambitious decarbonisation efforts boosted via new power purchase agreements for wind, photovoltaic, and hydropower as well as the first industrial-scale green hydrogen project

Our Purpose

Re-inventing essentials for sustainable living

Our Vision

Be a global leader in advanced and sustainable chemicals and material solutions

Borealis Strategy 2030

Geographical expansion

Become a fully global partner to our customers

We grow through Mergers & Acquisitions and selected builds in North America, Middle East and Asia. We leverage Borouge's market presence for growth in Asia.

Transformation

Evolve to fully customer-centric approach to offer advanced and sustainable material solutions

Circular Economy
We lead the transformation to a truly circular economy across all our applications.

Value Add
We invest in compounding and adjacencies to accelerate value creation through innovation.

Sustainability

We significantly reduce our CO_2 footprint

Strong Foundation

Build on safety, people and culture to sustain strong growth

Safety
Goal Zero guides our strategic aspiration to be among the safest companies in the industry.

People
People make it happen. We shape an experience where everyone can perform at their best and make a difference.

Innovation & Technology
Accelerate circularity, drive specialty growth and create more value in licensing and catalyst technology.

Performance Excellence
We focus on excellence across all activities. Utilise technology and digitalisation to drive efficiencies.

Our Values

Responsible

... is just a theory until you put it into action.

– We strive for zero incidents in health and safety.
– We consider our local and global responsibility for the environment in our decisions.
– We do business according to high ethical standards and lead by example.

Respect

... is just a word until you live its meaning.

– We trust and involve people and communicate openly, respectfully and in a timely manner.
– We collaborate, support and help each other to develop for the best of Borealis.
– We build on diversity for better results as "One Company".

Exceed

… is just a goal until it becomes your path.

- We win through excellence and deliver beyond expectations.
- We commit to making joint decisions and follow through.
- We give feedback and make “Connect-Learn-Implement” and “Continuous Improvement” a natural way of working.

Nimblicity™

… is just a concept until you make it your routine.

- We are fit, fast and flexible and seek smart and simple solutions.
- We encourage decisions at all levels of the organisation to increase ownership and speed to realisation.
- We welcome change and manage it to shape our future.

Our Business

Borealis is one of the world's leading providers of advanced and sustainable polyolefin solutions and a European front-runner in polyolefins recycling. In Europe, we are a market leader in base chemicals and fertilizers. We leverage our polymer expertise and decades of experience to offer value adding, innovative and circular material solutions for key industries such as consumer products, energy, healthcare, infrastructure and mobility.

In re-inventing essentials for sustainable living, we build on our commitment to safety, our people, innovation and technology, and performance excellence. We are accelerating the transformation to a circular economy of polyolefins and expanding our geographical footprint to better serve our customers around the globe.

With head offices in Vienna, Austria, we employ ~7,600 employees and operate in over 120 countries. In 2022, we generated total sales and other income of EUR 12.2 billion and a net profit of EUR 2,111 million. OMV, the Austria-based international oil and gas company, owns 75% of our shares, while the remaining 25% is owned by Abu Dhabi National Oil Company, or ADNOC, based in the United Arab Emirates (UAE). We supply services and products to customers around the globe through Borealis and two important joint ventures: Borouge (with ADNOC, headquartered in the UAE); and Baystar™ (with TotalEnergies, based in the US).

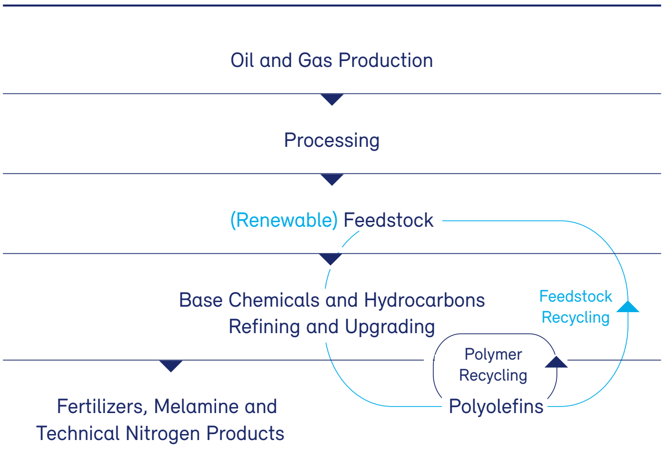
Value creation through innovation is at the core of Borealis' strategy

Borealis continuously invests in its people, its Borstar® and other proprietary technologies and in its working processes, both internally and with external partners. The result is continuous technological improvement.

As a leading innovator in its industries, Borealis continuously identifies and anticipates unmet market needs to consequently develop the corresponding solutions. Using proprietary technologies, innovative tools and leveraging expertise acquired over many years, Borealis unlocks material's molecular properties and creates tailor-made products.

Borealis enhances this process with in-depth market knowledge, a cross-functional approach and an emphasis on open innovation.

Fig. 1: **Chemical production flow**



Industry Segments

Borealis clusters its businesses in three industry segments: Polyolefins, Base Chemicals and Fertilizers, Melamine and Technical Nitrogen Products.

Polyolefins

The value-adding polyolefin products manufactured by Borealis form the basis of many valuable plastics applications that are an intrinsic part of modern life. 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. These solutions make end products safer, lighter and more affordable and easier to recycle. In short: they enable more sustainable living.

Borealis offers advanced polyolefins for virgin and circular economy solutions, servicing these industries: Consumer Products, Energy, Healthcare, Infrastructure and Mobility.

Advanced polyolefins for virgin and circular economy solutions

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 multitalented Queo™ brand helps bridge the performance gap between conventional plastics, such as polyethylene (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), polypropylene-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 polypropylene (PP) foam also offers weight reduction, heat stability (for microwaveable 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

Borealis Circular Economy Solutions is dedicated to discovering new opportunities for long-term business growth, primarily in the areas of mechanical recycling, chemical recycling (in collaboration with Borealis partners – OMV and Renasci), reuse, renewable feedstock and design for recyclability (DfR).

Over recent years, mechanical recycling has proven to be effective and it will likely remain the eco-efficient method of choice in the foreseeable future when implementing the principles of the circular economy. The circular economy opens up new ways to re-invent the economy in the interest of preserving natural capital and minimising waste. Another important aspect of eco-efficient waste stream management is DfR, which incorporates recycling principles into the design process itself, in order to achieve optimised circulation of material for recycling and reuse. To this end, Borealis is collaborating with value chain partners – designers, retailers, packaging producers and brand owners – to develop material solutions and concepts to improve end-of-life recyclability and the performance properties of recyclate material.

Industries served with these advanced polyolefin solutions

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, and 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 fresh longer and less must be thrown away. In addition, 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 and stand-up pouches); rigid packaging (caps and closures, bottles, thin wall and transport packaging); and non-woven and technical fibres (filtration systems, hygiene products and technical textiles).

Fig. 2: **Industries served by Borealis' polyolefins applications**

Circular Economy Solutions

Polymer Solutions

With our advanced polyolefins for virgin and circular economy solutions, we serve these industries:

Consumer Products

Energy

Healthcare

Infrastructure

Mobility

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

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 includes 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 communication cable 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. Meeting 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.

With the launch of the new flagship solar brand Quentys™ in 2017, Borealis moved into the global solar industry. Pioneering new products based on Quentys are making solar energy more effective, affordable and long-lasting. For example, Borealis polyolefin encapsulant films improve the operational reliability of photovoltaic modules throughout the product lifetime. This results in better cost efficiency and thus greater viability for solar power.

Healthcare
Borealis offers reliable solutions that add value to healthcare, thanks to an impressive track record in Value Creation through Innovation and close co-operation 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, while improving usability – a key criterion in today's ageing society.

Healthcare products that have 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 a global supplier, Borealis can ensure security of supply and provide technical support tailored to the specific and stringent requirements of the market.

Infrastructure
A trusted partner to the pipe industry for over 50 years, Borealis supplies advanced polyolefin pipe system materials to a wide range of infrastructure projects 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, while 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 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.

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

Proprietary Borealis technologies are lighter weight replacement solutions for conventional materials such as 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 kilogrammes (kg) of carbon emissions can be avoided by using one kg of 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.

Base Chemicals

Hydrocarbons & Energy

Borealis produces a wide range of products for use in numerous industries, including phenol, acetone, ethylene and propylene. 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 market. 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.

In line with its ambition to proactively drive the transition to a circular economy, Borealis has also started to process renewable and chemically recycled feedstock.

Fertilizers, Melamine and Technical Nitrogen Products

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. This comprises more than 60 warehouses across Europe and has an inventory capacity of over 700,000 tonnes.

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 more grain must be produced to feed livestock. 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 awareness of the need to promote fertilizers with low carbon footprints, maintain healthy soil environments and reduce run-off from fields.

The product portfolio comprises nitrogenous fertilizers, compound NPK fertilizers and speciality fertilizers with various formulas of primary and secondary nutrients as well as oligo elements. Non-European markets are serviced mainly via the Borealis Rosier distribution network.

Melamine

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. Melamine also plays an important role in the manufacture of everyday objects used in the kitchen or around the house, for example, as one component used to make handles for pots and pans.

Technical Nitrogen Products

A broad range of technical nitrogen product solutions is derived from the raw materials urea, ammonia, ammonium nitrate and nitric acid.

AdBlue®

AdBlue, a high-purity aqueous urea solution, is used as a NO_x reduction agent for trucks, buses, tractors, construction machinery and diesel passenger cars.

Ammonia

A compound of nitrogen and hydrogen, ammonia has many uses: as a precursor or intermediate product in the production of nitrogenous materials; as a refrigerant in cooling systems; as a NO_x reduction agent; and as a hardening agent for metal surfaces.

Urea

Urea is a synthetically produced organic compound of ammonia and carbon dioxide. It is utilised in the production of melamine and the glues used in particle boards, but also as a raw material for resins and as a NO_x reduction agent.

STANDALONE

Financial **Statements 2022**

including Management Report

Management Report as of 31 December 2022

Operational Review

The Borealis Executive Board and senior management have taken concrete measures in response to the war in Ukraine and the current geopolitical situation. Borealis has no production operations in either Russia or Ukraine, and employs only a limited number of persons in Russia. The Group's key priority is to ensure the safety of our people while doing the utmost to maintain business continuity. In light of international sanctions and other applicable laws, Borealis has reassessed its business transactions with Russia and has stopped sales to Russia and Belarus.

Operations at Borealis production sites around the world have not been interrupted, yet contingency plans are in place should supply disruptions occur. Measures are being implemented on a continual basis to ensure stable material procurement for all Borealis production sites. We remain in close, direct contact with our suppliers and customers, and update them regularly on pertinent developments.

Pronounced volatility has characterised the Brent crude market in 2022. Prices increased sharply as a result of the war in Ukraine, from 75 USD/bbl in December 2021 to a June 2022 peak of 118 USD/bbl. As fears of an economic downturn multiplied, prices eased to 81 USD/bbl by December. Overall, the average 2022 Brent Crude oil price of 99 USD/bbl exceeded the 2021 average of 71 USD/bbl.

From the beginning of 2022, naphtha prices developed in a similar vein as the price of oil, increasing steadily from 698 USD/t in December 2021 to a peak of 996 USD/t in March 2022. Increased naphtha availability in Europe caused by lighter refinery feedstock, and lower demand from China, put downward pressure on the price, which stood at 559 USD/t at year's end. Ethylene and propylene contract prices were also impacted by the naphtha price development. Ethylene started the year at 1,273 EUR/t and, supported by healthy demand in the spring turnaround season, peaked in April at 1,665 EUR/t. Due to limited demand, particularly in July, prices declined, ending the year at 1,270 EUR/t. The price of propylene rose from 1,288 EUR/t in January to 1,675 EUR/t in April, closing out the year at 1,170 EUR/t.

Following the historic high levels reached in 2021, polyolefin margins slowly normalised in the first half of 2022, supported by a busy spring turnaround season, particularly in the second quarter. As of the third quarter, margins deteriorated due to plummeting demand resulting from the global GDP slowdown, and inflationary pressure on customers. In the meantime, the robust recovery of the international container freight market, which in December 2022 had approached pre-COVID levels, allowed imports to surge. Towards the end of the year, polyolefin margins recovered slightly thanks to low operating rates. In a similar way as in 2009, unplanned outages and high US ethane prices limited any increase of imports to Europe, and margins remained lower than at the start of the year.

The total sales volume of Borealis AG's products in 2022 increased slightly compared to 2021 with stable growth throughout the different product categories.

The operating result decreased from a profit of EUR 1,336.3 million in 2021 to a profit of EUR 869.0 million in 2022.

Geographic expansion is a key pillar of the Borealis Strategy 2030. Borealis is committed to achieving sustainable growth by way of joint ventures, mergers and acquisitions, and through the execution of major new construction projects on several continents. Closer geographic proximity to growth markets, and in particular the Middle East, Asia and North America, will enable Borealis to supply ever larger volumes of advanced and sustainable base chemicals and polyolefins to its global customers.

In June, Borouge, the strategic joint venture founded by Borealis and Abu Dhabi National Oil Company (ADNOC) in 1998, became the largest-ever IPO in Abu Dhabi when it was listed on the Abu Dhabi Securities Exchange (ADX). The IPO offered 10% of Borouge's total issued share capital and raised over USD 2.0 billion in gross proceeds. It drew USD 83 billion in orders and was oversubscribed by nearly 42 times in aggregate.

Borouge continued to drive growth in 2022. February saw the ground-breaking ceremony for Borouge 4, the new USD 6.2 billion facility under construction at the Borouge complex in Ruwais (UAE). Once operational, Borouge 4 will help meet growing demand for polymers in the Middle East and Asia, and will also supply feedstock to the adjacent TA'ZIZ Industrial Chemicals Zone. The successful start-up of PP5, the fifth Borouge polypropylene (PP) unit, also took place in February, boosting total Borouge PP capacity by more than 25%. The new PP5 unit is leveraging the proprietary Borstar® technology to deliver greater quantities of polymer-based material solutions for a wide range of industries, from packaging and consumer goods, to pipe and infrastructure.

The largest Borealis growth project underway in North America is the Baystar™ joint venture with TotalEnergies in Port Arthur, Texas. A new ethane-based steam cracker was started up in July 2022. With an annual production capacity of one million tonnes of ethylene, the cracker supplies feedstock to Baystar's existing polyethylene (PE) units. In the future, it will also supply ethylene to the new, 625,000 metric-tonne-per-year Borstar PE unit once construction and ramping up have been completed. Baystar is a crucial growth anchor as it enables Borealis to bring Borstar to North America for the first time.

Progress was made in the first half of 2022 at the new world-scale propane dehydrogenation plant (PDH) in Kallo (Belgium). However, construction was stopped after misconduct on the part of the site's contractor, IREM, was uncovered. Borealis suspended, then terminated all contracts with IREM and its subcontractors due to non-compliance with fundamental contractual principles. Work resumed in October following a re-tendering process. Borealis has zero tolerance for non-compliance in all aspects of its operations and has since implemented more extensive controls and monitoring measures to ensure full future compliance.

The divestment process of the Borealis nitrogen business unit encountered delays as of the first quarter of 2022. A binding offer received from EuroChem in February was declined in March after assessing the consequences of the war in Ukraine and related sanctions. In June, Borealis received a binding offer from Czech-based AGROFERT that valued the business on an enterprise value basis at EUR 810 million. Pending regulatory approval, closing is anticipated for the first quarter of 2023. The Executive Board is confident that AGROFERT, a leading European player on the fertilizer market, is committed to maintaining supply security and the long-term development of production facilities.

On 16 June 2022, Borealis converted into equity of Rosier S.A. a total of EUR 55 million, consisting of EUR 50 million intercompany loans, and EUR 5 million receivables, thus increasing its shareholding from 77.47% to 98.09%. As announced in September 2022, Borealis and YILDRIM Group's YILFERT Holding signed an agreement for the acquisition of Borealis' shares at a valuation of EUR 35 million. On 2 January 2023, Borealis completed the divestment of its shares in Rosier S.A., shedding the 98.09% of the shares it previously owned, and no longer owns any shares in Rosier S.A.

Financial Result Overview

The financial result in 2022 increased from a financial income of EUR 1,535.7 million in 2021 to a financial income of EUR 7,584.5 million. There were two main drivers. Firstly, the dividends have decreased by 75% from EUR 2,021.7 million in 2021 to EUR 514.2 million in 2022. Secondly, Borealis AG generated gains from the sale of the shares in Abu Dhabi Polymers Company Limited and Borouge Pte. Ltd. in the amount of EUR 7,187.1 million. Overall, Borealis AG generated a net income of EUR 8,276.3 million compared to a net income of EUR 2,546.4 million in 2021.

Circular Economy

With sustainability at its core, the Borealis Strategy 2030 is a natural evolution of the Group's circular economy journey, which began in 2014 with the pioneering launch of the Daplen™ portfolio of PP compound solutions containing post-consumer recycled (PCR) plastics for use in the automotive industry. By 2022, Borealis was continuing to lead the way towards circularity by increasing the share of circular products (such as recycled and renewable-based polymers, and renewable hydrocarbons) in its overall production output. Borealis aims to boost its current annual production capacity of 100,000 tonnes to 600,000[1)] tonnes by 2025, and to 1.8[2)] million tonnes by 2030. The transition from conventional fossil fuel-based feedstocks to more renewably-based ones is thus well under way.

The Borealis commitment to leading the industry in this transition is represented by its EverMinds™ platform, which joins value chain partners and other stakeholders in accelerating circularity, in part by facilitating value chain co-operation. An ever-increasing number of products and applications are being designed from the ground up to be eco-efficient. Design for recycling and reuse help save precious resources while minimising material waste.

Borealis has further stepped up activity in the area of mechanical recycling. As announced in October, planning has started for the construction of a novel and advanced recycling plant on a commercial scale in Schwechat, Austria, to augment the three existing polyolefin recycling operations currently operated by Borealis in Europe. The plant will be based on the proprietary Borcycle™ M technology, which transforms polyolefins-based post-consumer waste into high-performance polymers. Once operational in 2025, the new plant will have an annual production capacity in excess of 60 kilotonnes. These large volumes will ensure the ample supply of high-quality recyclate to fulfil growing demand for circular products and solutions.

In May, Borealis and its partner Reclay Group announced the formation of a new entity, Recelerate. The shared aim is to close the loop on plastics circularity by rethinking the way that plastics are collected, sorted and processed in order to significantly increase the amount of light packaging waste that is actually recycled.

As a valuable supplement to mechanical recycling, chemical recycling valorises residual waste streams which would otherwise be landfilled or incinerated. The chemical recycling process yields circular feedstock with the same high quality as fossil fuel-based feedstock. This makes it ideal for use in high-end applications with stringent quality and safety standards, such as in food packaging and healthcare. As of 2021, Borealis has procured pyrolysis oil for the chemical recycling process from Belgium-based Renasci with which it manufactures Borcycle C circular polyolefins and base chemicals at several of its own production locations. Since then, Borealis has increased the stake it holds in Renasci step by step: from 10% in 2021, to just over 27% in November 2022, and as of January 2023, to a current majority shareholding position of 50.01%. This further bolsters both the partnership and the Borcycle C portfolio. At the Stenungsund, Sweden production facility, results of a feasibility study for the construction of a new chemical recycling unit are expected in early 2023. Taken together, these activities complement existing collaboration with OMV in which the patented ReOil® technology is used in chemical recycling processes.

In June, Borealis launched the Borvida™ portfolio of circular based chemicals: Borvida B is produced using non-food waste biomass, while Borvida C is made of chemicallyrecycled waste. The traceability of these ISCC Plus-certified products – which include ethylene, propylene, butene and phenol – is ensured thanks to the mass balance method of documenting and tracking renewable-based content across complex manufacturing systems. The Borvida portfolio will be extended in due course with the Borvida A range sourced from atmospheric carbon capture.

Innovation and New Technologies

Borealis is investing in R&D and new technologies in order to accelerate Value Creation through Innovation, particularly in the circular sphere. The K 2022 trade fair held in Germany in October was the ideal stage for showcasing the many new products and material solutions generated through innovation and collaboration.

Centre stage was taken by the Borstar® Nextension Technology, a step change for performance-based polyolefins. The unique combination of Borstar technology and single-site Borstar Nextension catalysts improves PP properties and produces a wider range of tailored polyolefins. Borstar Nextension facilitates easier recycling because its use in multilayer applications allows for the replacement of multiple different materials with only one material; it thus encourages design for recycling by enabling monomaterial solutions. The single-site catalysts for this breakthrough technology are manufactured at a newly-built Borealis plant in Porvoo, Finland. Two BorPure™ and a nonwoven grade based on Borstar Nextension technology were also launched in October, each offering superior performance combined with circularity and material efficiency.

Grades from The Bornewables™ portfolio of premium circular polyolefins based on renewably-sourced feedstock are being used to develop an increasing number of novel applications, many of which are generated through value-chain collaboration. To name just a few of the products made using grades from the Bornewables and presented at the K 2022: the MAM Original Pure climate-neutral baby pacifier; a coffee-to-go cup in the Tupperware ECO+ product line; a reusable and fully recyclable lightweight plastic bottle co-developed by Borealis and Trexel; and a series of rigid food packaging applications based on Bornewables and Borcycle C co-developed by Borealis and ITC. In Pipe, collaboration with Uponor resulted in the first PE-X pipes based on Bornewables feedstock, while co-operation with NUPI produced next-generation PP-RCT pipes based on Bornewables.

Other circular highlights of 2022 include three fully recyclable, PE monomaterial pouch solutions; lightweight and ultralightweight reusable cups made of Borealis PP using the patented Bockatech EcoCore plastic foaming technology; a series of flexible packaging formats incorporating 50% PCR; and the world's first shoe made from carbon emissions, On's Cloudprime, containing high-performance, easy-toprocess ethylene vinyl acetate foam supplied by Borealis. In June, the first Borcycle M jacketing compound containing up to 50% PCR was launched, thereby promoting enhanced circularity in the Wire & Cable sector. Finally, in the automotive sector, Borealis announced in October that collaboration with Tier One supplier Magna had produced the first and largest-ever all-thermoplastic tailgate for the new Volkswagen Multivan, a prime example of customer-centric innovation resulting in high-performance yet lighter-weight parts that help reduce the carbon footprint of vehicles.

Around 500 people are active in R&D at the Borealis Group. This figure includes scientists and researchers at the Innovation Headquarters in Linz, Austria, and the two innovation centres in Stenungsund and Porvoo.

Borealis continues to be among the top-ranked companies in Austria with respect to patent filings. In 2022, Borealis filed 128 new priority patent applications at the European Patent Office. This is just short of its previous record of 133 patent applications filed in 2021. As of January 2023, the Borealis Group holds around 11,500 individual patents or patent applications which are subsumed in approximately 1,450 patent families. The growing number of patents is proof positive of the Group's dedication to Value Creation through Innovation.

Changes to the Supervisory Board
As published in the Borealis Interim Consolidated Financial Statements in June 2022, several changes to the Borealis Supervisory Board took effect as of 10 February 2022. Alvin Teh joined the Supervisory Board, succeeding Musabbeh Al Kaabi; Saeed Al Mazrouei was newly appointed as Vice Chairman of the Supervisory Board. After the shareholder change from Mubadala to ADNOC in November, Khaled Salmeen replaced Saeed Al Mazrouei as Vice Chairman of the Supervisory Board, and Khaled Al Zaabi joined the Supervisory Board, replacing Alvin Teh.

Funding and Financing
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 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 a representation in Abu Dhabi.

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 29 employees to 302 by the end of 2022.

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 the Group's risk exposure and 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 the 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 performs a self-assessment of defined internal controls and takes action 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.

Borealis has standardised resource planning software which is used throughout the Group. 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 and may involve the use of financial derivative instruments. Subsequently, potential financial risks and corresponding risk mitigation measures are discussed. Risk management for the Group companies is driven by Borealis AG. Borealis AG addresses the following 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 external trade receivables). No significant default risks associated with trade receivables sold under the factoring 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, purchases or financing denominated in currencies other 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.

Interest Rate Risk

Borealis AG uses modified duration as a means of managing its interest rate risk, whereby average modified duration may only deviate from a pre-defined value within a given range. Borealis AG has therefore purchased interest rate derivatives denominated in USD to reach this target. The 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.

Market Price Risk

The Company uses large quantities of petrochemical raw materials and energy in its various production processes. The price risk in respect of the raw materials and finished products is continuously monitored and hedged where appropriate. In addition, derivative instruments are used to smoothen the effects of energy price fluctuations on the income statement and, thus, on the Company's equity in the long term.

Outlook for 2023

The Borealis Executive Board and its senior management are proud of the excellent full year 2022 results. Despite the very strong performance of both integrated polyolefins and fertilizer markets in the first half of the year, the weaker results in the final quarters are a clear sign of turbulence ahead. Borealis' management anticipates continued market volatility and an overall worsening market environment for its core business areas over the next years.

Yet as a trusted and reliable partner to its customers and the value chain, Borealis is well equipped to manage current and future crises. Supported by its strong foundation, Borealis will continue to make progress in expanding its geographic footprint while continuing to lead the industry transformation to a circular economy of plastics. By upholding its dedication to re-inventing essentials for more sustainable living, Borealis will keep providing innovative chemical and plastic solutions that create value for society.

Group Management Report [1)]

All amounts in the management report are not considering the reclassification of the discontinued operation and related balances held for sale.

Safety Performance

In 2022, Borealis reported a Total Recordable Injury Rate (TRIR) per million working hours of 2.9. This is a deterioration compared to the TRIR rate of 2.3 in 2021. The ratio reflects 60 incidents in which individuals were injured as well as one fatal accident involving a contractor in Grandpuits, France. Borealis expresses its deepest regret for this tragic fatality and all other incidents.

In line with its "Goal Zero" aim to eliminate all accidents and incidents, Borealis has developed and implemented new measures to enhance safety performance, including the new "B-safe" programme, whose pilot was launched in December in Belgium. B-safe will be successively rolled out across the Borealis Group by mid-2024. All Borealis employees and Executive Board members will receive one to three-day training sessions. Programme focus is on pro-active intervention to prevent safety incidents, risk identification measures, learning from past incidents, and promoting a generally heightened awareness of the importance of looking out for others on the job.

Ethical Labour Practices

The absolute top priority for the Borealis Group is to ensure the safety of all people working at and for Borealis. The Executive Board welcomes all efforts undertaken by Borealis senior management to implement further measures to achieve the ultimate "Goal Zero" of no accidents or incidents whatsoever, and to ensure that all people working for Borealis and its subcontractors can do so safely, and while heeding the highest ethical standards.

Ukraine and Geopolitical Conflict

The Borealis Executive Board and senior management have taken concrete measures in response to the war in Ukraine and the current geopolitical situation. Borealis has no production operations in either Russia or Ukraine, and employs only a limited number of persons in Russia. The Group's key priority is to ensure the safety of our people while doing the utmost to maintain business continuity.
In light of international sanctions and other applicable laws, Borealis has reassessed its business transactions with Russia and has stopped sales to Russia and Belarus.

Operations at Borealis production sites around the world have not been interrupted, yet contingency plans are in place should supply disruptions occur. Measures are being implemented on a continual basis to ensure stable material procurement for all Borealis production sites. We remain in close, direct contact with our suppliers and customers, and update them regularly on pertinent developments.

Business Overview

Pronounced volatility has characterised the Brent crude market in 2022. Prices increased sharply as a result of the war in Ukraine, from 75 USD/bbl in December 2021 to a June 2022 peak of 118 USD/bbl. As fears of an economic downturn multiplied, prices eased to 81 USD/bbl by December. Overall, the average 2022 Brent Crude oil price of 99 USD/bbl exceeded the 2021 average of 71 USD/bbl.

From the beginning of 2022, naphtha prices developed in a similar vein as the price of oil, increasing steadily from 698 USD/t in December 2021 to a peak of 996 USD/t in March 2022. Increased naphtha availability in Europe caused by lighter refinery feedstock, and lower demand from China, put downward pressure on the price, which stood at 559 USD/t at year's end. Ethylene and propylene contract prices were also impacted by the naphtha price development. Ethylene started the year at 1,273 EUR/t and, supported by healthy demand in the spring turnaround season, peaked in April at 1,665 EUR/t. Due to limited demand, particularly in July, prices declined, ending the year at 1,270 EUR/t. The price of propylene rose from 1,288 EUR/t in January to 1,675 EUR/t in April, closing out the year at 1,170 EUR/t.

Following the historic high levels reached in 2021, polyolefin margins slowly normalised in the first half of 2022, supported by a busy spring turnaround season, particularly in the second quarter. As of the third quarter, margins deteriorated due to plummeting demand resulting from the global GDP slowdown, and inflationary pressure on customers. In the meantime, the robust recovery of the international container freight market, which in December 2022 had approached pre-COVID levels, allowed imports to surge. Towards the end of the year, polyolefin margins recovered slightly thanks to low operating rates. In a similar way as in 2009, unplanned outages and high US ethane prices limited any increase of imports to Europe, and margins remained lower than at the start of the year.

1) The following information is based on the consolidated financial statements of Borealis AG from 31 December 2022, prepared in accordance with IFRS and accepted by the EU.

Strategy

In June, Borealis announced the launch of the Borealis Strategy 2030, a strategic evolution with sustainability at its core. Its two main pillars – geographic expansion and company transformation – build on the strong Borealis foundation of dedication to safety first, our people, innovation and technology, and performance excellence. The strategy sets forth ambitious new targets for both decarbonisation and the volume growth of circular economy products and solutions in the Borealis Polyolefins and Hydrocarbons businesses. Underlining the customer-centric approach to accelerating the transformation to a circular economy is a newly evolved purpose, "Re-inventing Essentials for Sustainable Living".

Joint Ventures and Global Growth

Geographic expansion is a key pillar of the Borealis Strategy 2030. Borealis is committed to achieving sustainable growth by way of joint ventures, mergers and acquisitions, and through the execution of major new construction projects on several continents. Closer geographic proximity to growth markets, and in particular the Middle East, Asia and North America, will enable Borealis to supply ever larger volumes of advanced and sustainable base chemicals and polyolefins to its global customers.

In June, Borouge, the strategic joint venture founded by Borealis and Abu Dhabi National Oil Company (ADNOC) in 1998, became the largest-ever IPO in Abu Dhabi when it was listed on the Abu Dhabi Securities Exchange (ADX). The IPO offered 10% of Borouge's total issued share capital and raised over USD 2.0 billion in gross proceeds. It drew USD 83 billion in orders and was oversubscribed by nearly 42 times in aggregate.

Borouge continued to drive growth in 2022. February saw the ground-breaking ceremony for Borouge 4, the new USD 6.2 billion facility under construction at the Borouge complex in Ruwais (UAE). Once operational, Borouge 4 will help meet growing demand for polymers in the Middle East and Asia, and will also supply feedstock to the adjacent TA'ZIZ Industrial Chemicals Zone. The successful start-up of PP5, the fifth Borouge polypropylene (PP) unit, also took place in February, boosting total Borouge PP capacity by more than 25%. The new PP5 unit is leveraging the proprietary Borstar® technology to deliver greater quantities of polymer-based material solutions for a wide range of industries, from packaging and consumer goods, to pipe and infrastructure.

The largest Borealis growth project underway in North America is the Baystar™ joint venture with TotalEnergies in Port Arthur, Texas. A new ethane-based steam cracker was started up in July 2022. With an annual production capacity of one million tonnes of ethylene, the cracker supplies feedstock to Baystar's existing polyethylene (PE) units. In the future, it will also supply ethylene to the new, 625,000 metric-tonne-per-year Borstar PE unit once construction and ramping up have been completed. Baystar is a crucial growth anchor as it enables Borealis to bring Borstar to North America for the first time.

Progress was made in the first half of 2022 at the new world-scale propane dehydrogenation plant (PDH) in Kallo (Belgium). However, construction was stopped after misconduct on the part of the site's contractor, IREM, was uncovered. Borealis suspended, then terminated all contracts with IREM and its subcontractors due to non-compliance with fundamental contractual principles. Work resumed in October following a re-tendering process. Borealis has zero tolerance for non-compliance in all aspects of its operations and has since implemented more extensive controls and monitoring measures to ensure full future compliance.

Borealis NITRO Divestment

The divestment process of the Borealis nitrogen business unit encountered delays as of the first quarter of 2022. A binding offer received from EuroChem in February was declined in March after assessing the consequences of the war in Ukraine and related sanctions. In June, Borealis received a binding offer from Czech-based AGROFERT that valued the business on an enterprise value basis at EUR 810 million. Pending regulatory approval, closing is anticipated for the first quarter of 2023. The Executive Board is confident that AGROFERT, a leading European player on the fertilizer market, is committed to maintaining supply security and the long-term development of production facilities.

Rosier Divestment

On 16 June 2022, Borealis converted into equity of Rosier S.A. a total of EUR 55 million, consisting of EUR 50 million intercompany loans, and EUR 5 million receivables, thus increasing its shareholding from 77.47% to 98.09%. As announced in September 2022, Borealis and YILDRIM Group's YILFERT Holding signed an agreement for the acquisition of Borealis' shares at a valuation of EUR 35 million. On 2 January 2023, Borealis completed the divestment of its shares in Rosier S.A., shedding the 98.09% of the shares it previously owned, and no longer owns any shares in Rosier S.A.

Circular Economy

With sustainability at its core, the Borealis Strategy 2030 is a natural evolution of the Group's circular economy journey, which began in 2014 with the pioneering launch of the Daplen™ portfolio of PP compound solutions containing post-consumer recycled (PCR) plastics for use in the automotive industry. By 2022, Borealis was continuing to lead the way towards circularity by increasing the share of circular products (such as recycled and renewable-based polymers, and renewable hydrocarbons) in its overall production output. Borealis aims to boost its current annual production capacity of 100,000 tonnes to 600,000[1)] tonnes by 2025, and to 1.8[2)] million tonnes by 2030. The transition from conventional fossil fuel-based feedstocks to more renewably-based ones is thus well under way.

The Borealis commitment to leading the industry in this transition is represented by its EverMinds™ platform, which joins value chain partners and other stakeholders in accelerating circularity, in part by facilitating value chain co-operation. An ever-increasing number of products and applications are being designed from the ground up to be eco-efficient. Design for recycling and reuse help save precious resources while minimising material waste.

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Energy and Climate

Borealis aims to reduce its Scope 1 and Scope 2 emissions from 5.1 million tonnes per year (from a 2019 baseline) to 2 million tonnes by 2030. To achieve this goal, a greater share of electricity obtained from renewable sources is being used in its own operations. By 2030, 100% of the electricity used in the Polyolefins and Hydrocarbons businesses should be of renewable origin. Emission reduction targets have been calculated on the basis of a 2023 divestment of the Borealis nitrogen business comprising fertilizers, melamine and technical nitrogen products.

Several long-term power purchase agreements (PPA) were signed in 2022. In February, a PPA signed with Fortum will use wind to help power operations in Finland, thereby reducing Scope 2 emissions at this location by 28,000 tonnes/year. In October, a ten-year PPA was signed with Axpo Nordic to supply wind power to Borealis' operations in Sweden, with projected Scope 2 emissions reductions of 10,000 tonnes/year. In December, Borealis signed its second PPA with Eneco. This ten-year agreement entails the supply of electricity generated from the offshore wind farm Seastar. It will reduce annual Scope 2 emissions at Borealis' operations in Belgium by approximately 22,300 tonnes. The Borealis Group's first hydropower PPA was signed in December with long-term partner and leading Austrian energy company VERBUND.

As of January 2023, the ten-year PPA will supply an annual 220 gigawatt hours (GWh) of electricity generated from two hydropower plants on the Danube River to Borealis' operations in Schwechat.

Borealis is also erecting an increasing number of photovoltaic (PV) arrays to power portions of its own operations. Together with VERBUND, Borealis announced in May the commissioning of one of the largest rooftop PV arrays in Linz, Austria; and in November, joint plans to establish a new PV park to help power operations in Schwechat. Annual CO_2 emissions at production operations in Linz will be lowered by 350 tonnes and in Schwechat by nearly 1,200 tonnes.

Green hydrogen has been called a crucial lever in the energy transition because it can be used to decarbonise heavy industry. To this end, Borealis announced in September that it has again joined forces with VERBUND in a joint industrial-scale project in which green hydrogen will be used to produce fertilizers, melamine and technical nitrogen products. Operations are planned to commence at an electrolysis plant in 2025, with an annual projected CO_2 emissions reduction of up to 90,000 tonnes.

In October, Borealis launched an innovative tool developed by the in-house Borealis Digital Studio: Neoni is a novel CO_2 emissions calculation tool that contains cradle-to-gate data for over 500 polyolefin grades. Using digitalisation to drive decarbonisation is part of the customer-centric approach taken by Borealis to drive the transition to the circular economy.

Borealis is currently exploring the viability of carbon capture and storage. Among several projects in the pipeline is the Antwerp@C project. Engineering studies are currently underway to gauge the viability of shared CO_2 infrastructure that joins leading chemical and energy companies at the Port of Antwerp. This effort would reduce by 50% the overall CO_2 emissions originating from the port by 2030.

Financial Performance

Sales

Borealis sold 3.54 million tonnes of polyolefins in 2022, 10% less than in 2021. The decrease was mainly caused by lower demand in the consumer products segment due to the slowing economy. Borealis Fertilizers sales reached 3.21 million tonnes in 2022 versus the 3.91 million sold in 2021, a decline attributed to lower demand (as product prices spiked on the back of elevated gas prices), and relatively low-priced urea imports flowing into Europe. Melamine sales volumes of 84 thousand tonnes in 2022 were significantly below the 143 thousand tonnes sold in 2021; here, the combined effect of the global economic slowdown and increased imports from China led to reduced domestic demand starting in the third quarter.

Cost Development

The higher feedstock price environment saw an increase in 2022 production costs compared to 2021. Furthermore, higher inflation caused by the global economic recovery drove an increase in sales and distribution costs from EUR 721 million in 2021 to EUR 873 million in 2022; administration costs increased accordingly from EUR 251 million in 2021 to EUR 278 million in 2022. Guided by an unchanged commitment to Value Creation through Innovation, spending on research and development (consisting of costs for Borealis Innotech organisation and depreciation of R&D assets) declined from EUR 123 million in 2021 to EUR 112 million in 2022.

At the end of 2022, the number of employees (headcount) was 7,649, an increase of 141 on the previous year.

Operating Profit

Operating profit amounted to EUR 1,081 million compared to EUR 1,517 million in 2021. The Polyolefins operating profit declined from EUR 1,186 million in 2021 to EUR 526 million in 2022. However, due primarily to results achieved in the first half of the year, it remains one of the best ever for Polyolefins. The Base Chemicals segment delivered an operating profit of EUR 243 million in 2022, down from EUR 309 million in 2021. Despite an increase in indicator margins, the result was negatively impacted by the Stenungsund cracker turnaround, less favourable sourcing costs due to the war in Ukraine, and lower demand, particularly in the second half of 2022.

Operating profit was also supported by a very strong contribution from the Borealis nitrogen business unit amounting to EUR 339 million in 2022 compared to EUR 126 million in 2021, and particularly from Fertilizers, in which margins remained healthy despite soaring natural gas prices. Melamine faced sluggish demand and collapsing prices, particularly in the second half of the year.

Since the announcement of the start of the divestment process of the Borealis nitrogen business unit, assets within the scope of the divestment have been classified as assets held for sale.

Financial Income and Expenses

The increase in net financial expenses from EUR 9 million in 2021 to a net financial income of EUR 104 million in 2022 was mainly due to a favourable currency effect driven by the stronger US dollar and higher interest income from the member loan granted to the Baystar joint venture with TotalEnergies.

Taxes

Income taxes amounted to EUR 342 million, an increase of EUR 79 million from tax charges of EUR 263 million in 2021. The higher overall tax charge in 2022 is to a large extent driven by deferred taxes on measurement of discontinued operation.

Net Profit

The reduction in operating profit was almost fully offset by the increased contribution from Borealis joint ventures, rising from EUR 595 million in 2021 to EUR 1,001 million in 2022. Borouge business performance was affected by softer demand and lower sales prices. The Baystar result suffered from the full depreciation charge after the start-up of the cracker, and subsequent slow ramping up due to operational challenges. However, the positive one-off effects of the Borouge IPO (which contributed EUR 604 million to the result) and the updated fair value assessment of the disposal group related to the ongoing divestment process of the nitrogen business unit (which contributed EUR 266 million) compensated for the lower business result. At EUR 2,111 million, the 2022 net profit is thus the highest ever obtained by Borealis.

Capital Expenditure

Investments in property, plant and equipment amounted to EUR 667 million in 2022, compared to EUR 660 million in 2021. A large portion of the total investment relates to the new, world-scale PDH plant in Kallo; the upgrade and revamp of four cracker furnaces in Stenungsund; the upgrade of semicon units in Antwerp; and a new wastewater treatment unit in Stenungsund. Health, Safety and Environment (HSE) capital expenditure amounted to EUR 107 million, compared to EUR 88 million in 2021. Investments in intangible assets amounted to EUR 58 million in 2022, compared to EUR 60 million in 2021.

Depreciation, amortisation and impairment amounted to EUR 352 million in 2022. In 2021, the comparable figure of EUR 427 million included an impairment charge of EUR 39 million in relation to Rosier assets.

Financial Position

At year end, total assets and capital employed stood at EUR 14,685 million and EUR 11,952 million, respectively, compared to EUR 12,985 million and EUR 9,936 million at the end of 2021.

Return on capital employed (ROCE) after tax of 19% in 2022 was on the same level as in the previous year. This strong result was mainly driven by the high profitability despite the continued investment in growth projects. The five-year average ROCE of 14% also remains well above the Group's target of 11% through the cycle.

Cash Flows and Liquidity Reserves

Cash flow from operating activities was EUR 898 million, driven by strong operating profitability, and partially offset by a negative working capital development due to the increasing price environment. Cash flow further benefitted from the successful Borouge IPO (EUR 745 million) and the partial externalisation of the Baystar member loans (EUR 602 million), and was partially offset by the dividend of EUR 698 million distributed to Borealis shareholders from the 2021 result, and an equity injection into Borouge 4 (EUR 408 million). Net interest-bearing debt decreased to EUR -70 million at year end, down from EUR 223 million at the end of 2021. The table below shows the change in net interest-bearing debt.

EUR million	2022	2021
Change of net interest-bearing debt		
Cash flow from operating activities	898	967
Capital expenditure	-725	-720
Capital contributions to and financing and acquisition of associated companies and joint ventures	-668	-366
Dividends of associated companies and joint ventures and non-consolidated subsidiaries	595	1,943
Proceeds from disposal of shares in joint ventures	745	0
Repayments of financing by joint ventures	602	0
Acquisition of non-controlling interests	-1	-4
Other (mainly relating to foreign exchange differences)	48	-38
Dividend paid to equity holders of the parent and non-controlling interests	-699	-150
Additions lease liabilities	-503	-21
Total decrease (+)/increase(-) of net interest-bearing net debt	**292**	**1,611**

This resulted in a gearing ratio of -1% at the end of 2022, compared to 3% at the end of 2021. This gearing reflects a very strong balance sheet. Liquidity reserves, composed of undrawn committed credit facilities and cash balances, amounted to EUR 3,408 million at year end 2022, compared to EUR 2,717 million at year end 2021. Borealis additionally benefits from a well-diversified financing portfolio and a balanced maturity profile. The solvency ratio was 66% at year end 2022, compared to 62% at year end 2021.

Shareholders' Equity

Shareholders' equity at year end 2022 was EUR 9,785 million.

EUR million	2022	2021
Equity development		
Net result attributable to the parent	2,108	1,406
Exchange and fair value adjustment (net)	163	452
Gross increase/decrease	2,271	1,858
Dividend paid	-698	-150
Changes in consolidation scope	-10	0
Reclassification of cash flow hedges to balance sheet	46	51
Net increase/decrease	1,609	1,759
Opening equity	8,176	6,417
Closing equity	**9,785**	**8,176**

Risk Management

Borealis has a documented risk management process ensuring that all parts of the Group routinely identify and assess their risks, and develop and implement appropriate mitigation actions. Risk management contributes to achieving the Group's long-term strategies and short-term goals. Borealis believes that an effective risk culture makes it harder for an outlier, be it an event or an offender, to put the Company at risk.

Borealis captures emerging risks, risks that may materialise during the business plan period, and strategic risks that may affect the delivery of the Group's long-term strategy. In addition, Borealis distinguishes between "outside-in" and "inside-out" risks. Particular emphasis was placed in 2022 on the risks emanating from the war in Ukraine, which were assessed by a dedicated emergency management team.

The Group's overall risk landscape is periodically consolidated, reported, and reviewed. Borealis distinguishes between different risk categories as outlined below. While this list is not exhaustive, it does illustrate the most relevant risk types.

Strategic and reputational risks are those that may severely impact the Borealis Group's strategy or reputation. Strategic risks are often related to unfavourable long-term developments, such as market or industry developments, technology, innovation, a change in the competitive environment or a threat to the reputation of the Group.

Operational and tactical 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 operational risks are assessed according to documented guidelines and procedures that are administered by the respective business functions. A proactive approach to risk prevention management has been implemented in the Operations function, covering risks in the areas of Production; Health, Safety and Environment (HSE); Product Stewardship; Plant Availability and Quality. The risk management approach also safeguards the Responsible Care® approach towards risks in operations. The standard risk management process includes a common risk matrix and risk registers, built bottom-up from plant to portfolio level, enabling a common risk rating system for the whole of operations.

HSE risks are assessed according to the procedures and framework described in the Borealis Risk-based Inspection Manual. The HSE Director is responsible for managing all HSE-related risks and periodically reports the Borealis HSE risk landscape to the Executive Board.

Borealis assesses and discloses the potential negative impact of its activities on the environment and society, and related mitigation measures in its Non-financial Report in accordance with legal obligations (NaDiVeG). The main risks analysed are:
– Unplanned emissions from operations that might cause additional emissions to air or soil, and water pollution, waste, noise and other disturbances to the local community;
– Process safety incidents causing the sudden and uncontrolled release of explosive materials and release of potentially harmful toxins;
– Chemical substances that, if not handled properly and according to their intended use, could lead to negative impacts on human health;
– Environmental pollution caused by pellet loss or plastic littering; and finally,
– COVID-19 pandemic-related risks to business as well as Borealis employees.

Climate-related risks and mitigation actions are also specifically analysed according to TCFD (Task Force on Climate-Related Financial Disclosures) guidelines and disclosed in the Borealis Non-financial Report. Related transition risks are, for example, higher GHG emission prices, increasing operating costs, increasing pressure on usage of fossil fuel-based feedstock and a negative industry image. Physical risks are mainly related to potential supply-chain disruptions, due, for example, to extreme weather events or political unrest. However, the risks associated with climate change also represent opportunities for innovation, such as product portfolio extensions that include low-emission, circular and/or bio-based products as well as partnerships that help transform the industry towards climate neutrality.

Project-related risks are assessed in the Borealis project approval process. The applicable key risks related to an individual project are assessed. These risks include financial, market, technical, legal, patent infringement, strategic, operational, country-related and political factors. The risk assessment also reflects the probability of project completion within the estimated time frame and forecasted resource requirements, and the likelihood that key project objectives will be achieved. Project-related risks are managed by the project manager and reported to the Project Steering Committee.

Financial and market risks may refer to risks arising for instance from unexpected changes in market supply, demand, commodity prices, services or financing costs. Risks may also arise from liquidity, interest rates, foreign exchange rates, credit and insurance, the inability of a counterparty to meet a payment or delivery commitment, and may, for example, extend to incorrect assumptions or the inappropriate application of a model. The assessment of financial risk management is described in detail in note 17 of the consolidated financial statements. The Treasury & Funding Director and the General Counsel are responsible for reporting and coordinating the management of all financial risks.

Compliance risks focus on legal and regulatory risks, code of conduct (ethics policy), standards as well as contracting compliance. Doing business in an ethical manner is vital to the Group's good reputation and continued success. Tactical or generic risks are risks identified as part of standards or compliance. These risks mainly relate to processes or control weaknesses.

Information security risks relate to the confidentiality, integrity and availability of critical company information. The IT Director 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 risk assessment in its strategic planning.

The Supervisory Board is responsible for reviewing the effectiveness of Borealis' risk management practices and processes, risk appetite and tolerance levels, the Group's risk exposure 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 are responsible for managing risk, within their authority and in their field of work, in order to ensure that risk management is properly embedded in the organisation and reflected in the daily decision-making processes.

Changes to Shareholder Structure

The 25% share in the Borealis Group previously held by Mubadala was acquired by ADNOC as of November 2022. This acquisition deepens the existing strong relationship between Borealis and ADNOC, and supplements its current drive to extend its global footprint to thriving chemical and petrochemical markets in North America and Europe. The Executive Board is pleased to welcome ADNOC as a new shareholder and looks forward to working closely with it and the OMV Group to ensure the sustained success of the Borealis Group.

Changes to the Supervisory Board

As published in the Borealis Interim Consolidated Financial Statements in June 2022, several changes to the Borealis Supervisory Board took effect as of 10 February 2022. Alvin Teh joined the Supervisory Board, succeeding Musabbeh Al Kaabi; Saeed Al Mazrouei was newly appointed as Vice Chairman of the Supervisory Board. After the shareholder change from Mubadala to ADNOC in November, Khaled Salmeen replaced Saeed Al Mazrouei as Vice Chairman of the Supervisory Board, and Khaled Al Zaabi joined the Supervisory Board, replacing Alvin Teh.

Economic Development and Outlook

The Borealis Executive Board and its senior management are proud of the excellent full year 2022 results. Despite the very strong performance of both integrated polyolefins and fertilizer markets in the first half of the year, the weaker results in the final quarters are a clear sign of turbulence ahead. Borealis' management anticipates continued market volatility and an overall worsening market environment for its core business areas over the next years.

Yet as a trusted and reliable partner to its customers and the value chain, Borealis is well equipped to manage current and future crises. Supported by its strong foundation, Borealis will continue to make progress in expanding its geographic footprint while continuing to lead the industry transformation to a circular economy of plastics. By upholding its dedication to re-inventing essentials for more sustainable living, Borealis will keep providing innovative chemical and plastic solutions that create value for society.

Other Information

In accordance with Section 267a (6) of the Austrian Commercial Code (UGB), Borealis prepares a separate consolidated non-financial report.

As a company subject to non-financial reporting obligations according to Article 19a of Directive 2013/34/EU of the European Parliament and of the Council, Borealis falls within the scope of the EU Taxonomy. Applying the EU Taxonomy enables Borealis to be transparent about its sustainable economic activities and to demonstrate the development of the sustainability performance of all business areas within the Group. For 2022, Borealis discloses within the separate consolidated non-financial report the share of taxonomy-eligible and non-taxonomy-eligible economic activities in its total turnover, CAPEX and OPEX, as well as the taxonomy-alignment levels of these KPI's.

		2022 excl. NITRO [1]	2022 incl. NITRO [1]	2021 incl. NITRO [1]	2020 incl. NITRO [1]	2019	2018
Income and profitability							
Total sales and other income	EUR million	9,613	12,225	10,153	6,937	8,103	8,337
Operating profit	EUR million	703	1,081	1,517	351	605	496
Operating profit as percentage of total sales and other income	%	7	9	15	5	7	6
Net profit	EUR million	1,613	2,111	1,396	589	872	906
Return on capital employed, net after tax	%	–	19	19	8	11	13
Cash flow and investments							
Cash flow from operating activities	EUR million	602	898	967	1,083	872	517
Investments in property, plant and equipment	EUR million	544	667	660	614	376	326
Cash and cash equivalents	EUR million	2,226	2,242	1,551	83	83	50
Financial position							
Balance sheet total	EUR million	–	14,685	12,985	10,583	10,118	9,949
Net interest-bearing debt	EUR million	–	-70	223	1,833	1,569	1,327
Equity attributable to owners of the parent	EUR million	–	9,785	8,176	6,417	6,445	6,421
Gearing	%	–	-1	3	29	24	21
Health, Safety & Environment [2]							
Total Recordable Injuries (TRI) [3]	number/million work hours						
a. Old definition		–	–	–	1.7	1.6	1.3
b. New definition [4]		2.6	2.9	2.3	3.9	3.4	–
EU ETS CO_2 emissions	kilotonnes	1,355	3,377	3,878	4,050	4,625	4,302
Primary energy consumption	GWh	14,923	21,364	21,730	22,340	25,831	24,476
Flaring performance	tonnes	39,955	39,955	38,538	42,543 [5]	27,619	26,273
Waste generation	tonnes	82,425	92,383	102,023	97,905	86,109 [6]	53,713
Water withdrawal	m^3 million	407	657	735	755	750	675
Number of employees	full-time equivalents [7]	–	–	6,934	6,920	6,869	6,834
	headcount [8]	5,631	7,649	7,508	–	–	–

1) NITRO: Borealis Fertilizers, Melamine and Technical Nitrogen Business excl. Rosier. For further details, please refer to note 8. Discontinued Operation and Other Changes in the Notes to the Consolidated Financial Statements // 2) Environmental data might be subject to minor adjustments due to ongoing audits and missing third-party data at the time of closing of this report. // 3) Rosier is excluded from TRI 2022 excl. NITRO. // 4) Definitions have been adjusted in 2021 to be aligned with OMV definitions. A comparison to previous years is only possible with 2020. // 5) Severe upsets led to significant emergency flaring during shutdowns; further there was a lack of recycling capacity. // 6) The main reason for the increase is the integration of the plastics recycling company mtm plastics GmbH into the monthly group reporting. // 7) Full-time equivalents considers part-time employed staff only as 0.5 // 8) Number of employees is presented in headcount instead of full-time equivalents since 2022. A comparison to previous years is only possible with 2021.

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 of associated companies and joint ventures 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, less cash and cash equivalents, divided by total equity
HSE: Health, Safety and Environment

Vienna, 22 February 2023
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Mark Tonkens m.p.
Chief Financial Officer

Wolfram Krenn m.p.
Executive Vice President
Base Chemicals & Operations

Philippe Roodhooft m.p.
Executive Vice President
Joint Ventures & Growth Projects

Lucrèce De Ridder m.p.
Executive Vice President
Polyolefins, Circular Economy Solutions
and Innovation & Technology

Financial Statements Standalone

Balance Sheet as of 31 December 2022

	31.12.2022 EUR	31.12.2021 EUR thousand
Assets		
A. Fixed assets		
I. Intangible assets		
1. Rights and licences	33,812,235.32	37,767
II. Tangible assets		
1. Office equipment	1,071,624.78	1,166
2. Construction in progress	2,529,136.13	678
	3,600,760.91	1,844
III. Financial assets		
1. Investments in affiliated companies	2,681,533,028.23	2,151,195
2. Loans to affiliated companies	131,536,240.53	135,036
thereof with residual maturity of more than one year EUR 127,536,240.53; 2021: EUR 127,536 thousand		
3. Investments in associated companies	5,462,892.28	416,126
4. Loans to associated companies	612,356,032.72	1,002,968
thereof with residual maturity of more than one year EUR 591,883,148.47; 2021: EUR 985,190 thousand		
5. Securities	6,663,999.65	6,988
	3,437,552,193.41	3,712,313
	3,474,965,189.64	**3,751,924**

	31.12.2022 EUR	31.12.2021 EUR thousand
Assets		
B. Current assets		
I. Inventories		
1. Raw materials and supplies	427,559,485.76	284,832
2. Finished goods and merchandise	877,921,884.37	791,145
	1,305,481,370.13	1,075,976
II. Receivables and other assets		
1. Trade receivables	697,129,449.10	1,058,748
thereof with residual maturity of more than one year EUR 0.00; 2021: EUR 0 thousand		
2. Receivables from affiliated companies	8,678,744,571.13	1,826,336
thereof with residual maturity of more than one year EUR 7,048,368,766.25; 2021: EUR 304,994 thousand		
3. Receivables from associated companies	187,457,349.07	144,151
thereof with residual maturity of more than one year EUR 38,955,969.57; 2021: EUR 20,101 thousand		
4. Other receivables and other assets	118,262,807.38	185,868
thereof with residual maturity of more than one year EUR 0.00; 2021: EUR 0 thousand		
	9,681,594,176.68	3,215,103
in total thereof with residual maturity of more than one year EUR 7,087,324,735.82; 2021: EUR 325,095 thousand		
III. Cash and cash equivalents	2,079,029,839.95	1,378,884
	13,066,105,386.76	**5,669,963**
C. Prepaid expenses	**11,047,117.56**	**10,891**
D. Deferred tax assets	**5,894,820.89**	**10,791**
Total assets	**16,558,012,514.85**	**9,443,570**

	31.12.2022 EUR	31.12.2021 EUR thousand
Shareholders' Equity and Liabilities		
A. Shareholders' equity		
I. Nominal capital called up and paid in	300,000.00	300
subscribed capital EUR 300,000.00; 2021 EUR 300 thousand		
II. Capital reserves		
1. Appropriated	101,604,460.00	101,604
2. Unappropriated	1,539,783,410.00	1,539,783
	1,641,387,870.00	1,641,388
III. Revenue reserves		
1. Legal reserves	30,000.00	30
IV. Retained earnings	11,778,756,089.74	4,200,453
thereof profit carried forward EUR 3,502,452,856.59; 2021: EUR 1,654,096 thousand		
	13,420,473,959.74	**5,842,171**
B. Provisions		
1. Provisions for pensions	16,595,502.30	23,271
2. Provisions for severance	320,295.00	0
3. Other provisions	213,749,117.06	180,492
	230,664,914.36	**203,763**
C. Liabilities		
1. Bonds	300,000,000.00	300,000
thereof with residual maturity of up to one year EUR 0.00; 2021: EUR 0 thousand		
thereof with residual maturity of more than one year EUR 300,000,000.00; 2021: EUR 300,000 thousand		

	31.12.2022 EUR	31.12.2021 EUR thousand
Shareholders' Equity and Liabilities		
2. Bank loans and overdrafts	1,263,401,228.92	1,316,366
thereof with residual maturity of up to one year EUR 40,149,313.60; 2021: EUR 71,129 thousand		
thereof with residual maturity of more than one year EUR 1,223,251,915.32; 2021: EUR 1,245,237 thousand		
3. Trade accounts payable	395,798,911.79	600,766
thereof with residual maturity of up to one year EUR 395,798,911.79; 2021: EUR 600,766 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2021: EUR 0 thousand		
4. Accounts payable to affiliated companies	825,316,307.06	1,054,485
thereof with residual maturity of up to one year EUR 825,316,307.06; 2021: EUR 1,054,485 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2021: EUR 0 thousand		
5. Accounts payable to associated companies	88,518,480.94	103,719
thereof with residual maturity of up to one year EUR 88,518,480.94; 2021: EUR 103,719 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2021: EUR 0 thousand		
6. Other liabilities	33,838,712.04	22,301
thereof taxes: EUR 2,548,368.13; 2021: EUR 2,261 thousand		
thereof social security: EUR 0.20; 2021: EUR 2 thousand		
thereof with residual maturity of up to one year EUR 33,838,712.04; 2021: EUR 22,301 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2021: EUR 0 thousand		
	2,906,873,640.75	**3,397,637**
in total thereof with residual maturity of up to one year EUR 1,383,621,725.43; 2021: EUR 1,852,400 thousand		
in total thereof with residual maturity of more than one year EUR 1,523,251,915.32; 2021: EUR 1,545,237 thousand		
Total equity and liabilities	**16,558,012,514.85**	**9,443,570**

Income Statement for the Year 2022

		31.12.2022 EUR	31.12.2021 EUR thousand
1.	Sales	8,801,356,527.31	8,089,131
2.	Increase or decrease in finished goods	86,777,279.89	300,495
3.	Other operating income		
	a) Other income	307,844,637.92	124,121
4.	Cost of materials and purchased services		
	a) Cost of materials	-5,941,185,814.63	-5,076,540
	b) Cost of purchased services	-1,600,965,579.13	-1,320,886
		-7,542,151,393.76	-6,397,426
5.	Personnel expenses		
	a) Salaries	-52,838,484.04	-54,135
	b) Social contributions	-10,155,939.24	-13,976
	thereof pension fund contributions ("+" income / "-" expense) EUR +2,448,799.48; 2021: EUR -1,675 thousand		
	aa) thereof expense for severance payments and corporate staff and self-employment fund contributions EUR 1,063,406.10; 2021: EUR 876 thousand		
	bb) thereof expense for statutory social security and payroll related taxes and contributions EUR 8,857,998.58; 2021: EUR 9,280 thousand		
		-62,994,423.28	-68,111
6.	Amortisation and depreciation of		
	a) intangible and tangible assets	-3,924,080.85	-2,556
	b) current assets, insofar as these exceed the usual depreciation in the corporation	-358,146.00	-40,600
		-4,282,226.85	-43,156
7.	Other operating expenses		
	a) Taxes, other than those reported in line item 17	-737.07	0
	b) Other expenses	-717,597,621.06	-668,728
		-717,598,358.13	-668,728
8.	**Subtotal of line 1 to 7**	**868,952,043.10**	**1,336,326**

	31.12.2022 EUR	31.12.2021 EUR thousand
9. Income from investments	514,222,118.75	2,021,652
thereof affiliated companies EUR 66,847,304.22; 2021: EUR 77,145 thousand		
10. Interest income from long-term loans	33,636,289.09	28,014
thereof affiliated companies EUR 0.00; 2021: EUR 169 thousand		
11. Gains on sale of financial assets and gains from reversal of impairment	7,286,074,251.19	0
12. Other interest and similar income	75,796,133.55	35,862
thereof affiliated companies EUR 35,330,662.18; 2021: EUR 24,958 thousand		
13. Expenses arising from financial assets	-33,354,340.16	-433,683
thereof affiliated companies EUR 32,973,905.00; 2021: EUR 433,595 thousand		
Depreciation EUR 33,354,340.16; 2021: EUR 433,595 thousand		
14. Interest and similar expenses	-291,893,085.13	-116,135
thereof affiliated companies EUR 7,002,267.41; 2021: EUR 3,644 thousand		
15. Subtotal from line 9 to 14	**7,584,481,367.29**	**1,535,710**
16. Income before Tax (subtotal from line 8 and 15)	**8,453,433,410.39**	**2,872,036**
17. Taxes on income	-177,833,225.23	-325,679
thereof income from deferred tax assets EUR 4,896,665.88; 2021: EUR 541 thousand		
18. Income after Tax	**8,275,600,185.16**	**2,546,357**
19. Net assets through demerger	703,048.00	0
20. Net income for the year	**8,276,303,233.16**	**2,546,357**
21. Profit carried forward from previous year	3,502,452,856.59	1,654,096
22. Retained earnings	**11,778,756,089.74**	**4,200,453**

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 meets 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 principle of individual valuation. The financial statements have been compiled according to the principle of completeness. The principle of prudence was taken into account insofar as, in particular, only gains realised at the balance sheet date were accounted for. All recognisable risks and impending losses incurred up to the balance sheet date were included. Estimates are based on prudent judgement. Where there were statistically determined experiences arising from 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/amortisation and impairment losses. Impairments of tangible and intangible assets in excess of scheduled depreciation are recognised as write-downs where impairment is deemed to be permanent.

Financial assets are carried at cost. In the event of sustained and material impairment, a lower fair value is recognised. Fair value is calculated by 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 the event 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/production costs are 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 using a cautious valuation approach.

According to Position Paper No. 27 dated June 2022 of AFRAC [1)] "Accruals for pensions and severance payments, provisions for jubilee 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 "AVÖ 2018-P". Additionally, the earliest date possible for retirement age according to Austrian social insurance legislation is adopted for the calculation. The discount rate used is 3.50% (2021: 1.00%). The discount rate is determined by reference to market rates on the 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. Additionally, an average increase in pension payments of 2.60% (2021: 2.00%) is considered. The interest expenses relating to provisions for pensions along with effects on changes in discount rates are recorded under the corresponding personnel expense.

1) AFRAC: Austrian Financial Reporting and Auditing Committee

Provisions for jubilee bonuses are calculated in accordance with IFRS [2] (IAS [3] 19) using a discount rate of 3.55% (2021: 1.05%). The discount rate is determined by reference to market rates on the balance sheet date. Additionally, a fluctuation deduction of 2.00% (2021: 2.00%) as well as an average wage and salary increase of 4.90% (2021: 3.50%) are used for the calculations.

The corporate law provision for severance payments was actuarially calculated according to Position Paper No. 27 of AFRAC "Accruals for pensions and severance payments, provisions for jubilee bonuses and comparable obligations falling due in the long-term under the provision of the Austrian Commercial Code" (June 2022), according to the rules of IFRS (IAS 19) by using the present value method based on the mortality tables of the Actuarial Association of Austria (AVÖ 2018-P). The earliest date possible for retirement age according to Austrian social insurance legislation is adopted for the calculation. The discount rate (current market interest rate) is 3.50%. A fluctuation deduction of 2.00% and a future salary increase of 4.90% were taken into account.

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 settlement amount.

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

Obligatory disclosures on financial statement items were omitted where 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 on the balance sheet date, whereas liabilities denominated in foreign currencies are valued at the higher rate of origin or the exchange rate prevailing on the balance sheet date.

Derivative financial instruments are reported at the lower of acquisition cost or the fair value on the balance sheet date. Provisions for impending losses from outstanding transactions are measured following the imparity principle. Derivative financial instruments are accounted for according to the principle of individual valuation. Starting on 1 January 2011, due to the implementation of the new AFRAC position paper, derivative financial instruments designated for hedging purposes have been presented and measured as a unit with the underlying transaction. Predominantly, pending transactions and future cash flows are hedged.

The prerequisites for the formation of valuation units are individual risk compensation, matching interest rate maturities and currencies, matching credit ratings and matching maturities. 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. Future sales and purchases in a foreign currency whose exchange rate is fully hedged with foreign exchange forwards are valued at the agreed forward exchange rate. In the case of effective hedge relationships of cash flow hedges, the 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.

2) International Financial Reporting Standards // 3) International Accounting Standards

The following affiliated companies signed toll manufacturing contracts with Borealis AG:
– 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
– Borealis Plastomers B.V., the Netherlands

II. Notes to the Balance Sheet

Assets

1. Fixed Assets

Development of fixed assets:

EUR	Acquisition Cost			
	Balance as of 1 January 2022	**Additions**	**Disposals**	**Balance as of 31 December 2022**
Intangible assets				
Rights and licences	91,534,136.84	1,773,361.14	-15,930,811.05	77,376,686.93
	91,534,136.84	**1,773,361.14**	**-15,930,811.05**	**77,376,686.93**
Tangible assets				
Office equipment	5,608,666.62	1,664,907.61	-3,330,279.19	3,943,295.04
Construction in progress	677,534.82	1,851,601.31	0.00	2,529,136.13
	6,286,201.44	**3,516,508.92**	**-3,330,279.19**	**6,472,431.17**
Financial assets				
Investments in affiliated companies	3,265,055,058.52	464,340,396.97	0.00	3,729,395,455.49
Loans to affiliated companies	135,036,240.53	0.00	-3,500,000.00	131,536,240.53
Investments in associated companies	416,126,152.33	1,000,000.00	-411,663,259.05	5,462,893.28
Loans to associated companies	1,002,967,971.96	211,072,777.96	-601,684,717.20	612,356,032.72
Securities	7,127,423.06	3,702,869.60	-4,058,602.65	6,771,690.01
	4,826,312,846.40	**680,116,044.53**	**-1,020,906,578.90**	**4,485,522,312.03**
Total fixed assets	**4,924,133,184.68**	**685,405,914.59**	**-1,040,167,669.14**	**4,569,371,430.13**

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

Accumulated Amortisation/Depreciation					Carrying Value	
Balance as of 1 January 2022	**Additions**	**Disposals**	**Reversals**	**Balance as of 31 December 2022**	**Balance as of 31 December 2021**	**Balance as of 31 December 2022**
-53,766,986.56	-2,686,614.05	12,889,149.00	0.00	-43,564,451.61	37,767,150.28	33,812,235.32
-53,766,986.56	**-2,686,614.05**	**12,889,149.00**	**0.00**	**-43,564,451.61**	**37,767,150.28**	**33,812,235.32**
-4,442,756.54	-1,237,466.80	2,808,553.08	0.00	-2,871,670.26	1,165,910.08	1,071,624.78
0.00	0.00	0.00	0.00	0.00	677,534.82	2,529,136.13
-4,442,756.54	**-1,237,466.80**	**2,808,553.08**	**0.00**	**-2,871,670.26**	**1,843,444.90**	**3,600,760.91**
-1,113,860,522.26	-32,973,905.00	0.00	98,972,000.00	-1,047,862,427.26	2,151,194,536.26	2,681,533,028.23
0.00	0.00	0.00	0.00	0.00	135,036,240.53	131,536,240.53
-1.00	0.00	0.00	0.00	-1.00	416,126,151.33	5,462,892.28
0.00	0.00	0.00	0.00	0.00	1,002,967,971.96	612,356,032.72
-139,045.85	-380,435.16	411,790.65	0.00	-107,690.36	6,988,377.21	6,663,999.65
-1,113,999,569.11	**-33,354,340.16**	**411,790.65**	**98,972,000.00**	**-1,047,970,118.62**	**3,712,313,277.29**	**3,437,552,193.41**
-1,172,209,312.21	**-37,278,421.01**	**16,109,492.73**	**98,972,000.00**	**-1,094,406,240.49**	**3,751,923,872.47**	**3,474,965,189.64**

Intangible Assets

Intangible assets purchased from affiliated companies amount to acquisition costs of EUR 31,802,173.36 (2021: EUR 31,802 thousand). Amortisation/Depreciation is calculated on a straight-line basis over expected useful lives of three to nineteen years.

In the 2022 financial year, no impairment losses on intangible assets have been recognised (2021: EUR 0 thousand).

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 as shown in the following table:

Investments in affiliated companies	Country	City	Investment in %	Proportional equity IFRS EUR thousand	Proportional net profit IFRS EUR thousand
Borealis Agrolinz Melamine Deutschland GmbH	Germany	Wittenberg	100.00	33,561	6,079
Borealis Argentina SRL	Argentina	Buenos Aires	98.00	14	-12
BOREALIS ASIA LIMITED	Hong Kong	Hong Kong	100.00	679	32
Borealis Brasil S.A.	Brazil	Itatiba	80.00	35,593	9,062
BOREALIS CHEMICALS ZA (PTY) LTD	South Africa	Germiston	100.00	111	16
Borealis Chile SpA	Chile	Santiago	100.00	52	21
Borealis Chimie S.A.R.L.	Morocco	Casablanca	100.00	269	35
Borealis Circular Solutions Holding GmbH	Austria	Vienna	100.00	24,869	-157
Borealis Colombia S.A.S.	Colombia	Bogota	100.00	75	16
Borealis Denmark ApS	Denmark	Copenhagen	100.00	107	23
Borealis Digital Studio B.V.	Belgium	Zaventem	90.00	681	264
Borealis Financial Services N.V.	Belgium	Mechelen	100.00	188,733	2,608
Borealis France S.A.S.	France	Courbevoie	100.00	415,395	15,679
Borealis Insurance A/S (captive insurance company)	Denmark	Copenhagen	100.00	90,201	1,826
BOREALIS ITALIA S.p.A.	Italy	Monza	100.00	17,870	1,317
Borealis L.A.T Italia s.r.l.	Italy	Milan	100.00	93	8
Borealis México, S.A. de C.V.	Mexico	Mexico City	100.00	604	-62
Borealis Plasticos, S.A. de C.V.	Mexico	Mexico City	100.00	30	-3
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Sirketi	Turkey	Istanbul	100.00	292	254
Borealis Plastomers B.V.	The Netherlands	Geleen	100.00	37,416	4,358

Investments in affiliated companies	Country	City	Investment in %	Proportional equity IFRS EUR thousand	Proportional net profit IFRS EUR thousand
Borealis Poliolefinas da América do Sul Ltda.	Brazil	Itatiba	100.00	2,832	1,168
Borealis Polyolefins d.o.o.	Croatia	Zagreb	100.00	27	0
Borealis Polyolefins S.R.L.	Romania	Bucharest	100.00	25	0
Borealis Polyolefins s.r.o.	Slovakia	Bratislava	100.00	5	0
Borealis Polska Sp. z o.o.	Poland	Warsaw	100.00	324	132
Borealis Polymere GmbH	Germany	Burghausen	100.00	89,952	13,458
Borealis Polymers N.V.	Belgium	Beringen	100.00	269,825	7,851
Borealis Polymers Oy	Finland	Porvoo	100.00	374,470	9,944
Borealis Química España S.A.	Spain	Barcelona	100.00	596	139
Borealis RUS LLC	Russia	Moscow	100.00	1,024	60
Borealis s.r.o.	Czech Republic	Prague	100.00	175	34
Borealis Sverige AB	Sweden	Stenungsund	100.00	269,702	-3
Borealis Technology Oy	Finland	Porvoo	100.00	30	1
BOREALIS UK LTD	UK	Manchester	100.00	2,749	1,482
Borealis USA Inc.	US	Port Murray	100.00	606,737	178
DYM SOLUTION CO., LTD	South Korea	Cheonan	99.75	39,375	6,240
Feboran EOOD	Bulgaria	Sofia	100.00	33,486	11,193
mtm compact GmbH	Germany	Niedergebra	100.00	1,064	-221
mtm plastics GmbH	Germany	Niedergebra	100.00	5,515	1,614
Rosier S.A.	Belgium	Moustier	98.09	26,476	-4,157

Investments in affiliated companies	Country	City	Investment in %	Proportional preliminary equity local GAAP EUR thousand	Proportional preliminary net profit local GAAP EUR thousand
Borealis Agrolinz Melamine GmbH	Austria	Linz	100.00	89,289	-3,048
Borealis Circular Solutions Holding GmbH	Austria	Vienna	100.00	24,869	-157
Borealis L.A.T GmbH	Austria	Linz	100.00	275,214	176,468
Borealis Middle East Holding GmbH	Austria	Vienna	100.00	514,897	106,461
Borealis Polyolefine GmbH	Austria	Schwechat	100.00	143,986	12,359
Ecoplast Kunststoffrecycling GmbH	Austria	Wildon	100.00	1,852	-1,249

Investments in associated companies	Country	City	Investment in %	Proportional equity IFRS EUR thousand	Proportional net profit IFRS EUR thousand
C2PAT GmbH	Austria	Vienna	25.00	10	1
C2PAT GmbH & Co KG	Austria	Vienna	25.00	996	-197
Kilpilahden Voimalaitos Oy	Finland	Porvoo	20.00	-756	-1.199
Recelerate GmbH	Germany	Herborn	50.00	1.000	0

Loans to affiliated companies totalling EUR 131,536,240.53 (2021: EUR 135,036 thousand) will mature within one year, in the amount of EUR 4,000,000.00 (2021: EUR 7,500 thousand), and in more than five years, in the amount of EUR 127,536,240.53 (2021: EUR 127,536 thousand).

Securities serve to fulfil coverage requirements for pension provisions. In the financial year, an impairment loss of EUR 380,435.16 (2021: impairment loss EUR 62 thousand) and purchases in the amount of EUR 0.00 (2021: EUR 475 thousand) were recognised for securities. In the reporting period a securities exchange was carried out due to a fund merger. The book value at the time of the securities exchange was EUR 3,646,812.00.

Loans to associated companies totalling EUR 612,356,032.72 (2021: EUR 1,002,968 thousand) will mature within one year, in the amount of EUR 0.00 (2021: EUR 0 thousand), and in more than five years, in the amount of EUR 591,883,148.47 (2021: EUR 985,190 thousand). Loans to Bayport Polymers LLC, USA, total EUR 591,883,148.47 (2021: EUR 985,190 thousand).

2. Inventories

	2022 EUR	2021 EUR thousand
Raw materials and supplies	427,559,485.76	284,831
Finished goods and merchandise	877,921,884.37	791,145
Total	**1,305,481,370.13**	**1,075,976**

3. Receivables and Other Assets

Trade receivables comprise purchased CO_2 emission allowances amounting to EUR 164,801,650.04 (2021: EUR 240,218 thousand) and are stated at acquisition cost.

Receivables from affiliated companies totalling EUR 8,678,744,571.13 (2021: EUR 1,826,336 thousand) are broken down into trade receivables of EUR 59,784,051.97 (2021: EUR 38,866 thousand) and other receivables of EUR 8,618,960,519.16 (2021: EUR 1,787,470 thousand). Most of the other receivables from affiliated companies are from Borealis Middle East Holding GmbH in the amount of EUR 6,743,374,901.57 coming from the sale of Borouge Pte. Ltd. and Abu Dhabi Polymers Company Limited.

Receivables from associated companies of EUR 187,457,349.07 (2021: EUR 144,151 thousand) are exclusively trade receivables.

There is no material income that will affect cash flow after the balance sheet date.

Borealis AG has a factoring programme under which the Company sells certain trade receivables to external parties. The Company does not retain any major interest in the trade receivables and thus derecognises the receivables sold accordingly. Borealis AG continues to administer the relationship with debtors and has to transfer all receivables collected and previously sold to the purchaser under this programme. Several reserves are deducted from the nominal value of the sold receivables and will be released upon transfer of the respective collected receivables to the purchaser. As of 31 December 2022, receivables worth EUR 363,959,609.14 (2021: EUR 378,725 thousand) were sold to the purchaser under the factoring programme.

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:

EUR thousand	Fixed assets	Current assets	Unused tax losses carried forward	Provisions	Total
Deferred tax assets as of 1 January 2022	1,211	5,087	0	4,493	10,791
Recognised through profit and loss in 2022	-252	-3,008	0	-1,636	-4,897
Deferred tax assets as of 31 December 2022	**959**	**2,079**	**0**	**2,857**	**5,895**

A tax rate of 23% was used to measure the temporary differences as these will be almost exclusively reversed in 2024 and later. Deferred tax assets solely comprise deductible temporary differences. Deferred taxes include long-term temporary differences totalling EUR 14,015,015.97 (2021: EUR 21,353 thousand).

Shareholders' Equity and Liabilities

1. Shareholders' Equity

Nominal and Paid-Up share capital

The share capital of Borealis AG amounts to EUR 300,000.00 and consists of 300,000 bearer shares as 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 on a contribution in kind between Borealis AG, Vienna and IPIC Denmark Holdings ApS dated 5 December 2005, relating to a 40% interest in Borealis A/S and a 50% interest in IOB, a sum of EUR 1,195,920,552.86 was allocated to the unappropriated capital reserves.

Furthermore, due to an agreement on 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.

Retained Earnings

Borealis AG intends to pay a dividend of EUR 1,054,000,000.00 (2021: EUR 698,000 thousand) and to carry forward the remaining balance.

2. Other Provisions

	2022 EUR	2021 EUR thousand
Provisions for outstanding invoices	86,913,008.27	60,596
Provisions for customer rebates and bonuses	47,915,941.96	52,175
Provisions for long-term incentive plan	12,267,625.66	6,068
Provisions for impending losses from uncompleted transactions	9,991,765.21	11,010
Provisions for accrued interest	7,008,500.31	5,873
Provisions for not consumed vacation	4,982,959.00	4,233
Provisions for employee bonuses	4,782,131.23	9,214
Provisions for jubilee bonuses	2,093,370.00	2,003
Provisions for social fund	1,895,000.00	136
Other provisions	35,898,815.86	29,184
Total	**213,749,117.50**	**180,492**

3. Liabilities

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

EUR	**2022**	
	Carrying value as of 31.12.2022	**Thereof maturity > five years**
Bonds	300,000,000.00	0.00
Bank loans and overdrafts	1,263,401,228.92	361,065,550.88
Trade accounts payable	395,798,911.79	0.00
Accounts payable to affiliated companies	825,316,307.06	0.00
Accounts payable to associated companies	88,518,480.94	0.00
Other liabilities	33,838,712.04	0.00
Total	**2,906,873,640.75**	**361,065,550.88**

EUR	2021	
	Carrying value as of 31.12.2021	Thereof maturity > five years
Bonds	300,000,000.00	0.00
Bank loans and overdrafts	1,316,365,781.50	472,356,337.66
Trade accounts payable	600,766,568.69	0.00
Accounts payable to affiliated companies	1,054,484,887.65	0.00
Accounts payable to associated companies	103,718,793.32	0.00
Other liabilities	22,300,850.32	0.00
Total	**3,397,636,881.48**	**472,356,337.66**

Accounts payable to affiliated companies totalling EUR 825,316,307.06 (2021: EUR 1,054,485 thousand) consist of financial payables of EUR 474,232,141.55 (2021: EUR 489,807 thousand) and trade payables of EUR 351,084,165.51 (2021: EUR 564,678 thousand).

Accounts payable to associated companies amounting to EUR 88,518,480.94 (2021: EUR 103,719 thousand) are exclusively trade payables.

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

4. Obligations from the Use of Fixed Assets Not Stated in the Balance Sheet

EUR thousand	2022	
	Expenses for the next financial year	Expenses for the next five financial years
Obligations from lease agreements	36,919	121,789
Obligations from rental agreements	2,594	1,695
Total	**39,514**	**123,484**

5. Notes to Financial Instruments

According to the financial policy of the 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 foreign exchange forwards, interest rate swaps, cross currency interest rate swaps and commodity derivatives (feedstock, electricity and natural gas).

Financial risk management is centralised in the Treasury and Funding Department where foreign exchange risks in conjunction with short-term cash flows are hedged and limits for long-term foreign exchange exposures are set.

The majority of borrowings are based on fixed interest rates. The portion of borrowings that is based on variable interest rates is transformed into fixed interest rates using interest rate swaps. Part of the 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 using electricity and natural gas swaps.

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

Derivatives	**2022**					
	Nominal value		**Fair value EUR thousand**		**Carrying value EUR thousand**	**Balance sheet item**
		Unit	**Positive**	**Negative**		
Forward exchange forwards	279,300 1,706,000	USD thousand SEK thousand	7,405 0	-197 -3,827	– –	
thereof valuation unit with hedged transaction	279,300 1,706,000	USD thousand SEK thousand	7,405 0	-197 -3,827	– –	
Interest rate swaps	0 110,000	EUR thousand USD thousand	0 5,941	0 0	– –	
thereof valuation unit with hedged transaction	0 110,000	EUR thousand USD thousand	0 5,941	0 0	– –	
Forward exchange contracts	0 5,000,000	GBP thousand JPY thousand	0 0	0 -8,834	-8,834 –	Other provisions
thereof valuation unit with hedged transaction	0 0	GBP thousand JPY thousand	0 0	0 0	– –	
Commodity derivates	1,119,721 4,042	tonnes GWh	25,137 315,809	-19,642 -5,856	-1,158	Other provisions
thereof valuation unit with hedged transaction		tonnes GWh	25,137 315,809	-18,484 -5,856	– –	

Derivatives	2021						
	Nominal value		Fair value EUR thousand		Carrying value EUR thousand	Balance sheet item
		Unit	Positive	Negative		
Forward exchange forwards	214,700 1,641,000	USD thousand SEK thousand	0 16	-6,159 -1,806	– –	
thereof valuation unit with hedged transaction	214,700 1,641,000	USD thousand SEK thousand	0 16	-6,159 -1,806	– –	
Interest rate swaps	11,538 110,000	EUR thousand USD thousand	0 0	-68 -723	– –	
thereof valuation unit with hedged transaction	11,538 110,000	EUR thousand USD thousand	0 0	-68 -723	– –	
Forward exchange contracts	0 5,000,000	GBP thousand JPY thousand	0 0	0 -3,817	-3,817 –	Other provisions
thereof valuation unit with hedged transaction	0 0	GBP thousand JPY thousand	0 0	0 0	– –	
Commodity derivates	349,857 6,824	tonnes GWh	13,420 363,632	-13,211 -59,774	-7,194	Other provisions
thereof valuation unit with hedged transaction	273,757 6,824	tonnes GWh	11,853 363,632	-6,017 -59,774	– –	

The fair value of foreign exchange forwards corresponds to the quoted market price on the 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 the event of closing the position on the balance sheet date, with current interest rates taken into account. The fair value of commodity derivatives corresponds to the market price quoted at the 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 EUR 9,992 thousand (2021: EUR 11,010 thousand) as at the balance sheet date.

Foreign exchange forwards mature at an average of six months, where all contracts existing as at the balance sheet date mature by the end of the year 2023 at the latest. As at the balance sheet date, Borealis AG had outstanding interest rate derivatives with maturities until 2024 as well as cross currency interest rate swaps maturing in 2024.

As at the balance sheet date, Borealis AG had commodity derivatives transactions for hedging the price of raw materials maturing at an average of three months and for hedging the price of energy and gas maturing at an average of 24 months. Commodity derivatives mature no later than 2025.

Provisions for impending losses are accrued for foreign exchange forwards and commodity derivatives, respectively, in the event that those pending transactions show a negative fair value on the balance sheet date and are not designated as hedging instruments. Foreign exchange forwards and commodity derivatives, respectively, which show a positive fair value on the balance sheet date and are not designated as hedging instruments, are not capitalised. Interest rate swaps for hedging interest bearing loans are not capitalised as they are deemed to form a valuation unit with the underlying loan. The parameters of the hedged item and the hedging instrument, which determine the extent of the change in value, are identical but opposite (critical terms match). Accordingly, the hedging relationship is considered effective and does not exhibit any ineffectiveness.

Expenses and income from derivative instruments not used 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. Where derivatives are designated as hedging instruments, the results achieved are disclosed in the same profit and loss items as the results of the hedged transaction.

The 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%.

The effectiveness tests of hedging relationships showed that there was no ineffectiveness as at 31 December 2022.

6. Contingent Liabilities

Borealis AG assumed guarantees amounting to EUR 3,030,789.44 (2021: EUR 3,182 thousand) for external loans and liabilities to affiliated companies. In addition, Borealis AG provides two parental guarantees, which are treated as contingent liabilities, in the amount of EUR 624,976,561.04 to Baystar.

III. Notes to the Income Statement

A. Sales and Cost of Materials

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

EUR thousand	Sales by Market and Business Areas 2022			
	Polyolefins	Base Chemicals	Other	Total
EU countries	4,802,846	1,299,666	347,079	6,449,591
Non-EU countries	753,316	416,110	0	1,169,426
Total Europe	5,556,162	1,715,776	347,079	7,619,018
North America	170,652	31,645	14,872	217,168
South America	163,970	0	0	163,970
Middle East (excl. UAE)	32,690	0	112,037	144,727
United Arab Emirates	31,969	0	1,593	33,562
Asia	413,245	6,436	0	419,681
Australia, New Zealand	2,232	4	0	2,235
Africa	200,995	0	0	200,995
Total	**6,571,915**	**1,753,860**	**475,582**	**8,801,356**

EUR thousand	Sales by Market and Business Areas 2021			
	Polyolefins	Base Chemicals	Other	Total
EU countries	4,623,649	1,092,574	237,036	5,953,259
Non-EU countries	866,968	253,114	0	1,120,082
Total Europe	5,490,617	1,345,688	237,036	7,073,341
North America	182,034	36,869	11,573	230,476
South America	169,099	0	0	169,099
Middle East (excl. UAE)	36,645	0	0	36,645
United Arab Emirates	9,602	18,387	99,143	127,131
Asia	277,353	0	0	277,353
Australia, New Zealand	2,258	0	0	2,258
Africa	172,826	0	0	172,826
Total	**6,340,435**	**1,400,944**	**347,752**	**8,089,131**

B. Other Operating Income

In the 2022 financial year, the other operating income contains insurance compensations for the business interruption at Borealis Polyolefine GmbH EUR 4,029,399.00 (2021: EUR 22,054 thousand at Borealis AB, Sweden). Furthermore, the partial write-off of the receivable of Rosier S.A. from 2021 in the amount of EUR 40,600 thousand was reversed in 2022. See also section F. Financial Result in the notes. EUR 254,769,284.90 (2021:EUR 60,462 thousand) derives from foreign currency translation.

C. Personnel Expenses

In the 2022 financial year, the average number of employees was 302 (2021: 273). Exclusively white-collar workers are employed.

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

	2022 EUR	2021 EUR thousand
Executive Board	580,487.19	594
Managerial employees	1,013,464.76	1,222
Other employees	1,450,913.08	1,255
Total	**3,044,865.03**	**3,071**

Voluntary severance payments amounted to EUR 80,849.09 (2021: EUR 206 thousand) and are broken down as follows:

	2022 EUR	2021 EUR thousand
Executive Board	0,00	0
Managerial employees	0,00	206
Other employees	80,849.09	0
Total	**80,849.09**	**206**

D. Other Operating Expenses

	2022 EUR	2021 EUR thousand
Freight	369,455,342.66	266,315
Research and development costs	58,618,441.29	56,894
Consulting services	47,862,358.44	35,418
Derivatives	37,965,642.77	125,408
Storage	29,710,140.34	24,390
Insurance	24,795,664.60	20,266
Royalties	16,665,533.76	54,362
Commission	12,790,817.81	12,167
Rents	4,284,634.49	14,951
Trainings, seminars	2,596,855.83	1,596
Travel expenses	2,114,503.82	726
Sundry	110,737,685.25	56,235
Total	**717,597,621.06**	**668,728**

E. Audit Expenses

	2022 EUR	2021 EUR thousand
Audits of statutory national and consolidated financial statements	415,203.00	351
Other assurance services	440,596.00	249
Other services	0.00	0
Total	**855,799.00**	**600**

F. Financial Result

The financial result is broken down as follows:

	2022 EUR	2021 EUR thousand
Income from investments		
Abu Dhabi Polymers Company Limited, UAE	411,396,902.89	1,875,581
Borealis Polyolefine GmbH, Austria	43,999,931.65	17,000
Borouge Pte. Ltd., Singapore	35,977,911.64	68,925
Borealis Agrolinz Melamine GmbH, Austria	17,499,965.00	31,950
Borealis Brasil S.A., Brasil	3,893,851.18	181
BOREALIS ITALIA S.p.A., Italy	550,000.00	1,650
Borealis Polymers Oy, Finland	528,280.98	15,905
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Şirketi, Turkey	250,237.74	392
Borealis Colombia S.A.S., Colombia	47,045.05	0
Borealis Chile SpA, Chile	44,903.00	35
Borealis s.r.o., Czech Republic	33,089.62	31
Borealis Polymere GmbH, Germany	0	10,000
	514,222,118.75	2,021,652
Interest income from long-term loans		
Novealis Holdings LLC, US	32,316,605.44	26,538
Kilpilahden Voimalaitos Oy, Finland	1,294,470.51	1,131
Borealis Polyolefine GmbH, Austria	25,213.14	169
Other	0.00	176
	33,636,289.09	28,014

	2022 EUR	2021 EUR thousand
Other interest and similar income		
Interest income from intercompany financing	35,707,173.68	24,958
Interest and other income from interest rate swaps	24,645,026.15	9,317
Other	15,443,933.72	1,587
	75,796,133.55	35,862
Gains on sale of financial assets and gains from reversal of impairment		
Gain on sale of shares in Abu Dhabi Polymers Company Limited und Borouge Pte. Ltd.	7,187,102,251.19	0
Gain from reversal of impairment of Borealis L.A.T GmbH	98,972,000.00	0
	7,286,074,251.19	0
Expenses arising from financial assets		
Impairment of Rosier S.A., Moustier, Belgium	32,973,905.00	38,662
Impairment of securities held as fixed assets	380,435.16	62
Impairment of Borealis France S.A.S., Courbevoie, France	0.00	394,933
Other	0.00	26
	33,354,340.16	433,683
Interest and similar expenses		
Result from foreign exchange translations	222,243,321.26	41,306
Interest charged by banks	31,699,254.50	30,810
Interest and similar expenses arising from interest rate swaps and FX-hedges	25,689,941.74	31,190
Interest expenses in the context of forfaiting	4,076,565.61	3,142
Interest expenses from intercompany financing	2,957,440.52	2,526
Other	5,226,561.50	7,160
	291,893,085.13	116,135
Financial Result	**7,584,481,367.29**	**1,535,710**

In the financial year 2022, Borealis AG sold all shares in the companies Abu Dhabi Polymers Company Limited and Borouge Pte. Ltd. to Borealis Middle East Holding GmbH, which resulted in income of EUR 7,187,102,251.19.
The investment in Rosier S.A. was written off in full as of 31 December 2021. The partial write-off of the receivable of Rosier S.A. from 2021 in the amount of EUR 40,600 thousand was reversed in 2022. The reversal is included in other operating income. Furthermore, an additional receivable in the amount of EUR 5,000 thousand was issued. Thus, the outstanding receivable from Rosier S.A. amounted to EUR 55,000 thousand. In the course of a capital increase, the receivable in the amount of EUR 55,000 thousand was transferred to Rosier S.A. and, therefore, the interest in Rosier S.A. has increased by EUR 55,000 thousand.
Due to the sale of the shares in Rosier S.A. on 2 January 2023, the investment in Rosier S.A. was devalued on 31 December 2022 as the purchase price was already available within the preparation period of the financial statements 2022. The required write-off of Rosier S.A. amounted to EUR 32,973,905.00 as of 31 December 2022.

In June 2022, a binding offer was received from AGROFERT, a.s., Czech Republic for the Borealis nitrogen business ("NITRO") including the investment in Borealis L.A.T GmbH and subsequently accepted in July 2022. Based on the fair value, Borealis AG has reversed an impairment in the amount of EUR 98,972,000.00 as of 31 December 2022.

G. Taxes on Income

Since the 2021 financial year, the Company has been a member of a tax group in line with Section 9 of the Corporate Income Tax Act ("KStG") with OMV Aktiengesellschaft as the group parent. According to the tax group agreement, if the income derived by the Company during a financial year is positive, the Company has to make a tax compensation payment for this financial year to the group parent. In the event of a negative tax result, the parent company does not have to pay any tax compensations. Negative tax results are carried forward by the group parent and will be deducted from positive tax results of the group member in the future.

H. Significant Events After the Balance Sheet Date

The sale of Borealis' shares in Rosier S.A. to YILDIRIM Group's YILFERT BENELUX B.V. was completed on 2 January 2023. Following the completion of the sale, Borealis no longer holds any shares in Rosier S.A.

Borouge 4 LLC as the borrower and Borealis AG as lender entered into a shareholder loan agreement (SHL) on 3 February 2023 in the amount of USD 1,068 million to part finance the Borouge 4 capex requirements of Borouge 4 LLC. The SHL is structured as a facility with a five-year tenor. Borealis retains the right to accelerate the prepayment of the outstanding amounts at the point of reintegration. Drawdowns under the SHL facility in the amount of USD 60 million have been made by Borouge 4 LLC on 7 February 2023.

IV. Other Information

The total remuneration received by Executive Board members amounted to EUR 6,461 thousand (2021: EUR 8,168 thousand):

- Active Board members: EUR 6,196 thousand (2021: EUR 4,368 thousand)
- Former Board members: EUR 265 thousand (2021: EUR 3,799 thousand)

along with additional payments into pension funds amounting to EUR 486 thousand (2021: EUR 469 thousand).

Active members of the Supervisory Board received remuneration totalling EUR 856 thousand (2021: EUR 856 thousand). Members of the Company Boards have not been granted any advances, loans or guarantees.

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

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

Borealis AG is included in the consolidated financial statements of OMV Aktiengesellschaft, Vienna, Austria.

Executive Board

Thomas Gangl (Chairman), Mark Tonkens, Wolfram Krenn, Philippe Roodhooft, Lucrèce De Ridder

Supervisory Board

Alfred Stern (Chairman), Musabbeh Al Kaabi (Vice Chairman until 9 February 2022), Saeed Al Mazrouei (Vice Chairman from 10 February 2022 to 8 November 2022), Khaled Salmeen (Vice Chairman since 10 November 2022), Reinhard Florey, Martijn Arjen van Koten, Alvin Teh (Member from 10 February 2022 to 8 November 2022), Khaled Al Zaabi (Member since 10 November 2022)

Vienna, 22 February 2023

Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Mark Tonkens m.p.
Chief Financial Officer

Wolfram Krenn m.p.
Executive Vice President
Base Chemicals & Operations

Philippe Roodhooft m.p.
Executive Vice President
Joint Ventures & Growth Projects

Lucrèce De Ridder m.p.
Executive Vice President
Polyolefins, Circular Economy Solutions
and Innovation & Technology

Statement of the Executive Board according to Section 124(1)(3) of the 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, 22 February 2023
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Mark Tonkens m.p.
Chief Financial Officer

Wolfram Krenn m.p.
Executive Vice President
Base Chemicals & Operations

Philippe Roodhooft m.p.
Executive Vice President
Joint Ventures & Growth Projects

Lucrèce De Ridder m.p.
Executive Vice President
Polyolefins, Circular Economy Solutions
and Innovation & Technology

Auditor’s Report [1] [2]

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of Borealis AG, Vienna, which comprise the balance sheet as of 31 December 2022, the income statement for the financial 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 of 31 December 2022, and of its financial performance for the financial year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian Generally Accepted Standards on Auditing. 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 until the date of the auditor’s report is sufficient and appropriate to provide a basis for our opinion by this date.

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 financial 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 and key observations
- Reference to related disclosures

Recoverability of Investments in Affiliated Companies and Receivables from Affiliated Companies

Description

Borealis AG, Vienna, owns investments in affiliated companies with book values in the amount of EUR 2,681.5 million as of 31 December 2022. Among others, the following investments in affiliated companies show a negative result for the financial year 2022:
- Borealis Argentina SRL, Buenos Aires, Argentina
- Borealis Circular Solutions Holding GmbH, Vienna, Austria
- Borealis México, S.A. de C.V., Mexico City, Mexico
- Borealis Plasticos, S.A. de C.V., Mexico City, Mexico
- Borealis Sverige AB, Stenungsund, Sweden
- mtm compact GmbH, Niedergebra, Germany
- Rosier S.A., Moustier, Belgium
- Borealis Agrolinz Melamine GmbH, Linz, Austria
- Ecoplast Kunststoffrecycling GmbH, Wildon, Austria

In accordance with section 204 para. 2 UGB, investments in affiliated companies are to be written down if the impairment is expected to be permanent. In accordance with section 208 para. 1 UGB, reversals of impairment on investments in affiliated companies are recognised in case the reasons for the impairment no longer exist. In accordance with section 207 UGB, receivables from affiliated companies are to be written down in case they are not recoverable. Management is of the opinion that permanent impairments exist as of 31 December 2022 due to a negative equity value in the valuation models.

For the investment in Rosier S.A., Belgium, a capital increase was carried out in 2022 through the transfer of receivables, which increased the investment value to EUR 55 million.

On 26 September 2022, Borealis and YILDIRIM Group’s YILFERT Holding announced that they signed a binding agreement for the acquisition of Borealis’ shares in Rosier S.A. The sale was concluded on 2 January 2023. Based on the sales price write-downs in the amount of EUR 33.0 million were recognised in the income statement of the financial year.

In June 2022, a binding offer was received from AGROFERT, a.s., Czech Republic for the Borealis nitrogen

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

business ("NITRO") including the investment in Borealis L.A.T GmbH, Linz and subsequently accepted in July 2022. Based on the fair value, management has reversed an impairment in the amount of EUR 99.0 million as of 31 December 2022.

In the financial year 2022, Borealis AG sold all shares in the companies Abu Dhabi Polymers Company Limited and Borouge Pte. Ltd. to Borealis Middle East Holding GmbH, a 100% subsidiary of Borealis AG, which resulted in the recognition of a respective receivable from affiliated companies in the amount of EUR 7,598.8 million and an income of EUR 7,187.1 million.

Given the complexity of the impairment models, the estimation uncertainty involved in the derivation of data used, as well as the immanent discretionary decisions, the recoverability of investments in affiliated companies and receivables from affiliated companies is considered as a key audit matter.

Audit Approach and Key Observations

When assessing the recoverability of investments in affiliated companies and receivables from affiliated companies, we evaluated the appropriateness of the respective valuation models. In doing so, we assessed the valuation method as well as evaluated the parameters used by management. We confirmed that the assumptions used to derive the future cash flows are based on the most recent five-year plan prepared by management and approved by the Supervisory Board. Our internal specialists have evaluated if the assumptions used for the discount interest rate as well as the growth rate for the perpetuity are in line with external market and industry data. We further examined if these models comply with the generally accepted valuation principles in accordance with KFS/BW1, if they are calculated correctly and consistent with the prior year, and if the underlying assumptions are reasonable and appropriate.

The valuation models as well as the assumptions and parameters used in the valuation, the corresponding impairment, reversal of impairment and the respective disclosures are appropriate.

Reference to Related Disclosures

Management explained this key audit matter in section F. Financial result in the notes to the financial statements.

Other Information

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

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Austrian Generally Accepted Accounting Principles, 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 Austrian Generally Accepted Standards on Auditing, 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 Standards on Auditing, 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 Austrian Generally Accepted Accounting Principles, 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 regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

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 regulations 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.

Additional Information in Accordance with Article 10 of the EU Regulation

We were elected as statutory auditor at the ordinary general meeting dated 21 February 2022. We were appointed by the Supervisory Board on 21 February 2022. We have audited the Company for an uninterrupted period since the 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 no prohibited non-audit services (Article 5 para. 1 of the EU Regulation) were provided by us 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 Alexander Riavitz, Austrian Certified Public Accountant.

Vienna, 22 February 2023
PwC Wirtschaftsprüfung GmbH

Alexander Riavitz m.p.
Austrian Certified Public Accountant

2) 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 report is only allowed if the financial statements and the management report are identical with the German audited version. This auditor's report is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of section 281 para. 2 UGB apply.

CONSOLIDATED

Financial **Statements 2022**

including Group Management Report

Group Management Report

All amounts in the management report are not considering the reclassification of the discontinued operation and related balances held for sale.

Safety Performance

In 2022, Borealis reported a Total Recordable Injury Rate (TRIR) per million working hours of 2.9. This is a deterioration compared to the TRIR rate of 2.3 in 2021. The ratio reflects 60 incidents in which individuals were injured as well as one fatal accident involving a contractor in Grandpuits, France. Borealis expresses its deepest regret for this tragic fatality and all other incidents.

In line with its “Goal Zero” aim to eliminate all accidents and incidents, Borealis has developed and implemented new measures to enhance safety performance, including the new “B-safe” programme, whose pilot was launched in December in Belgium. B-safe will be successively rolled out across the Borealis Group by mid-2024. All Borealis employees and Executive Board members will receive one to three-day training sessions. Programme focus is on pro-active intervention to prevent safety incidents, risk identification measures, learning from past incidents, and promoting a generally heightened awareness of the importance of looking out for others on the job.

Ethical Labour Practices

The absolute top priority for the Borealis Group is to ensure the safety of all people working at and for Borealis. The Executive Board welcomes all efforts undertaken by Borealis senior management to implement further measures to achieve the ultimate “Goal Zero” of no accidents or incidents whatsoever, and to ensure that all people working for Borealis and its subcontractors can do so safely, and while heeding the highest ethical standards.

Ukraine and Geopolitical Conflict

The Borealis Executive Board and senior management have taken concrete measures in response to the war in Ukraine and the current geopolitical situation. Borealis has no production operations in either Russia or Ukraine, and employs only a limited number of persons in Russia. The Group’s key priority is to ensure the safety of our people while doing the utmost to maintain business continuity.
In light of international sanctions and other applicable laws, Borealis has reassessed its business transactions with Russia and has stopped sales to Russia and Belarus.

Operations at Borealis production sites around the world have not been interrupted, yet contingency plans are in place should supply disruptions occur. Measures are being implemented on a continual basis to ensure stable material procurement for all Borealis production sites. We remain in close, direct contact with our suppliers and customers, and update them regularly on pertinent developments.

Business Overview

Pronounced volatility has characterised the Brent crude market in 2022. Prices increased sharply as a result of the war in Ukraine, from 75 USD/bbl in December 2021 to a June 2022 peak of 118 USD/bbl. As fears of an economic downturn multiplied, prices eased to 81 USD/bbl by December. Overall, the average 2022 Brent Crude oil price of 99 USD/bbl exceeded the 2021 average of 71 USD/bbl.

From the beginning of 2022, naphtha prices developed in a similar vein as the price of oil, increasing steadily from 698 USD/t in December 2021 to a peak of 996 USD/t in March 2022. Increased naphtha availability in Europe caused by lighter refinery feedstock, and lower demand from China, put downward pressure on the price, which stood at 559 USD/t at year’s end. Ethylene and propylene contract prices were also impacted by the naphtha price development. Ethylene started the year at 1,273 EUR/t and, supported by healthy demand in the spring turnaround season, peaked in April at 1,665 EUR/t. Due to limited demand, particularly in July, prices declined, ending the year at 1,270 EUR/t. The price of propylene rose from 1,288 EUR/t in January to 1,675 EUR/t in April, closing out the year at 1,170 EUR/t.

Following the historic high levels reached in 2021, polyolefin margins slowly normalised in the first half of 2022, supported by a busy spring turnaround season, particularly in the second quarter. As of the third quarter, margins deteriorated due to plummeting demand resulting from the global GDP slowdown, and inflationary pressure on customers. In the meantime, the robust recovery of the international container freight market, which in December 2022 had approached pre-COVID levels, allowed imports to surge. Towards the end of the year, polyolefin margins recovered slightly thanks to low operating rates. In a similar way as in 2009, unplanned outages and high US ethane prices limited any increase of imports to Europe, and margins remained lower than at the start of the year.

Strategy

In June, Borealis announced the launch of the Borealis Strategy 2030, a strategic evolution with sustainability at its core. Its two main pillars – geographic expansion and company transformation – build on the strong Borealis foundation of dedication to safety first, our people, innovation and technology, and performance excellence. The strategy sets forth ambitious new targets for both decarbonisation and the volume growth of circular economy products and solutions in the Borealis Polyolefins and Hydrocarbons businesses. Underlining the customer-centric approach to accelerating the transformation to a circular economy is a newly evolved purpose, "Re-inventing Essentials for Sustainable Living".

Joint Ventures and Global Growth

Geographic expansion is a key pillar of the Borealis Strategy 2030. Borealis is committed to achieving sustainable growth by way of joint ventures, mergers and acquisitions, and through the execution of major new construction projects on several continents. Closer geographic proximity to growth markets, and in particular the Middle East, Asia and North America, will enable Borealis to supply ever larger volumes of advanced and sustainable base chemicals and polyolefins to its global customers.

In June, Borouge, the strategic joint venture founded by Borealis and Abu Dhabi National Oil Company (ADNOC) in 1998, became the largest-ever IPO in Abu Dhabi when it was listed on the Abu Dhabi Securities Exchange (ADX). The IPO offered 10% of Borouge's total issued share capital and raised over USD 2.0 billion in gross proceeds. It drew USD 83 billion in orders and was oversubscribed by nearly 42 times in aggregate.

Borouge continued to drive growth in 2022. February saw the ground-breaking ceremony for Borouge 4, the new USD 6.2 billion facility under construction at the Borouge complex in Ruwais (UAE). Once operational, Borouge 4 will help meet growing demand for polymers in the Middle East and Asia, and will also supply feedstock to the adjacent TA'ZIZ Industrial Chemicals Zone. The successful start-up of PP5, the fifth Borouge polypropylene (PP) unit, also took place in February, boosting total Borouge PP capacity by more than 25%. The new PP5 unit is leveraging the proprietary Borstar® technology to deliver greater quantities of polymer-based material solutions for a wide range of industries, from packaging and consumer goods, to pipe and infrastructure.

The largest Borealis growth project underway in North America is the Baystar™ joint venture with TotalEnergies in Port Arthur, Texas. A new ethane-based steam cracker was started up in July 2022. With an annual production capacity of one million tonnes of ethylene, the cracker supplies feedstock to Baystar's existing polyethylene (PE) units. In the future, it will also supply ethylene to the new, 625,000 metric-tonne-per-year Borstar PE unit once construction and ramping up have been completed. Baystar is a crucial growth anchor as it enables Borealis to bring Borstar to North America for the first time.

Progress was made in the first half of 2022 at the new world-scale propane dehydrogenation plant (PDH) in Kallo (Belgium). However, construction was stopped after misconduct on the part of the site's contractor, IREM, was uncovered. Borealis suspended, then terminated all contracts with IREM and its subcontractors due to non-compliance with fundamental contractual principles. Work resumed in October following a re-tendering process. Borealis has zero tolerance for non-compliance in all aspects of its operations and has since implemented more extensive controls and monitoring measures to ensure full future compliance.

Borealis NITRO Divestment

The divestment process of the Borealis nitrogen business unit encountered delays as of the first quarter of 2022. A binding offer received from EuroChem in February was declined in March after assessing the consequences of the war in Ukraine and related sanctions. In June, Borealis received a binding offer from Czech-based AGROFERT that valued the business on an enterprise value basis at EUR 810 million. Pending regulatory approval, closing is anticipated for the first quarter of 2023. The Executive Board is confident that AGROFERT, a leading European player on the fertilizer market, is committed to maintaining supply security and the long-term development of production facilities.

Rosier Divestment

On 16 June 2022, Borealis converted into equity of Rosier S.A. a total of EUR 55 million, consisting of EUR 50 million intercompany loans, and EUR 5 million receivables, thus increasing its shareholding from 77.47% to 98.09%. As announced in September 2022, Borealis and YILDRIM Group's YILFERT Holding signed an agreement for the acquisition of Borealis' shares at a valuation of EUR 35 million. On 2 January 2023, Borealis completed the divestment of its shares in Rosier S.A., shedding the 98.09% of the shares it previously owned, and no longer owns any shares in Rosier S.A.

Circular Economy

With sustainability at its core, the Borealis Strategy 2030 is a natural evolution of the Group's circular economy journey, which began in 2014 with the pioneering launch of the Daplen™ portfolio of PP compound solutions containing post-consumer recycled (PCR) plastics for use in the automotive industry. By 2022, Borealis was continuing to lead the way towards circularity by increasing the share of circular products (such as recycled and renewable-based polymers, and renewable hydrocarbons) in its overall production output. Borealis aims to boost its current annual production capacity of 100,000 tonnes to 600,000[1] tonnes by 2025, and to 1.8[2] million tonnes by 2030. The transition from conventional fossil fuel-based feedstocks to more renewably-based ones is thus well under way.

The Borealis commitment to leading the industry in this transition is represented by its EverMinds™ platform, which joins value chain partners and other stakeholders in accelerating circularity, in part by facilitating value chain co-operation. An ever-increasing number of products and applications are being designed from the ground up to be eco-efficient. Design for recycling and reuse help save precious resources while minimising material waste.

Borealis has further stepped up activity in the area of mechanical recycling. As announced in October, planning has started for the construction of a novel and advanced recycling plant on a commercial scale in Schwechat, Austria, to augment the three existing polyolefin recycling operations currently operated by Borealis in Europe. The plant will be based on the proprietary Borcycle™ M technology, which transforms polyolefins-based post-consumer waste into high-performance polymers. Once operational in 2025, the new plant will have an annual production capacity in excess of 60 kilotonnes. These large volumes will ensure the ample supply of high-quality recyclate to fulfil growing demand for circular products and solutions.

1) 2) Global capacities including joint ventures (Borouge)

In May, Borealis and its partner Reclay Group announced the formation of a new entity, Recelerate. The shared aim is to close the loop on plastics circularity by rethinking the way that plastics are collected, sorted and processed in order to significantly increase the amount of light packaging waste that is actually recycled.

As a valuable supplement to mechanical recycling, chemical recycling valorises residual waste streams which would otherwise be landfilled or incinerated. The chemical recycling process yields circular feedstock with the same high quality as fossil fuel-based feedstock. This makes it ideal for use in high-end applications with stringent quality and safety standards, such as in food packaging and healthcare. As of 2021, Borealis has procured pyrolysis oil for the chemical recycling process from Belgium-based Renasci with which it manufactures Borcycle C circular polyolefins and base chemicals at several of its own production locations. Since then, Borealis has increased the stake it holds in Renasci step by step: from 10% in 2021, to just over 27% in November 2022, and as of January 2023, to a current majority shareholding position of 50.01%. This further bolsters both the partnership and the Borcycle C portfolio. At the Stenungsund, Sweden production facility, results of a feasibility study for the construction of a new chemical recycling unit are expected in early 2023. Taken together, these activities complement existing collaboration with OMV in which the patented ReOil® technology is used in chemical recycling processes.

In June, Borealis launched the Borvida™ portfolio of circular based chemicals: Borvida B is produced using non-food waste biomass, while Borvida C is made of chemically-recycled waste. The traceability of these ISCC Plus-certified products – which include ethylene, propylene, butene and phenol – is ensured thanks to the mass balance method of documenting and tracking renewable-based content across complex manufacturing systems. The Borvida portfolio will be extended in due course with the Borvida A range sourced from atmospheric carbon capture.

Innovation and New Technologies

Borealis is investing in R&D and new technologies in order to accelerate Value Creation through Innovation, particularly in the circular sphere. The K 2022 trade fair held in Germany in October was the ideal stage for showcasing the many new products and material solutions generated through innovation and collaboration.

Centre stage was taken by the Borstar® Nextension Technology, a step change for performance-based polyolefins. The unique combination of Borstar technology and single-site Borstar Nextension catalysts improves PP properties and produces a wider range of tailored polyolefins. Borstar Nextension facilitates easier recycling because its use in multilayer applications allows for the replacement of multiple different materials with only one material; it thus encourages design for recycling by enabling monomaterial solutions. The single-site catalysts for this breakthrough technology are manufactured at a newly-built Borealis plant in Porvoo, Finland. Two BorPure™ and a nonwoven grade based on Borstar Nextension technology were also launched in October, each offering superior performance combined with circularity and material efficiency.

Grades from The Bornewables™ portfolio of premium circular polyolefins based on renewably-sourced feedstock are being used to develop an increasing number of novel applications, many of which are generated through value-chain collaboration. To name just a few of the products made using grades from the Bornewables and presented at the K 2022: the MAM Original Pure climate-neutral baby pacifier; a coffee-to-go cup in the Tupperware ECO+ product line; a reusable and fully recyclable lightweight plastic bottle co-developed by Borealis and Trexel; and a series of rigid food packaging applications based on Bornewables and Borcycle C co-developed by Borealis and ITC. In Pipe, collaboration with Uponor resulted in the first PE-X pipes based on Bornewables feedstock, while co-operation with NUPI produced next-generation PP-RCT pipes based on Bornewables.

Other circular highlights of 2022 include three fully recyclable, PE monomaterial pouch solutions; lightweight and ultra-lightweight reusable cups made of Borealis PP using the patented Bockatech EcoCore plastic foaming technology; a series of flexible packaging formats incorporating 50% PCR; and the world's first shoe made from carbon emissions, On's Cloudprime, containing high-performance, easy-to-process ethylene vinyl acetate foam supplied by Borealis. In June, the first Borcycle M jacketing compound containing up to 50% PCR was launched, thereby promoting enhanced circularity in the Wire & Cable sector. Finally, in the automotive sector, Borealis announced in October that collaboration with Tier One supplier Magna had produced the first and largest-ever all-thermoplastic tailgate for the new Volkswagen Multivan, a prime example of customer-centric innovation resulting in high-performance yet lighter-weight parts that help reduce the carbon footprint of vehicles.

Around 500 people are active in R&D at the Borealis Group. This figure includes scientists and researchers at the Innovation Headquarters in Linz, Austria, and the two innovation centres in Stenungsund and Porvoo.

Borealis continues to be among the top-ranked companies in Austria with respect to patent filings. In 2022, Borealis filed 128 new priority patent applications at the European Patent Office. This is just short of its previous record of 133 patent applications filed in 2021. As of January 2023, the Borealis Group holds around 11,500 individual patents or patent applications which are subsumed in approximately 1,450 patent families. The growing number of patents is proof positive of the Group's dedication to Value Creation through Innovation.

Energy and Climate

Borealis aims to reduce its Scope 1 and Scope 2 emissions from 5.1 million tonnes per year (from a 2019 baseline) to 2 million tonnes by 2030. To achieve this goal, a greater share of electricity obtained from renewable sources is being used in its own operations. By 2030, 100% of the electricity used in the Polyolefins and Hydrocarbons businesses should be of renewable origin. Emission reduction targets have been calculated on the basis of a 2023 divestment of the Borealis nitrogen business comprising fertilizers, melamine and technical nitrogen products.

Several long-term power purchase agreements (PPA) were signed in 2022. In February, a PPA signed with Fortum will use wind to help power operations in Finland, thereby reducing Scope 2 emissions at this location by 28,000 tonnes/year. In October, a ten-year PPA was signed with Axpo Nordic to supply wind power to Borealis' operations in Sweden, with projected Scope 2 emissions reductions of 10,000 tonnes/year. In December, Borealis signed its second PPA with Eneco. This ten-year agreement entails the supply of electricity generated from the offshore wind farm Seastar. It will reduce annual Scope 2 emissions at Borealis' operations in Belgium by approximately 22,300 tonnes. The Borealis Group's first hydropower PPA was signed in December with long-term partner and leading Austrian energy company VERBUND.

As of January 2023, the ten-year PPA will supply an annual 220 gigawatt hours (GWh) of electricity generated from two hydropower plants on the Danube River to Borealis' operations in Schwechat.

Borealis is also erecting an increasing number of photovoltaic (PV) arrays to power portions of its own operations. Together with VERBUND, Borealis announced in May the commissioning of one of the largest rooftop PV arrays in Linz, Austria; and in November, joint plans to establish a new PV park to help power operations in Schwechat. Annual CO_2 emissions at production operations in Linz will be lowered by 350 tonnes and in Schwechat by nearly 1,200 tonnes.

Green hydrogen has been called a crucial lever in the energy transition because it can be used to decarbonise heavy industry. To this end, Borealis announced in September that it has again joined forces with VERBUND in a joint industrial-scale project in which green hydrogen will be used to produce fertilizers, melamine and technical nitrogen products. Operations are planned to commence at an electrolysis plant in 2025, with an annual projected CO_2 emissions reduction of up to 90,000 tonnes.

In October, Borealis launched an innovative tool developed by the in-house Borealis Digital Studio: Neoni is a novel CO_2 emissions calculation tool that contains cradle-to-gate data for over 500 polyolefin grades. Using digitalisation to drive decarbonisation is part of the customer-centric approach taken by Borealis to drive the transition to the circular economy.

Borealis is currently exploring the viability of carbon capture and storage. Among several projects in the pipeline is the Antwerp@C project. Engineering studies are currently underway to gauge the viability of shared CO_2 infrastructure that joins leading chemical and energy companies at the Port of Antwerp. This effort would reduce by 50% the overall CO_2 emissions originating from the port by 2030.

Financial Performance

Sales

Borealis sold 3.54 million tonnes of polyolefins in 2022, 10% less than in 2021. The decrease was mainly caused by lower demand in the consumer products segment due to the slowing economy. Borealis Fertilizers sales reached 3.21 million tonnes in 2022 versus the 3.91 million sold in 2021, a decline attributed to lower demand (as product prices spiked on the back of elevated gas prices), and relatively low-priced urea imports flowing into Europe. Melamine sales volumes of 84 thousand tonnes in 2022 were significantly below the 143 thousand tonnes sold in 2021; here, the combined effect of the global economic slowdown and increased imports from China led to reduced domestic demand starting in the third quarter.

Cost Development

The higher feedstock price environment saw an increase in 2022 production costs compared to 2021. Furthermore, higher inflation caused by the global economic recovery drove an increase in sales and distribution costs from EUR 721 million in 2021 to EUR 873 million in 2022; administration costs increased accordingly from EUR 251 million in 2021 to EUR 278 million in 2022. Guided by an unchanged commitment to Value Creation through Innovation, spending on research and development (consisting of costs for Borealis Innotech organisation and depreciation of R&D assets) declined from EUR 123 million in 2021 to EUR 112 million in 2022.

At the end of 2022, the number of employees (headcount) was 7,649, an increase of 141 on the previous year.

Operating Profit

Operating profit amounted to EUR 1,081 million compared to EUR 1,517 million in 2021. The Polyolefins operating profit declined from EUR 1,186 million in 2021 to EUR 526 million in 2022. However, due primarily to results achieved in the first half of the year, it remains one of the best ever for Polyolefins. The Base Chemicals segment delivered an operating profit of EUR 243 million in 2022, down from EUR 309 million in 2021. Despite an increase in indicator margins, the result was negatively impacted by the Stenungsund cracker turnaround, less favourable sourcing costs due to the war in Ukraine, and lower demand, particularly in the second half of 2022.

Operating profit was also supported by a very strong contribution from the Borealis nitrogen business unit amounting to EUR 339 million in 2022 compared to EUR 126 million in 2021, and particularly from Fertilizers, in which margins remained healthy despite soaring natural gas prices. Melamine faced sluggish demand and collapsing prices, particularly in the second half of the year.

Since the announcement of the start of the divestment process of the Borealis nitrogen business unit, assets within the scope of the divestment have been classified as assets held for sale.

Financial Income and Expenses

The increase in net financial expenses from EUR 9 million in 2021 to a net financial income of EUR 104 million in 2022 was mainly due to a favourable currency effect driven by the stronger US dollar and higher interest income from the member loan granted to the Baystar joint venture with TotalEnergies.

Taxes

Income taxes amounted to EUR 342 million, an increase of EUR 79 million from tax charges of EUR 263 million in 2021. The higher overall tax charge in 2022 is to a large extent driven by deferred taxes on measurement of discontinued operation.

Net Profit

The reduction in operating profit was almost fully offset by the increased contribution from Borealis joint ventures, rising from EUR 595 million in 2021 to EUR 1,001 million in 2022. Borouge business performance was affected by softer demand and lower sales prices. The Baystar result suffered from the full depreciation charge after the start-up of the cracker, and subsequent slow ramping up due to operational challenges. However, the positive one-off effects of the Borouge IPO (which contributed EUR 604 million to the result) and the updated fair value assessment of the disposal group related to the ongoing divestment process of the nitrogen business unit (which contributed EUR 266 million) compensated for the lower business result. At EUR 2,111 million, the 2022 net profit is thus the highest ever obtained by Borealis.

Capital Expenditure

Investments in property, plant and equipment amounted to EUR 667 million in 2022, compared to EUR 660 million in 2021. A large portion of the total investment relates to the new, world-scale PDH plant in Kallo; the upgrade and revamp of four cracker furnaces in Stenungsund; the upgrade of semicon units in Antwerp; and a new wastewater treatment unit in Stenungsund. Health, Safety and Environment (HSE) capital expenditure amounted to EUR 107 million, compared to EUR 88 million in 2021. Investments in intangible assets amounted to EUR 58 million in 2022, compared to EUR 60 million in 2021.

Depreciation, amortisation and impairment amounted to EUR 352 million in 2022. In 2021, the comparable figure of EUR 427 million included an impairment charge of EUR 39 million in relation to Rosier assets.

Financial Position

At year end, total assets and capital employed stood at EUR 14,685 million and EUR 11,952 million, respectively, compared to EUR 12,985 million and EUR 9,936 million at the end of 2021.

Return on capital employed (ROCE) after tax of 19% in 2022 was on the same level as in the previous year. This strong result was mainly driven by the high profitability despite the continued investment in growth projects. The five-year average ROCE of 14% also remains well above the Group's target of 11% through the cycle.

Cash Flows and Liquidity Reserves

Cash flow from operating activities was EUR 898 million, driven by strong operating profitability, and partially offset by a negative working capital development due to the increasing price environment. Cash flow further benefitted from the successful Borouge IPO (EUR 745 million) and the partial externalisation of the Baystar member loans (EUR 602 million), and was partially offset by the dividend of EUR 698 million distributed to Borealis shareholders from the 2021 result, and an equity injection into Borouge 4 (EUR 408 million). Net interest-bearing debt decreased to EUR -70 million at year end, down from EUR 223 million at the end of 2021. The table below shows the change in net interest-bearing debt.

EUR million	2022	2021
Change of net interest-bearing debt		
Cash flow from operating activities	898	967
Capital expenditure	-725	-720
Capital contributions to and financing and acquisition of associated companies and joint ventures	-668	-366
Dividends of associated companies and joint ventures and non-consolidated subsidiaries	595	1,943
Proceeds from disposal of shares in joint ventures	745	0
Repayments of financing by joint ventures	602	0
Acquisition of non-controlling interests	-1	-4
Other (mainly relating to foreign exchange differences)	48	-38
Dividend paid to equity holders of the parent and non-controlling interests	-699	-150
Additions lease liabilities	-503	-21
Total decrease (+)/increase(-) of net interest-bearing net debt	**292**	**1,611**

This resulted in a gearing ratio of -1% at the end of 2022, compared to 3% at the end of 2021. This gearing reflects a very strong balance sheet. Liquidity reserves, composed of undrawn committed credit facilities and cash balances, amounted to EUR 3,408 million at year end 2022, compared to EUR 2,717 million at year end 2021. Borealis additionally benefits from a well-diversified financing portfolio and a balanced maturity profile. The solvency ratio was 66% at year end 2022, compared to 62% at year end 2021.

Shareholders' Equity

Shareholders' equity at year end 2022 was EUR 9,785 million.

EUR million	2022	2021
Equity development		
Net result attributable to the parent	2,108	1,406
Exchange and fair value adjustment (net)	163	452
Gross increase/decrease	2,271	1,858
Dividend paid	-698	-150
Changes in consolidation scope	-10	0
Reclassification of cash flow hedges to balance sheet	46	51
Net increase/decrease	1,609	1,759
Opening equity	8,176	6,417
Closing equity	**9,785**	**8,176**

Risk Management

Borealis has a documented risk management process ensuring that all parts of the Group routinely identify and assess their risks, and develop and implement appropriate mitigation actions. Risk management contributes to achieving the Group's long-term strategies and short-term goals. Borealis believes that an effective risk culture makes it harder for an outlier, be it an event or an offender, to put the Company at risk.

Borealis captures emerging risks, risks that may materialise during the business plan period, and strategic risks that may affect the delivery of the Group's long-term strategy. In addition, Borealis distinguishes between "outside-in" and "inside-out" risks. Particular emphasis was placed in 2022 on the risks emanating from the war in Ukraine, which were assessed by a dedicated emergency management team.

The Group's overall risk landscape is periodically consolidated, reported, and reviewed. Borealis distinguishes between different risk categories as outlined below. While this list is not exhaustive, it does illustrate the most relevant risk types.

Strategic and reputational risks are those that may severely impact the Borealis Group's strategy or reputation. Strategic risks are often related to unfavourable long-term developments, such as market or industry developments, technology, innovation, a change in the competitive environment or a threat to the reputation of the Group.

Operational and tactical 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 operational risks are assessed according to documented guidelines and procedures that are administered by the respective business functions. A proactive approach to risk prevention management has been implemented in the Operations function, covering risks in the areas of Production; Health, Safety and Environment (HSE); Product Stewardship; Plant Availability and Quality. The risk management approach also safeguards the Responsible Care® approach towards risks in operations. The standard risk management process includes a common risk matrix and risk registers, built bottom-up from plant to portfolio level, enabling a common risk rating system for the whole of operations.

HSE risks are assessed according to the procedures and framework described in the Borealis Risk-based Inspection Manual. The HSE Director is responsible for managing all HSE-related risks and periodically reports the Borealis HSE risk landscape to the Executive Board.

Borealis assesses and discloses the potential negative impact of its activities on the environment and society, and related mitigation measures in its Non-financial Report in accordance with legal obligations (NaDiVeG). The main risks analysed are:
- Unplanned emissions from operations that might cause additional emissions to air or soil, and water pollution, waste, noise and other disturbances to the local community;
- Process safety incidents causing the sudden and uncontrolled release of explosive materials and release of potentially harmful toxins;
- Chemical substances that, if not handled properly and according to their intended use, could lead to negative impacts on human health;
- Environmental pollution caused by pellet loss or plastic littering; and finally,
- COVID-19 pandemic-related risks to business as well as Borealis employees.

Climate-related risks and mitigation actions are also specifically analysed according to TCFD (Task Force on Climate-Related Financial Disclosures) guidelines and disclosed in the Borealis Non-financial Report. Related transition risks are, for example, higher GHG emission prices, increasing operating costs, increasing pressure on usage of fossil fuel-based feedstock and a negative industry image. Physical risks are mainly related to potential supply-chain disruptions, due, for example, to extreme weather events or political unrest. However, the risks associated with climate change also represent opportunities for innovation, such as product portfolio extensions that include low-emission, circular and/or bio-based products as well as partnerships that help transform the industry towards climate neutrality.

Project-related risks are assessed in the Borealis project approval process. The applicable key risks related to an individual project are assessed. These risks include financial, market, technical, legal, patent infringement, strategic, operational, country-related and political factors. The risk assessment also reflects the probability of project completion within the estimated time frame and forecasted resource requirements, and the likelihood that key project objectives will be achieved. Project-related risks are managed by the project manager and reported to the Project Steering Committee.

Financial and market risks may refer to risks arising for instance from unexpected changes in market supply, demand, commodity prices, services or financing costs. Risks may also arise from liquidity, interest rates, foreign exchange rates, credit and insurance, the inability of a counterparty to meet a payment or delivery commitment, and may, for example, extend to incorrect assumptions or the inappropriate application of a model. The assessment of financial risk management is described in detail in note 17 of the consolidated financial statements. The Treasury & Funding Director and the General Counsel are responsible for reporting and coordinating the management of all financial risks.

Compliance risks focus on legal and regulatory risks, code of conduct (ethics policy), standards as well as contracting compliance. Doing business in an ethical manner is vital to the Group's good reputation and continued success. Tactical or generic risks are risks identified as part of standards or compliance. These risks mainly relate to processes or control weaknesses.

Information security risks relate to the confidentiality, integrity and availability of critical company information. The IT Director 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 risk assessment in its strategic planning.

The Supervisory Board is responsible for reviewing the effectiveness of Borealis' risk management practices and processes, risk appetite and tolerance levels, the Group's risk exposure 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 are responsible for managing risk, within their authority and in their field of work, in order to ensure that risk management is properly embedded in the organisation and reflected in the daily decision-making processes.

Changes to Shareholder Structure

The 25% share in the Borealis Group previously held by Mubadala was acquired by ADNOC as of November 2022. This acquisition deepens the existing strong relationship between Borealis and ADNOC, and supplements its current drive to extend its global footprint to thriving chemical and petrochemical markets in North America and Europe. The Executive Board is pleased to welcome ADNOC as a new shareholder and looks forward to working closely with it and the OMV Group to ensure the sustained success of the Borealis Group.

Changes to the Supervisory Board

As published in the Borealis Interim Consolidated Financial Statements in June 2022, several changes to the Borealis Supervisory Board took effect as of 10 February 2022. Alvin Teh joined the Supervisory Board, succeeding Musabbeh Al Kaabi; Saeed Al Mazrouei was newly appointed as Vice Chairman of the Supervisory Board. After the shareholder change from Mubadala to ADNOC in November, Khaled Salmeen replaced Saeed Al Mazrouei as Vice Chairman of the Supervisory Board, and Khaled Al Zaabi joined the Supervisory Board, replacing Alvin Teh.

Economic Development and Outlook

The Borealis Executive Board and its senior management are proud of the excellent full year 2022 results. Despite the very strong performance of both integrated polyolefins and fertilizer markets in the first half of the year, the weaker results in the final quarters are a clear sign of turbulence ahead. Borealis' management anticipates continued market volatility and an overall worsening market environment for its core business areas over the next years.

Yet as a trusted and reliable partner to its customers and the value chain, Borealis is well equipped to manage current and future crises. Supported by its strong foundation, Borealis will continue to make progress in expanding its geographic footprint while continuing to lead the industry transformation to a circular economy of plastics. By upholding its dedication to re-inventing essentials for more sustainable living, Borealis will keep providing innovative chemical and plastic solutions that create value for society.

Other Information

In accordance with Section 267a (6) of the Austrian Commercial Code (UGB), Borealis prepares a separate consolidated non-financial report.

As a company subject to non-financial reporting obligations according to Article 19a of Directive 2013/34/EU of the European Parliament and of the Council, Borealis falls within the scope of the EU Taxonomy. Applying the EU Taxonomy enables Borealis to be transparent about its sustainable economic activities and to demonstrate the development of the sustainability performance of all business areas within the Group. For 2022, Borealis discloses within the separate consolidated non-financial report the share of taxonomy-eligible and non-taxonomy-eligible economic activities in its total turnover, CAPEX and OPEX, as well as the taxonomy-alignment levels of these KPI's.

		2022 excl. NITRO [1]	2022 incl. NITRO [1]	2021 incl. NITRO [1]	2020 incl. NITRO [1]	2019	2018
Income and profitability							
Total sales and other income	EUR million	9,613	12,225	10,153	6,937	8,103	8,337
Operating profit	EUR million	703	1,081	1,517	351	605	496
Operating profit as percentage of total sales and other income	%	7	9	15	5	7	6
Net profit	EUR million	1,613	2,111	1,396	589	872	906
Return on capital employed, net after tax	%	–	19	19	8	11	13
Cash flow and investments							
Cash flow from operating activities	EUR million	602	898	967	1,083	872	517
Investments in property, plant and equipment	EUR million	544	667	660	614	376	326
Cash and cash equivalents	EUR million	2,226	2,242	1,551	83	83	50
Financial position							
Balance sheet total	EUR million	–	14,685	12,985	10,583	10,118	9,949
Net interest-bearing debt	EUR million	–	-70	223	1,833	1,569	1,327
Equity attributable to owners of the parent	EUR million	–	9,785	8,176	6,417	6,445	6,421
Gearing	%	–	-1	3	29	24	21
Health, Safety & Environment [2]							
Total Recordable Injuries (TRI) [3]	number/million work hours						
a. Old definition		–	–	–	1.7	1.6	1.3
b. New definition [4]		2.6	2.9	2.3	3.9	3.4	–
EU ETS CO_2 emissions	kilotonnes	1,355	3,377	3,878	4,050	4,625	4,302
Primary energy consumption	GWh	14,923	21,364	21,730	22,340	25,831	24,476
Flaring performance	tonnes	39,955	39,955	38,538	42,543 [5]	27,619	26,273
Waste generation	tonnes	82,425	92,383	102,023	97,905	86,109 [6]	53,713
Water withdrawal	m^3 million	407	657	735	755	750	675
Number of employees	full-time equivalents [7]	–	–	6,934	6,920	6,869	6,834
	headcount [8]	5,631	7,649	7,508	–	–	–

1) NITRO: Borealis Fertilizers, Melamine and Technical Nitrogen Business excl. Rosier. For further details, please refer to note 8. Discontinued Operation and Other Changes in the Notes to the Consolidated Financial Statements // 2) Environmental data might be subject to minor adjustments due to ongoing audits and missing third-party data at the time of closing of this report. // 3) Rosier is excluded from TRI 2022 excl. NITRO. // 4) Definitions have been adjusted in 2021 to be aligned with OMV definitions. A comparison to previous years is only possible with 2020. // 5) Severe upsets led to significant emergency flaring during shutdowns; further there was a lack of recycling capacity. // 6) The main reason for the increase is the integration of the plastics recycling company mtm plastics GmbH into the monthly group reporting. // 7) Full-time equivalents considers part-time employed staff only as 0.5 // 8) Number of employees is presented in headcount instead of full-time equivalents since 2022. A comparison to previous years is only possible with 2021.

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 of associated companies and joint ventures 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, less cash and cash equivalents, divided by total equity
HSE: Health, Safety and Environment

Vienna, 22 February 2023

Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Mark Tonkens m.p.
Chief Financial Officer

Wolfram Krenn m.p.
Executive Vice President
Base Chemicals & Operations

Philippe Roodhooft m.p.
Executive Vice President
Joint Ventures & Growth Projects

Lucrèce De Ridder m.p.
Executive Vice President
Polyolefins, Circular Economy Solutions
and Innovation & Technology

Consolidated Financial Statements

Consolidated Income Statement

EUR thousand	2022	2021	Note
Net sales	**9,332,809**	**8,591,970**	1, 2
Other operating income	279,791	131,400	29
Total sales and other income	**9,612,600**	**8,723,370**	
Production costs	-7,938,488	-6,488,739	6, 7, 14, 15
Gross profit	**1,674,112**	**2,234,631**	
Sales and distribution costs	-722,828	-593,710	6, 7, 14, 15
Administration costs	-238,663	-212,934	6, 7, 14, 15
R&D costs	-9,449	-17,993	3, 6, 7, 14, 15
Operating profit	**703,172**	**1,409,994**	
Net results of associated companies and joint ventures	397,113	594,872	9
Gain from disposal of equity accounted investments	604,171	0	9
Financial income	65,129	35,605	18
Financial expenses	-49,902	-41,276	18
Net foreign exchange gains/losses	85,943	-1,132	18
Profit before taxation	**1,805,626**	**1,998,063**	
Taxes on income	-192,494	-366,660	11
Net profit for the year from continuing operations	**1,613,132**	**1,631,403**	
Discontinued operation			
Profit (loss) from discontinued operation, net of tax	497,502	-235,332	8
Net profit for the year	**2,110,634**	**1,396,071**	
Attributable to:			
Non-controlling interests	2,532	-9,502	
Equity holders of the parent	2,108,102	1,405,573	

Consolidated Statement of Comprehensive Income

EUR thousand	2022	2021	Note
Net profit for the year	**2,110,634**	**1,396,071**	
Items that may be subsequently reclassified to the income statement			
Net gain/loss on translation of financial statements of foreign operations	133,664	283,973	
Reclassifications to the income statement during the period	-42,744	357	
Tax effect recognised in other comprehensive income	0	0	
Net gain/loss on long-term loans to foreign operations	-7,645	-2,100	19
Reclassifications to the income statement during the period	0	0	
Tax effect recognised in other comprehensive income	1,428	525	
Net gain/loss on loans to hedge investments in foreign operations	-12,208	-14,687	19, 22, 23
Reclassifications to the income statement during the period	3,009	0	
Tax effect recognised in other comprehensive income	1,674	3,672	
Fair value adjustments of cash flow hedges	348,464	462,138	19, 22, 23, 24, 25
Reclassifications to the income statement during the period	-385,114	-220,184	19, 22, 23, 24, 25
Tax effect recognised in other comprehensive income	14,483	-60,489	
Share of other comprehensive income of joint ventures accounted for using the equity method	-2,769	1,036	9
Items that will not be reclassified to the income statement			
Actuarial gains and losses	139,325	-4,453	15
Tax effect recognised in other comprehensive income	-35,543	1,569	
Share of other comprehensive income of joint ventures accounted for using the equity method	7,342	250	9
Net income/expense recognised in other comprehensive income	**163,366**	**451,607**	
Total comprehensive income	**2,274,000**	**1,847,678**	
Attributable to:			
Non-controlling interests	3,335	-9,482	
Equity holders of the parent	2,270,665	1,857,160	

Consolidated Balance Sheet

EUR thousand	31.12.2022	31.12.2021	Note
Assets			
Non-current assets			
Intangible assets	633,950	658,643	3, 4, 7
Property, plant and equipment			5, 7
Production plants	1,854,194	1,977,253	
Machinery and equipment	28,192	30,392	
Construction in progress	1,277,834	936,278	
Total property, plant and equipment	3,160,220	2,943,923	
Right-of-use assets	599,136	160,553	6
Investments in associated companies and joint ventures	2,796,851	2,526,406	9
Other investments	18,459	18,355	10, 28
Loans granted	628,305	1,015,018	10, 27, 28, 30
Other receivables and other assets	193,363	139,931	2, 10, 27, 28
Deferred tax assets	23,794	59,544	11
Total non-current assets	**8,054,078**	**7,522,373**	
Current assets			
Inventories	1,479,516	1,267,480	12
Receivables			
Trade receivables	788,440	1,113,786	26, 27, 28, 30
Income taxes	2,965	69,944	
Loans granted	65,712	0	10, 27, 28, 30
Other receivables and other assets	545,243	649,171	10, 27, 28, 30
Total receivables and other assets	1,402,360	1,832,901	
Cash and cash equivalents	2,226,207	1,540,973	27, 28
Assets of the disposal group held for sale	1,523,215	821,003	8
Total current assets	**6,631,298**	**5,462,357**	
Total assets	**14,685,376**	**12,984,730**	

Consolidated Balance Sheet

EUR thousand	31.12.2022	31.12.2021	Note
Equity and liabilities			
Equity			
Shareholders' equity			
Share capital and contributions by shareholders	1,599,397	1,599,397	13
Reserves	412,694	203,645	
Retained earnings	7,772,773	6,372,494	
Total shareholders' equity	9,784,864	8,175,536	
Non-controlling interests	7,122	-4,251	
Total equity	**9,791,986**	**8,171,285**	
Liabilities			
Non-current liabilities			
Loans and borrowings	1,512,201	1,526,278	20, 21, 28
Lease liabilities	563,239	134,084	6, 20, 21
Deferred tax liabilities	264,714	178,166	11
Employee benefits	276,512	415,839	15
Provisions	61,585	64,647	16
Other liabilities	36,185	13,494	21, 28
Total non-current liabilities	**2,714,436**	**2,332,508**	
Current liabilities			
Loans and borrowings	41,929	73,633	20, 21, 28
Lease liabilities	42,635	30,682	6, 20, 21
Trade payables	862,826	1,016,936	21, 28, 30
Income taxes	45,761	44,760	
Provisions	48,214	69,546	16
Contract liabilities	50,182	54,997	2
Other liabilities	387,249	599,086	21, 28, 30
Liabilities directly related to the disposal group	700,158	591,297	8
Total current liabilities	**2,178,954**	**2,480,937**	
Total liabilities	**4,893,390**	**4,813,445**	
Total equity and liabilities	**14,685,376**	**12,984,730**	

Consolidated Statement of Changes in Equity

EUR thousand	Share capital [1] and contributions by shareholders	Reserve for actuarial gains/losses recognised in equity	Hedging reserve	Reserve for unrealised exchange gains/losses	Retained earnings	Total attributable to the equity holders of the parent	Non-controlling interests	Total equity
Balance as of 1 January 2021	**1,599,397**	**-253,065**	**-5,731**	**-40,435**	**5,117,066**	**6,417,232**	**8,993**	**6,426,225**
Net profit for the year	0	0	0	0	1,405,573	**1,405,573**	-9,502	**1,396,071**
Other comprehensive income	0	-2,634	181,465	272,756	0	**451,587**	20	**451,607**
Total comprehensive income	**0**	**-2,634**	**181,465**	**272,756**	**1,405,573**	**1,857,160**	**-9,482**	**1,847,678**
Dividend payments	0	0	0	0	-150,000	**-150,000**	-46	**-150,046**
Changes in the consolidation scope	0	0	0	0	-145	**-145**	-3,716	**-3,861**
Reclassifications of cash flow hedges to balance sheet	0	0	51,289	0	0	**51,289**	0	**51,289**
Balance as of 31 December 2021	**1,599,397**	**-255,699**	**227,023**	**232,321**	**6,372,494**	**8,175,536**	**-4,251**	**8,171,285**
Net profit for the year	0	0	0	0	2,108,102	**2,108,102**	2,532	**2,110,634**
Other comprehensive income	0	111,124	-22,167	73,606	0	**162,563**	803	**163,366**
Total comprehensive income	**0**	**111,124**	**-22,167**	**73,606**	**2,108,102**	**2,270,665**	**3,335**	**2,274,000**
Dividend payments	0	0	0	0	-698,000	**-698,000**	-850	**-698,850**
Changes in the consolidation scope [2]	0	0	0	0	-9,447	**-9,447**	8,888	**-559**
Reclassifications of cash flow hedges to balance sheet	0	0	46,110	0	0	**46,110**	0	**46,110**
Reclassifications within Equity	0	376	0	0	-376	**0**	0	**0**
Balance as of 31 December 2022	**1,599,397**	**-144,199**	**250,966**	**305,927**	**7,772,773**	**9,784,864**	**7,122**	**9,791,986**

1) Share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (EUR 300,000.00). // 2) The effect from changes in the scope of consolidation on retained earnings and non-controlling interests relates to increased shares in DYM SOLUTION CO., LTD and Rosier S.A. in 2022. For further details, please refer to note 8.

A dividend of EUR 698,000 thousand was paid in 2022 from the 2021 result.

The cumulative amount recognised in other comprehensive income from the disposal group as of 31 December 2022 is EUR -20,636 thousand (EUR -27,999 thousand), thereof EUR -877 thousand (EUR -891 thousand) relates to items that may be reclassified subsequently to the income statement.

Consolidated Cash Flow

EUR thousand	2022	2021	Note
Cash flows from operating activities			
Payments from customers	12,126,435	9,217,419	
Payments to employees and suppliers	-10,833,990	-8,065,967	
Interest received	31,265	27,462	18
Interest paid	-39,828	-38,137	18
Other financial income received/expenses paid	3,114	-14,828	18
Income taxes paid	-389,231	-158,750	11
	897,765	**967,199**	
thereof from discontinued operation	236,445	179,152	
Cash flows from investing activities			
Investments in property, plant and equipment	-666,657	-659,962	5
Investments in intangible assets	-58,073	-59,600	4
Dividends of associated companies and joint ventures and non-consolidated subsidiaries	595,379	1,943,012	9
Capital contributions to and financing and acquisition of associated companies and joint ventures	-668,026	-365,573	9
Proceeds from disposal of shares in joint ventures	745,068	0	9
Repayments of financing by joint ventures	601,685	0	30
	549,376	**857,877**	
thereof from discontinued operation	-122,462	-103,061	

EUR thousand	2022	2021	Note
Cash flows from financing activities			
Non-current loans and borrowings obtained	420	150,000	20
Current loans and borrowings obtained	1,330	122	20
Current loans and borrowings repaid	-76,612	-311,510	20
Principal elements of lease payments	-53,635	-41,721	6
Acquisition of non-controlling interests	-558	-3,861	
Dividends paid to equity holders of the parent	-698,000	-150,000	
Dividends paid to non-controlling interests	-850	-46	
	-827,905	**-357,016**	
thereof from discontinued operation	-7,336	-42,134	
Net cash flow of the period	**619,236**	**1,468,060**	
Cash and cash equivalents as of 1 January	1,551,487	83,404	
Effect of exchange rate fluctuations on cash held	71,682	23	
Cash and cash equivalents as of 31 December	**2,242,405**	**1,551,487**	
thereof reported under Cash and cash equivalents	2,226,207	1,540,973	
thereof reported under Assets of the disposal group held for sale	16,198	10,514	8

Notes to the Consolidated Financial Statements

Reporting Entity

Borealis AG (the Company or Group) is a company domiciled in Austria. The address of the Company's registered office is Trabrennstrasse 6–8, 1020 Vienna, Austria. Borealis is one of the world's leading providers of advanced and circular polyolefin solutions and a European market leader in base chemicals, fertilizers and the mechanical recycling of plastics.

Borealis Reports the Business Result in three Segments:

In the Polyolefins segment, Borealis focuses on the application areas Mobility, Energy, Consumer Products, Infrastructure, Advanced Products and Business Development.

Base Chemicals essentially includes the following product ranges: Phenol, Acetone, Ethylene and Propylene.

The third segment is "Borealis NITRO" consisting of Fertilizers, Melamine and Technical Nitrogen Products. Since 2022, the Company's share in fertilizer production sites in the Netherlands and Belgium ("Rosier") is not part of this segment anymore.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards issued by the IASB as adopted by the EU and additional Austrian disclosure requirements. The consolidated financial statements as of 31 December 2022 were authorised for publication by the Executive Board on 22 February 2023.

Basis of Preparation

The consolidated financial statements are presented in thousand euro (EUR thousand), rounded to the nearest thousand, hence rounding differences may arise. The consolidated financial statements are prepared on the historical cost basis, except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments and financial assets at fair value through profit or loss (FVPL) or at fair value through other comprehensive income (FVOCI). Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is being hedged.

Consolidation Principles

The consolidated financial statements include the financial statements of Borealis AG, the parent company, and all the companies over which it has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Companies in which the Group has a significant influence (interest of 20% or more), but no control or joint control, are considered associated companies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions on the relevant activities require the unanimous consent of the parties sharing control.

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

Acquired subsidiaries, associated companies and joint ventures are included in the consolidated financial statements from the date of control or significant influence, respectively, and until (joint) control or significant influence ceases. A remeasurement of the acquired net assets is made on the date of acquisition. Any remaining positive difference between the fair value of the assets and liabilities and the purchase consideration is capitalised as goodwill and subject to an annual impairment test. Any gain from a bargain purchase is recognised in the income statement. Investments in associated companies and investments in joint ventures are recorded under the equity method in the consolidated financial statements.

Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The judgements, estimates and assumptions mainly relate to the useful life and impairment of intangible assets and property, plant and equipment (note 4 and note 5), determination of lease liabilities (note 6), value of tax assets and liabilities and unused tax losses (note 11), inventory impairment (note 12), actuarial assumptions for employee benefits (note 15), future cash outflows for provisions (note 16), allowance for impairment in respect of trade receivables (note 27), estimate of fair value less cost of disposal (note 8) and are included in the description of the respective note for the position.

Foreign Currency

Transactions and Balances

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

Foreign exchange gains and losses related to working capital are presented in the income statement as part of operating profit (other operating income and production costs). Otherwise, the foreign exchange gains and losses are recorded as financial items in the income statement. However, the exchange adjustments arising from the following items are recognised in other comprehensive income: conversion of the net assets of foreign subsidiaries and associated companies as of 1 January using the closing rate on 31 December, conversion of long-term intra-group receivables that are considered part of investments in subsidiaries or associated companies, conversion of long-term loans hedging net assets of foreign subsidiaries and associated companies or intra-group receivables considered part of investments in subsidiaries and associated companies and conversion of the net income of foreign subsidiaries calculated at monthly rates to figures converted using the exchange rates applicable as of the reporting date.

Group Companies

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

Financial statements of foreign subsidiaries in functional currencies other than EUR have been converted at the exchange rates quoted on the reporting date for assets and liabilities. The income statements of foreign subsidiaries have been converted on the basis of monthly exchange rates. The exchange differences arising from the conversion are recognised in other comprehensive income.

Summary of Significant Accounting Policies

Income Statement

Revenue Recognition

Borealis' main business model is to produce, market and sell various goods (polyolefins, base chemicals, fertilizers and related nitrogen products) to its customers. Each sale typically includes an obligation to deliver one particular type of goods. No bundling of various goods in one contract currently exists and price is not interdependent on prices in other contracts, delivery of other goods or promises. In case of additional services provided as part of the contract that typically do not meet the requirements of a separate performance obligation in accordance with IFRS 15, no allocation of the transaction price to multiple performance obligations is necessary.

Revenue is recognised when control of the products has been transferred, i.e. when the products are delivered to the customer. All Borealis contracts for delivery of goods include INCOTERMS, such as DDP, CIF or FCA, which govern changes to the control of goods. This will be the point of revenue recognition by Borealis. Payment is generally due up to 90 days from delivery.

For some contracts, variable considerations have been agreed, typically volume discounts for goods purchased during the particular period, i.e. one year. Borealis regularly estimates the anticipated discount based on the best available data supported by a large number of similar contracts and historical information.

Generally, Borealis does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. Consequently, Borealis does not adjust the promised amount of consideration for the effects of a significant financing component.

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. No other warranties or rights to return are offered by Borealis.

Net sales comprise revenue from contracts with customers and revenue from other sources arising in the course of the ordinary activities of the Group, excluding value-added tax and after deduction of goods returned, discounts and allowances.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations. If the Group satisfies a performance obligation before it receives the consideration, the Group recognises a contract asset or a receivable in its balance sheet, depending on whether something other than the passage of time is required before the consideration is due.

All transactions that are not representative of sales revenues are presented under Other operating income.

Research and Development

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

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

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

Results from Associated Companies and Joint Ventures

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

Financial Income/Expenses

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

Financial income/expenses also include borrowing costs, costs incurred on finance leases, realised and unrealised gains and losses from exchange and price adjustments of financial instruments, investments and items in foreign currencies not related to working capital.

Taxes on Income

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

Balance Sheet

Intangible Assets

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

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

Licences and patents acquired externally are stated at cost, less accumulated amortisation and impairment losses. Amortisation is calculated according to the straight-line method based on an estimated useful life of 3–10 years.

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

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

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

Property, Plant and Equipment

Property, plant and equipment is valued at cost, less accumulated depreciation and impairment losses. Cost comprises purchase price, site preparation and installation. Day-to-day servicing expenses are not included in the cost of the assets. If certain conditions are met, the costs of major inspections and overhauls are recognised in the carrying amount of the property, plant and equipment.

Production plants include land, buildings, related immovable machinery and equipment. Machinery and equipment are recognised at purchase price and any directly attributable costs.

Depreciation is made on a straight-line basis over the expected useful life of the components of the assets. The useful lives of major assets are determined individually, while the lives of other assets are determined in groups of similar assets. Land is not depreciated. Buildings are depreciated over 20–40 years, production facilities over 15–20 years and machinery and equipment over 3–15 years.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Impairment Losses

The carrying amounts of both property, plant and equipment and intangible assets are reviewed on each reporting date to determine whether there is any indication of impairment. If any such indication exists, and for annual impairment tests of goodwill and intangible assets with an indefinite useful life, the asset's recoverable amount is estimated as the greater of the fair value less cost of disposal and value in use. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability on the date at which the leased asset is available for use by the Group. Each lease payment is split between the liability and finance cost. The finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable,
– variable lease payments that are based on an index or a rate,
– amounts expected to be payable by the lessee under residual value guarantees, if any,
– the exercise price of a purchase option, if it is reasonably certain that the lessee will exercise that option, and
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Moreover, non-lease components are separated from the lease components for measurement of right-of-use assets and lease liabilities.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, i.e. the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments (to reflect the terms of the lease and the creditworthiness of the Company, amongst others).

Right-of-use assets are initially measured at cost comprising the following:
– the amount of the initial measurement of the lease liability,
– any lease payments made on or before the commencement date, less any lease incentives received,
– any initial direct costs, and
– costs, if any, of restoring the asset at the end of the lease term to the condition required by the terms and conditions of the lease.

After the commencement date, the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term using a linear method of depreciation. If it is reasonably certain that the Group will exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office and IT equipment (such as water dispensers, coffee machines or franking machines), textiles or smaller containers.

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

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:
– represents a separate major line of business or geographic area of operations,
– is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations, or
– is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

<u>Associated Companies and Joint Ventures</u>
Associated companies and joint ventures are accounted for using the equity method. The consolidated financial statements include the Group's share of the comprehensive income of equity-accounted investees.

<u>Cash and Cash Equivalents</u>
Cash and cash equivalents comprise cash in bank and liquid short-term deposits.

<u>Inventories</u>
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs incurred are based on the first in, first out principle (FIFO method) and comprise direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory based on weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Measurement of spare parts is based on the weighted average cost method.

Government Grants

Government grants include grants for research and development as well as investment grants. Government grants relating to assets are deducted from the carrying amount of the related asset and recognised in the income statement as a reduction of depreciation (production costs) over the useful life of the asset. Income from other government grants is shown as part of other operating income.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation against third parties that can be reliably estimated and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions reflect the present value of future cash outflows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as finance cost. For details on decommissioning provision, see significant accounting policies for property, plant and equipment.

Deferred and Income Taxes

Deferred tax assets and liabilities are computed individually for each company in accordance with the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as of the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the temporary differences and unused tax loss carryforwards can be utilised within a period of five years, based on a five-year business plan.

Deferred tax assets are reviewed on each reporting date and are remeasured to the extent that it is probable they will be realised.

As of 1 January 2021, selected Austrian Borealis group entities are part of the Austrian OMV tax group and tax charges resulting from tax allocation agreements are settled with OMV Aktiengesellschaft. Hence, income tax receivables/ liabilities from respective tax group members are no longer presented under the balance sheet item Income taxes, but under Other current receivables/liabilities.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Reserves

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

Employee Benefits

Defined Contribution Plans

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined Benefit Plans

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

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

The Group has the following plans in place: defined benefit pension plans, post-employment medical plans, severance plans and other long-term employee benefit plans. Pension plans in place are both funded and unfunded. The plan asset funds are predominantly held in the form of insurance contracts.

The parameters of the pension promises vary from country to country. There are both plans open and closed to new entrants, contributory as well as non-contributory.

Post-employment medical plans mainly cover the medical expenses of retirees in Belgian companies. They are non-contributory and closed to new entrants. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Severance plans cover employees of Austrian companies who started their service before 1 January 2003. They are entitled to receive severance payments upon termination of their employment or on reaching their pension age.

Furthermore, the Group operates severance plans in Italy and the United Arab Emirates. The benefits depend on the years of service and remuneration level. These plans are non-contributory and unfunded.

Other long-term employee benefits include jubilee schemes and pre-pension benefits. Jubilee schemes entitle the members to benefits in the form of a payment and/or additional paid holiday when reaching a defined length of service. These plans are non-contributory and unfunded.

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

Past-service costs are recognised immediately in the income statement. Net interest expenses resulting from employee benefits are included in the consolidated income statement as part of the operating profit.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either on the principal market for the asset or liability or, in the absence of a principal market, on the most advantageous market for the asset or liability.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in note 28.

Financial Instruments

Recognition and Derecognition

Financial assets and financial liabilities are recognised on the trade date, when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Initial Measurement of Financial Assets

Financial assets are initially recognised at their fair value, except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15. For all financial assets which are not subsequently measured at fair value, the fair value on initial recognition is adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
– amortised cost,
– fair value through profit or loss (FVPL),
– fair value through other comprehensive income (FVOCI).

The classification is determined by both:
– the entity's business model for managing the financial asset,
– the contractual cash flow characteristics of the financial asset.

Subsequent Measurement of Financial Assets

Financial Assets at Amortised Cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):
– they are held within a business model whose objective is to hold the financial assets and collect their contractual cash flows,
– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest rate method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade receivables (except trade receivables under the factoring programme), loans granted and parts of other receivables fall into this category of financial instruments.

Financial Assets at Fair Value through Profit or Loss (FVPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVPL. Furthermore, irrespective of the business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL.

Derivative financial instruments for which hedge accounting is not applied fall into this category.

The Group has a pool of specifically designated trade receivables that are all subject to factoring. This pool of receivables represents a hold to sell business model and is measured using FVPL.

The category also contains equity investments. Equity investments are either measured at FVPL or at FVOCI. Until 31 December 2020, Borealis elected irrevocably to classify all of its non-listed equity investments as investments at FVPL.

Furthermore, the category contains marketable securities and bonds which are classified as a debt instrument. As such, marketable securities and bonds do not fulfil the solely payment of principal and interest (SPPI) criteria and have to be measured at FVPL.

Assets in this category are measured at fair value with gains or losses recognised in the income statement. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial Assets at Fair Value through OCI (FVOCI)

The category contains equity investments. From 1 January 2021, all new non-listed equity investments, which are held for strategic purposes and not for trading, are classified as investments at FVOCI. Gains and losses on equity investments measured at FVOCI are never recycled to the income statement and they are not subject to impairment assessment. Dividends are recognised in the income statement unless they represent a recovery of part of the cost of an investment.

Impairment of Financial Assets

The Group has three types of financial assets that are subject to IFRS 9's expected credit loss (ECL) model:
- trade receivables (excluding trade receivables held to sell) and contract assets,
- cash and cash equivalents,
- debt investments carried at amortised cost.

For the measurement of the ECLs, a distinction is made between:
- financial instruments for which credit risk has not increased significantly since initial recognition (“Stage 1” – 12-month expected credit losses),
- financial instruments for which credit risk has increased significantly since initial recognition (“Stage 2” – lifetime expected credit losses).

“Stage 3” covers financial assets that have objective evidence of impairment as of the reporting date (credit impaired financial assets).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

On each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer,
- a breach of contract such as a default or being more than 90 days past due,
- it is probable that the borrower will enter into bankruptcy or other financial reorganisation.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows, such as in the case of bankruptcy.

Trade Receivables and Contract Assets

Trade receivables and contract assets are impaired by using the simplified approach, which does not distinguish between 12-month ECLs and lifetime ECLs, but all assets are generally impaired using lifetime ECLs. For trade receivables and contract assets, the Group distinguishes between trade receivables up to 90 days past due and trade receivables more than 90 days past due. For trade receivables up to 90 days past due, the Group calculates ECLs based on external and internal rating and associated probabilities of default. Available forward-looking information is taken into account if it has a material impact on the amount of impairment recognised. Trade receivables more than 90 days past due are assessed individually and credit-impaired if necessary. See note 27 for further information on how credit risk is managed.

Loss allowances for trade receivables measured at amortised cost are deducted from the gross carrying amount of the assets and recognised in sales and distribution costs in the income statement.

Cash and Cash Equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss (based on the general approach) was immaterial.

Debt Investments Carried at Amortised Cost

The Group's debt investments at amortised cost are considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months of expected losses. Debt investments are considered to be low credit risk when they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.

On that basis, the identified impairment loss (ECL based on the general approach) was immaterial. If there is any objective evidence for an impairment, debt investments are impaired individually (credit-impaired). See note 27 for further information.

Classification and Measurement of Financial Liabilities

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss (FVPL). Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives, which are carried at fair value with gains or losses recognised in the income statement (other than derivative financial instruments that are designated and effective as hedging instruments). Financial liabilities recognised for the financial guarantee contracts are subsequently measured at the higher of:
- the amount of the loss allowance determined according to the expected credit losses model and;
- the amount initially recognised less the cumulative income recognised according to IFRS 15.

All interest-related charges and, if applicable, changes in an instrument's fair value that are recognised in the income statement are included within financial expenses or financial income.

The Group's financial liabilities include loans and borrowings, lease liabilities, trade payables and parts of other liabilities and derivative financial instruments.

Derivatives and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges),
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

In the periods presented, the Group does not have any fair value hedges outstanding and no derivatives are considered as net investment hedges.

At inception of the hedge relationship, the Group documents the hedge relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. A hedging relationship qualifies for hedge accounting only if all of the following hedge effectiveness requirements are met:

– there is an economic relationship between the hedged item and the hedging instrument,
– the effect of credit risk does not dominate the value changes that result from that economic relationship,
– the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

Cash Flow Hedging

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement. The Group designates the full change in fair value of foreign exchange forwards as the hedging instrument in cash flow hedging relationships. As of the reporting date, Borealis has several foreign exchange forwards, but no outstanding foreign exchange options.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of the hedging reserve is directly included in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of the hedging reserve is reclassified to the income statement in the same period or periods during which the hedged expected future cash flows affect the income statement.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to the income statement in the same period or periods as the hedged expected future cash flows affect the income statement.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to the income statement.

Net Investment Hedges

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to the income statement.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in OCI and accumulated in the reserve for unrealised exchange gains/losses. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are reclassified to the income statement when the foreign operation is partially disposed of or sold.

Derivatives That Do Not Qualify for Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Offsetting of Financial Instruments

Financial assets and financial liabilities can be offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Cash Flow Statement

The consolidated cash flow statement shows the Group's cash flow provided by/used in operating, investing and financing activities. The cash flow from operating activities is calculated using the direct method. The cash flow from investing activities comprises payments made on the purchase and disposal of operations and the purchase and disposal of property, plant and equipment, intangible assets as well as financial assets. The cash flow from financing activities comprises changes in the Group's share capital, as well as loans, repayments of principals of interest-bearing debt and the payment of dividends.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Executive Board (chief operating decision maker) and are used to make decisions on resources to be allocated to the segment and assess its performance and for which separate financial information is available (reportable segment).

Moreover, a geographic segment is based on risks and rewards of a particular economic environment (geographic region). The Executive Board decided to show the net sales by geographic segment next to the reportable segment.

The Executive Board has identified three reportable segments:

Polyolefins – this part of the business manufactures and markets polyolefin products. Although the Mobility, Energy, Consumer Products, Infrastructure, Advanced Products and Business Development operating segments provide separate reports on their performance, they have been aggregated into one reporting segment as they have similar long-term growth rates and raw material economics, as well as demonstrate similarities in other aspects required by the Standard.

Base Chemicals – Borealis produces and markets a wide range of base chemicals, such as phenol, acetone, ethylene, propylene and similar. These activities are covered in organisational terms by the business unit Hydrocarbons & Energy.

Borealis NITRO – Borealis is also engaged in the production and marketing of fertilizers, technical nitrogen and melamine. These activities are carried out by two business units – Fertilizers and Melamine. Fertilizers and Melamine provide separate reports on their performance, but based on their similar economic characteristics, as well as the size of Melamine being below the required thresholds, they have been aggregated into one reporting segment.

All other segments – Corporate, Middle East and Asia and Research & Development are not reportable segments, as they are either not included separately in the reports provided to the Executive Board or only contain results of the associated companies. In 2022, the Company's share in fertilizer production sites in the Netherlands and Belgium ("Rosier") became a not reportable segment instead of being part of Borealis NITRO as previously. 2021 amounts for Rosier have been reclassified accordingly. The results of these operations are included in the Non-Allocated column (see note 1).

New Accounting Standards

<u>New and Amended Standards Adopted by Borealis</u>

In 2022, the following amended standards became effective and have been adopted by Borealis, where effective means effective for annual periods beginning on or after that date (as endorsed by the EU):

Standards		IASB effective date	EU effective date
Amended Standards			
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020	1 January 2022	1 January 2022
IAS 16	Proceeds before Intended Use	1 January 2022	1 January 2022
IFRS 3	References to the Conceptual Framework	1 January 2022	1 January 2022

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

New and Amended Standards Not Yet Effective

A number of new standards and amendments to standards have been issued but are not yet effective (as adopted by the EU). Borealis will adopt the standards on the effective date. Effective means effective for annual periods beginning on or after that date (as endorsed by the EU). Borealis does not expect a material impact of these new and amended standards on the consolidated financial statements.

Standards		IASB effective date	EU effective date
New Standards			
IFRS 17	Insurance Contracts	1 January 2023	1 January 2023
Amended Standards			
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023	1 January 2023
IAS 8	Definition of Accounting Estimates	1 January 2023	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	1 January 2023
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023	1 January 2023
IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024	
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024	

Amounts

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

1. Segment Reporting

EUR thousand	Polyolefins		Base Chemicals	
	2022	2021	2022	2021
Net sales by segment				
Total segment sales	7,040,820	6,696,913	5,967,369	5,103,346
Inter-segment sales	0	0	-4,121,826	-3,605,569
	7,040,820	**6,696,913**	**1,845,543**	**1,497,777**

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

Segment result				
Operating profit	525,852	1,185,759	243,125	308,543
Measurement of discontinued operation				
Net results of associated companies and joint ventures	-58,246	36,308	401	418
Gain from disposal of equity accounted investments				
Financial results				
Taxes on income				
Non-controlling interests				
Net profit for the year attributable to equity holders of the parent				
Net sales by geographic segment (by delivery destination)				
EU countries	4,667,610	4,491,951	1,327,787	1,043,782
thereof Austria	196,376	192,406	174	0
Non-EU countries in Europe	929,462	913,128	479,464	397,167
US	307,937	234,660	31,644	36,869
Middle East and Asia	560,295	394,522	6,436	18,387
Other regions	575,516	662,652	212	1,572
	7,040,820	**6,696,913**	**1,845,543**	**1,497,777**

EUR thousand	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Other information				
Segment assets	4,788,230	4,713,053	3,549,352	2,960,293
thereof Austria	2,413,308	2,359,649	1,652,827	1,273,059
Segment liabilities	0	0	0	0
Investments in property, plant and equipment	149,720	89,377	158,394	119,445
Depreciation, amortisation and impairment	172,838	173,817	131,303	114,182

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

1) Borealis NITRO: Borealis Fertilizers, Melamine and Technical Nitrogen Products business unit excluding Rosier. // 2) 2021 amounts for Rosier have been reclassified from Borealis NITRO to Non-Allocated.

	Borealis NITRO [1] [2]		Non-Allocated [2]		Consolidated	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	2,351,335	1,264,315	445,582	397,378	15,805,106	13,461,952
	0	0	0	0	-4,121,826	-3,605,569
	2,351,335	**1,264,315**	**445,582**	**397,378**	**11,683,280**	**9,856,383**
	339,440	125,975	-27,251	-103,534	1,081,166	1,516,743
	266,344	-443,739			266,344	-443,739
	0	220	454,958	558,146	397,113	595,092
			604,171	0	604,171	0
			103,978	-9,377	103,978	-9,377
			-342,138	-262,648	-342,138	-262,648
			-2,532	9,502	-2,532	9,502
					2,108,102	**1,405,573**
	2,161,658	1,133,838	257,179	195,042	8,414,234	6,864,613
	381,362	200,981	71,934	55,663	649,846	449,050
	136,747	86,581	9,664	31,117	1,555,337	1,427,993
	25,950	8,256	8,490	5,917	374,021	285,702
	3,359	11,535	133,023	129,907	703,113	554,351
	23,621	24,105	37,226	35,395	636,575	723,724
	2,351,335	**1,264,315**	**445,582**	**397,378**	**11,683,280**	**9,856,383**
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
	848,815	405,144	5,498,979	4,906,240	14,685,376	12,984,730
	590,376	208,696	4,890,720	4,348,205	9,547,231	8,189,609
	0	0	4,893,390	4,813,445	4,893,390	4,813,445
	126,396	104,441	232,147	346,699	666,657	659,962
	0	18,777	48,150	120,388	352,291	427,164

Reconciliation of reportable segments to the consolidated income statement EUR thousand	2022	2021
Total revenue for reportable segments	11,683,280	9,856,383
Elimination of discontinued operation	-2,350,471	-1,264,413
Net sales	**9,332,809**	**8,591,970**
Total profit for reportable segments	2,108,102	1,405,573
Non-controlling interests	2,532	-9,502
Elimination of discontinued operation	-497,502	235,332
Net profit for the year from continuing operations	**1,613,132**	**1,631,403**

2. Revenue from Contracts with Customers

EUR thousand	2022	2021
Revenue from contracts with customers	11,700,536	9,849,684
Revenue from other sources	-17,256	6,699
Net sales from continuing and discontinued operations	**11,683,280**	**9,856,383**

Revenue from other sources mainly includes gains/losses for realised cash flow hedges on net sales from foreign exchange forwards (see also note 19). The negative revenue from other sources in 2022 is due to losses for realised cash flow hedges on net sales from foreign exchange forwards amounting to EUR 21,482 thousand. Revenue from other sources relating to the discontinued operation amounted to EUR 2,505 thousand (EUR 2,788 thousand).

In the following table, revenue from contracts with customers is disaggregated by segment and geographic market. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 1).

EUR thousand	2022				
	Polyolefins	Base Chemicals	Borealis NITRO 1)	Non-Allocated	Consolidated
EU countries	4,665,925	1,327,787	2,159,153	257,143	8,410,008
Non-EU countries in Europe	929,490	479,464	136,747	9,664	1,555,365
US	314,397	31,644	25,950	8,490	380,481
Middle East and Asia	568,267	6,436	3,359	133,023	711,085
Other regions	582,538	212	23,621	37,226	643,597
Revenue from contracts with customers	**7,060,617**	**1,845,543**	**2,348,830**	**445,546**	**11,700,536**
Revenue from other sources	-19,797	0	2,505	36	-17,256
Net sales (as reported in note 1)	**7,040,820**	**1,845,543**	**2,351,335**	**445,582**	**11,683,280**

EUR thousand	2021				
	Polyolefins	Base Chemicals	Borealis NITRO 1) 2)	Non-Allocated 2)	Consolidated
EU countries	4,490,539	1,043,782	1,131,052	194,588	6,859,961
Non-EU countries in Europe	913,126	397,167	86,581	31,117	1,427,991
US	234,101	36,869	8,256	5,917	285,143
Middle East and Asia	393,605	18,387	11,535	129,907	553,434
Other regions	662,083	1,572	24,105	35,395	723,155
Revenue from contracts with customers	**6,693,454**	**1,497,777**	**1,261,529**	**396,924**	**9,849,684**
Revenue from other sources	3,459	0	2,786	454	6,699
Net sales (as reported in note 1)	**6,696,913**	**1,497,777**	**1,264,315**	**397,378**	**9,856,383**

1) Borealis NITRO: Borealis Fertilizers, Melamine and Technical Nitrogen Products business unit excluding Rosier. // 2) 2021 amounts for Rosier have been reclassified from Borealis NITRO to Non-Allocated.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

EUR thousand	31.12.2022	31.12.2021
Receivables	788,440	1,113,786
Contract assets	8,139	15,534
Contract liabilities	50,182	54,997

Contract assets are included in other receivables and other assets, thereof EUR 0 thousand (EUR 7,829 thousand) current and EUR 8,139 thousand (EUR 7,705 thousand) non-current.

The Group applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

For impairment recognised on receivables and contract assets, please see note 27 Credit Risk.

The contract liabilities mainly include advance consideration received from customers and expected volume discounts payable to customers in relation to sales made. The contract liabilities of the previous year have been realised during 2022.

3. Research and Development

At the end of the year, 554 employees (headcount) were engaged in research and development relating entirely to continuing operations (504 FTEs in 2021). The total cost of these activities including impairment costs, amounted to EUR 9,449 thousand compared to EUR 17,993 thousand in 2021 (see note 7). Internal development costs amounting to EUR 34,249 thousand (EUR 30,653 thousand) were capitalised as intangible assets.

4. Intangible Assets

EUR thousand	2022				
	Goodwill	Development costs	Capitalised software	Others	Total
Cost					
As of 1 January	133,648	488,333	120,639	468,140	**1,210,760**
Exchange adjustments	538	0	43	-310	**271**
Additions	0	34,930	5,449	191,532	**231,911**
Reclassification to assets of the disposal group held for sale	0	0	0	-565	**-565**
Disposals	0	0	-189	-209,610	**-209,799**
Transfers	0	-3,032	5,627	3,138	**5,733**
As of 31 December	**134,186**	**520,231**	**131,569**	**452,325**	**1,238,311**
Accumulated amortisation					
As of 1 January	1,400	297,501	86,788	166,428	**552,117**
Exchange adjustments	0	-1	39	-1,113	**-1,075**
Reclassification to assets of the disposal group held for sale	0	0	0	-526	**-526**
Disposals	0	0	-172	-141	**-313**
Amortisation	0	18,567	15,727	16,895	**51,189**
Impairment	0	2,969	0	0	**2,969**
As of 31 December	**1,400**	**319,036**	**102,382**	**181,543**	**604,361**
Carrying amount as of 1 January	132,248	190,832	33,851	301,712	**658,643**
Carrying amount as of 31 December	**132,786**	**201,195**	**29,187**	**270,782**	**633,950**

EUR thousand	2021				
	Goodwill	Development costs	Capitalised software	Others	Total
Cost					
As of 1 January	179,761	461,427	115,422	347,170	**1,103,780**
Exchange adjustments	-139	1	1	-667	**-804**
Additions	0	36,988	3,574	218,473	**259,035**
Reclassification to assets of the disposal group held for sale	-45,974	0	-6,728	-12,950	**-65,652**
Disposals	0	0	0	-94,197	**-94,197**
Transfers	0	-10,083	8,370	10,311	**8,598**
As of 31 December	**133,648**	**488,333**	**120,639**	**468,140**	**1,210,760**
Accumulated amortisation					
As of 1 January	47,375	266,284	75,182	160,515	**549,356**
Exchange adjustments	-1	0	2	-292	**-290**
Reclassification to assets of the disposal group held for sale	-45,974	0	-6,435	-12,365	**-64,775**
Disposals	0	0	0	-684	**-684**
Amortisation	0	18,760	18,039	19,133	**55,932**
Impairment	0	12,457	0	121	**12,578**
As of 31 December	**1,400**	**297,501**	**86,788**	**166,428**	**552,117**
Carrying amount as of 1 January	132,386	195,143	40,240	186,655	**554,424**
Carrying amount as of 31 December	**132,248**	**190,832**	**33,851**	**301,712**	**658,643**

Other intangible assets mainly include patents and licences as well as emission rights.

Additions arising from internal development amounted to EUR 34,249 thousand (EUR 30,653 thousand). Intangible assets received by way of government grants as allowances for emissions (EU Emissions Trading System) amounted to EUR 93,396 thousand for the year 2022. Additionally, pending allowances for the year 2021 amounting to EUR 85,680 thousand were received during the first six months of 2022. This was in addition to the previous year's free allocation of EUR 197,079 thousand which had already been received in the second half of 2021. The emissions of the year 2021 were settled in April 2022. Emission rights purchased from external parties amounted to EUR 0 thousand (EUR 74 thousand) and returned certificates which were borrowed by external parties amounted to EUR 2,170 thousand (EUR 13,624 thousand). An equivalent of EUR 208,165 thousand (EUR 91,343 thousand) was returned to the respective EU ETS regulatory authorities for the emissions in 2021. For details on line transfers see note 5.

5. Property, Plant and Equipment

EUR thousand	2022			
	Production plants	Machinery and equipment	Construction in progress	Total
Cost				
As of 1 January	6,028,838	125,105	936,278	**7,090,221**
Exchange adjustments	-160,284	-576	-5,381	**-166,241**
Additions	93,441	3,350	435,129	**531,920**
Reclassification to assets of the disposal group held for sale	-66,115	-2,285	-1,477	**-69,877**
Disposals	-62,322	-4,570	-58	**-66,950**
Transfers	78,332	2,678	-86,657	**-5,647**
As of 31 December	**5,911,890**	**123,702**	**1,277,834**	**7,313,426**
Accumulated depreciation				
As of 1 January	4,051,585	94,713	0	**4,146,298**
Exchange adjustments	-110,134	-570	0	**-110,704**
Reclassification to assets of the disposal group held for sale	-61,958	-2,167	0	**-64,125**
Disposals	-60,413	-4,181	0	**-64,594**
Depreciation	257,782	7,715	0	**265,497**
Impairment	834	0	0	**834**
Impairment reversal	-20,000	0	0	**-20,000**
As of 31 December	**4,057,696**	**95,510**	**0**	**4,153,206**
Carrying amount as of 1 January	1,977,253	30,392	936,278	**2,943,923**
Carrying amount as of 31 December	**1,854,194**	**28,192**	**1,277,834**	**3,160,220**

EUR thousand	2021			
	Production plants	Machinery and equipment	Construction in progress	Total
Cost				
As of 1 January (as reported)	7,509,471	142,183	693,735	**8,345,389**
Restatement	-13,539	-262	-4,651	**-18,452**
As of 1 January (restated)	7,495,932	141,921	689,084	**8,326,937**
Exchange adjustments	-39,993	-151	-1,445	**-41,589**
Additions	131,373	2,606	507,981	**641,960**
Reclassification to assets of the disposal group held for sale	-1,687,781	-15,126	-90,118	**-1,793,025**
Disposals	-30,244	-5,884	-77	**-36,205**
Transfers	159,551	1,739	-169,147	**-7,857**
As of 31 December	**6,028,838**	**125,105**	**936,278**	**7,090,221**
Accumulated depreciation				
As of 1 January (as reported)	4,979,832	107,501	0	**5,087,333**
Restatement	-1,700	3	0	**-1,697**
As of 1 January (restated)	4,978,132	107,504	0	**5,085,636**
Exchange adjustments	-27,989	-139	0	**-28,128**
Reclassification to assets of the disposal group held for sale	-1,181,611	-13,972	0	**-1,195,583**
Disposals	-29,251	-5,819	0	**-35,070**
Depreciation	273,726	7,139	0	**280,865**
Impairment	38,578	0	0	**38,578**
As of 31 December	**4,051,585**	**94,713**	**0**	**4,146,298**
Carrying amount as of 1 January (as reported)	2,529,639	34,682	693,735	**3,258,056**
Restatement	-11,839	-265	-4,651	**-16,755**
Carrying amount as of 1 January (restated)	2,517,800	34,417	689,084	**3,241,301**
Carrying amount as of 31 December	**1,977,253**	**30,392**	**936,278**	**2,943,923**

Production plants include the following carrying amounts: land amounting to EUR 34,811 thousand (EUR 35,125 thousand), buildings amounting to EUR 296,391 thousand (EUR 322,026 thousand), immovable machinery amounting to EUR 1,326,884 thousand (EUR 1,412,812 thousand) and immovable equipment amounting to EUR 196,108 thousand (EUR 207,290 thousand).

In 2022, borrowing costs amounting to EUR 13,978 thousand (EUR 9,308 thousand) have been capitalised, using an average interest rate of 1.6% (1.7%). Additions to property, plant and equipment that were not paid at the end of the reporting period amounted to EUR 1,174 thousand (EUR 34,706 thousand).

Additions comprise major projects advanced in 2022, which are the new, world-scale propane dehydrogenation (PDH) plant at the existing production site in Kallo, Belgium, the Semicon Project in Antwerp, Belgium, which supports growth in the Power Project segment by creating continuous production chains and improving quality control, as well as the wastewater treatment upgrade in Stenungsund, Sweden, which aims to reduce emissions of oil and other contaminants to water.

The line transfers show EUR 5,733 thousand (EUR 8,598 thousand) of transfers between property, plant and equipment and intangible assets and EUR 86 thousand (EUR 741 thousand) of transfers to right-of-use assets according to IFRS 16.

As of 31 December 2022, Borealis' contractual commitments amounted to EUR 165,294 thousand (EUR 149,998 thousand) for the acquisition of property, plant and equipment (see note 21). The main increase results from the planned investments in the improvement of production chains and quality control in the power project segment in Antwerp, Belgium, with capital commitments of EUR 29,700 thousand (EUR 0 thousand).

Assets Pledged

Assets pledged amounted to EUR 11,419 thousand (EUR 12,390 thousand) and relate to property, plant and equipment. The commitments covered by the above assets amounted to EUR 1,439 thousand (EUR 1,951 thousand) at the end of the year.

6. Leases

The recognised right-of-use assets relate to the following types of assets:

EUR thousand	31.12.2022	31.12.2021
Production plants	553,118	103,691
Machinery and equipment	46,018	56,862
Carrying amount	**599,136**	**160,553**

Additions to the right-of-use assets, including the effect of reassessed contracts, amounted to EUR 494,801 thousand (EUR 20,687 thousand) in 2022.

Leased production plants include land, building space, immovable equipment and logistics facilities, such as storage tanks, warehouses, ports and pipelines. Leased machinery and equipment include company cars, material handling equipment, such as forklifts, railcars and an ethane marine carrier. The majority of leases by number relates to company cars with a typical term of four years and to material handling equipment with a typical term of six years. In general, leases for company cars and material handling equipment do not contain extension options, but a new contract for a replacement asset is usually put in place after the lease has ended.

Lease liabilities are presented in the balance sheet as follows:

EUR thousand	31.12.2022	31.12.2021
Current lease liabilities	42,635	30,682
Non-current lease liabilities	563,239	134,084
Carrying amount	**605,874**	**164,766**

The lease liabilities are mainly driven by two new material contracts, which together represent 71% (0%) of the carrying amount as of the reporting date: leasing contracts for hydrocarbons logistics and storage infrastructure related to the new PDH plant in Kallo, Belgium. The minimum lease term for the contracts ends in 2052. All contracts contain extension options.

The following amounts relating to leases were included in the income statement:

EUR thousand	2022	2021
Included in production costs, sales and distribution costs, administration costs and R&D costs		
Depreciation charge of right-of-use assets	47,157	38,335
Production plants	31,358	20,977
Machinery and equipment	15,799	17,358
Expense relating to short-term leases	4,349	3,367
Expense relating to leases of low value assets that are not shown above as short-term leases	684	797
Expense relating to variable lease payments not included in lease liabilities	1,294	234
Included in financial expenses		
Interest expense	8,310	3,741

The total cash outflow for leases was EUR 69,684 thousand (EUR 46,667 thousand) in 2022.

Variable Lease Payments

Uncertainty arises from variable lease payments that depend on an index or a rate. Such variable lease payments are usually included in contracts for rented land, building space, pipelines or storage and aim to compensate the lessor for price inflation during the contract period. The rates relate to baskets of industry-specific price indices or to single consumer price indices of countries mainly in the euro zone. Borealis does not expect any material increases of the Group's lease liability resulting from changes in those indices.

Extension and Termination Options

Extension and termination options are included in a number of leases across the Group. These options are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods covered by termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated). Potential undiscounted future cash outflows of EUR 175,312 thousand (EUR 201,379 thousand) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). This mainly relates to the vessel and the Belgium land lease.

The assessment of reasonable certainty is only reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the lessee. In 2022, Borealis AG entered into new leasing contracts for propane and propylene storage related to the new PDH plant in Kallo, Belgium, with a contract term until February 2052. It was necessary to make new accounting estimates and extend the end term for five contracts (Kallo land lease and several pipeline contracts) from September 2049 to February 2052. The financial effect of revising these lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities of EUR 3,410 thousand (EUR 0 thousand).

7. Depreciation, Amortisation and Impairment

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

EUR thousand	2022	2021
Production costs		
Depreciation and amortisation	261,125	257,645
Impairment	3,066	38,610
Impairment reversal	-20,000	0
Sales and distribution costs		
Depreciation and amortisation	35,609	26,390
Administration costs		
Depreciation and amortisation	23,183	24,601
Research & development costs		
Depreciation and amortisation	45,515	47,603
Impairment	3,721	12,546
Total	**352,219**	**407,395**

In the current year, research and development costs include an impairment of EUR 2,887 thousand (EUR 12,546 thousand) of intangible assets and an impairment of EUR 834 thousand (EUR 0 thousand) for property, plant and equipment for which the carrying amount exceeds the present value of future cash flows. Like last year, the impairment of the assets within the research and development costs relates to the non-allocated segment.

On an annual basis, the Group tests whether any impairment of goodwill is required. The recoverable amount of a cash-generating unit (CGU) is determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets covering a five-year period. Key assumptions of the forecasted cash flows are volumes sold and underlying industry margins. These are estimated based on industry reports issued by highly regarded business intelligence providers and management's experience. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The lack of profitability in recent years and the significant deviation in 2021 of the financial performance of the Rosier Group (hereafter Rosier) from the budget qualified as a triggering event for an impairment test. The main reasons were the market conditions being increasingly competitive with the pressure of the vertically integrated competitors and disruption in the raw material supply during the year. The performance of the impairment test for Rosier resulted in a recoverable amount based on the value in use in 2021, which was EUR 38,610 thousand lower than the carrying amount of this cash-generating unit. Therefore, property, plant and equipment was impaired by EUR 38,578 thousand and intangible assets by EUR 32 thousand in 2021. In 2022, the impairment was partly reversed by EUR 20,000 thousand after a decommissioning provision for decontamination of land in the Netherlands and the related asset were remeasured by this amount. In 2022, the assets of CGU Rosier were reclassified as held for sale and measured at fair value, since then resulting in impairment losses of EUR 2,984 thousand for the period (see note 8). The above-mentioned Rosier-related impairment expenses and reversals are included in production costs.

In 2022, the project related to the new PDH plant construction within the CGU Base Chemicals was interrupted due to the suspension and termination of the contracts with the subcontractor which was not meeting the compliance requirements of the Borealis Group. This resulted in a higher estimate for the total investment cost and delay in the expected production commencement. Following these developments, the recoverable amount of the CGU was recalculated as of 31 December 2022. None of the calculated scenarios resulted in the need for an impairment.

Post tax discount rates (weighted average cost of capital) reflect specific risks relating to the relevant segments and the countries in which they operate.

The long-term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.

The allocated goodwill for each CGU as well as parameters influencing the calculation of the value in use can be seen in the following table:

Impairment test parameters 2022

Segment	Polyolefins					Non-Allocated
Cash-generating unit	Polyethylene	Polypropylene	Recyclates	Brazil 1)	South Korea 2)	Rosier 3)
Allocated goodwill in EUR thousand	50,687	22,000	33,695	4,205	22,196	N/A
Post tax discount rate	7.4%	7.4%	7.2%	10.2%	7.5%	N/A
Growth rate	0.9%	1.3%	1.9%	2.7%	2.4%	N/A

1) The change in the allocated goodwill of CGU Brazil compared to 31 December 2021 results entirely from foreign currency revaluation, since this unit is based on BRL as a functional currency. // 2) The change in the allocated goodwill of CGU South Korea compared to 31 December 2021 results entirely from foreign currency revaluation, since this unit is based on KRW as a functional currency. // 3) CGU Rosier is presented as held for sale starting from 30 September 2022.

Impairment test parameters 2021

Segment	Polyolefins					Borealis NITRO
Cash-generating unit	Polyethylene	Polypropylene	Recyclates	Brazil	South Korea	Rosier
Allocated goodwill in EUR thousand	50,687	22,000	33,695	3,705	22,160	0
Post tax discount rate	6.4%	6.4%	6.3%	7.4%	6.6%	6.0%
Growth rate	1.2%	1.7%	2.0%	2.8%	3.6%	1.3%

In addition to the parameters above, sensitivities regarding discount rates are taken into consideration. Additionally, a stress case test was performed for the CGUs Polyethylene and Polypropylene with regards to adverse development of exchange rates and oil price.

For the other CGUs, none of the calculated cases showed any need for an impairment.

8. Discontinued Operation and Other Changes

Discontinued Operation

Borealis plans the sale of the nitrogen business unit including fertilizers, technical nitrogen and melamine products (Borealis NITRO). This led to the reclassification of the Borealis NITRO disposal group to assets and liabilities held for sale as of 31 March 2021 without having an impact on the income statement at that time. The Group analysed the component held for sale and determined that this represents a separate major line of business and is therefore reported as a discontinued operation. The Company's share in fertilizer production sites in the Netherlands and Belgium ("Rosier") was not considered as part of the potential sales process at that time and its assets and related liabilities do not belong to the Borealis NITRO disposal group held for sale.

The period to complete the sale was extended by events and circumstances beyond Borealis' control. The developments resulting from the war in Ukraine and related sanctions caused Borealis to decline a binding offer received from EuroChem Group AG in February 2022 and to consider other options. On 28 July 2022, Borealis accepted a new binding offer from AGROFERT, a.s., which was received on 2 June 2022, after the mandatory information and consultation procedures with employee representatives were finalised. On the same date, both companies entered into an agreement to sell and transfer all shares in the legal entities included in the scope of the transaction. The transaction itself remains subject to certain closing conditions and regulatory approvals. As of 31 December 2022, the Group remains committed to its plan to sell the Borealis NITRO disposal group.

The Borealis NITRO disposal group was remeasured at fair value less costs to sell as of 31 December 2022 resulting in the recognition of a write-up of EUR 266,344 thousand during 2022 which has been included under discontinued operation in the income statement. The remeasurement gain has been applied to increase the carrying amount of property, plant and equipment within the Borealis NITRO disposal group and did not exceed the cumulative impairment loss recognised in 2021 (EUR 443,739 thousand). The non-recurring fair value measurement for the Borealis NITRO disposal group of EUR 793,899 thousand (before costs to sell of EUR 9,255 thousand) has been categorised as a Level 3 fair value and was based on the binding offer from AGROFERT, a.s. for the acquisition of the Borealis NITRO disposal group received on 2 June 2022. The offer values the business on an enterprise value basis at EUR 810,000 thousand.

Furthermore, a deferred tax expense of EUR 78,899 thousand has been recognised in the loss from discontinued operation. This deferred tax expense relates to a remeasurement of the expected liquidation loss of a French entity owning the French companies in the disposal group. It also includes expected tax liabilities arising from the sale of Austrian companies that are part of the disposal group.

On 26 September 2022, Borealis and YILDIRIM Group's YILFERT Holding announced that they had signed a binding agreement for the acquisition of Borealis' shares in Rosier S.A. The Rosier disposal group was consequently reclassified to assets and liabilities held for sale. Impairment losses of EUR 2,984 thousand for write-down of the Rosier disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in production costs. The impairment losses have been applied to reduce the carrying amount of property, plant and equipment within the Rosier disposal group.

Whilst the component held for sale represents a single cash-generating unit (CGU), it is neither a separate major line of business nor geographical area of operations for Borealis. The Group therefore concluded not to report Rosier as a discontinued operation.

As of 31 December 2022, the Rosier disposal group was stated at fair value less cost to sell. The non-recurring fair-value measurement for the Rosier disposal group of EUR 38,413 thousand (before costs to sell of EUR 0 thousand) has been categorised as Level 2 fair value and was based on the binding offer from Yilfert Holding, valuing the business on an enterprise value basis at EUR 35,000 thousand and considering an adjustment for the net debt. For further information on the transaction, please refer to note 32.

The results of the discontinued operation are shown in the table below:

EUR thousand	2022	2021
Total sales	2,374,822	1,294,895
Elimination of inter-segment revenue	-24,351	-30,482
Net sales	**2,350,471**	**1,264,413**
Other operating income	261,990	165,593
Total sales and other income	**2,612,461**	**1,430,006**
Total expenses	-2,258,818	-1,353,739
Elimination of inter-segment expenses	24,351	30,482
Expenses	**-2,234,467**	**-1,323,257**
Operating profit	**377,994**	**106,749**
Net results of associated companies and joint ventures	0	220
Financial result	2,808	-2,574
Measurement of discontinued operation	266,344	-443,739
Profit before taxation	**647,146**	**-339,344**
Taxes on income	-70,745	-35,453
Taxes on measurement of discontinued operation	-78,899	139,465
Profit (loss) from discontinued operation, net of tax	**497,502**	**-235,332**
Attributable to:		
Non-controlling interests	0	0
Equity holders of the parent	497,502	-235,332

The following assets and liabilities were reclassified as held for sale:

EUR thousand	31.12.2022			31.12.2021
	Total	thereof Nitro	thereof Rosier	Total [1]
Assets				
Non-current assets				
Intangible assets	196,766	196,719	47	1,056
Property, plant and equipment	642,805	639,588	3,217	243,752
Right-of-use assets	12,081	11,032	1,049	9,181
Investments in associated companies and joint ventures	4,645	4,645	0	6,023
Other investments	15,940	15,940	0	15,844
Other receivables and other assets	9,084	9,084	0	10,055
Deferred tax assets	2,444	1,592	852	736
Current assets				
Inventories	307,564	275,002	32,562	221,385
Trade receivables	146,613	138,217	8,396	221,199
Income tax receivables	4,236	4,236	0	0
Other receivables and other assets	164,839	163,319	1,520	81,258
Cash and cash equivalents	16,198	12,004	4,194	10,514
Assets of the disposal group held for sale	**1,523,215**	**1,471,378**	**51,837**	**821,003**

1) NITRO disposal group only

EUR thousand	31.12.2022			31.12.2021
	Total	thereof Nitro	thereof Rosier	Total [1]
Liabilities				
Non-current liabilities				
Lease liabilities	8,001	7,252	749	4,500
Deferred tax liabilities	12,632	12,632	0	3,027
Employee benefits	48,776	48,776	0	62,165
Provisions	21,619	20,984	635	20,822
Other liabilities	15,950	15,921	29	30,235
Current liabilities				
Lease liabilities	4,720	4,345	375	5,029
Trade payables	280,987	271,783	9,204	292,206
Income taxes	57,628	57,628	0	17,438
Provisions	18,330	18,330	0	7,765
Other liabilities	231,515	229,083	2,432	148,110
Liabilities directly related to the disposal group	**700,158**	**686,734**	**13,424**	**591,297**

1) NITRO disposal group only

Other Changes

Residual changes of subsidiaries in 2022 are summarised below.

Eifanes Beteiligungsverwaltungs GmbH located in Vienna, Austria was acquired on 9 March 2022. This 100% subsidiary was renamed Borealis Middle East Holding GmbH as of 31 March 2022 and is the holding company for Borealis' investments into the Borouge companies. For details on Borouge companies, please refer to note 9.

Borealis Polyolefins d.o.o., a company based in Zagreb, Croatia, was incorporated on 21 February 2022. Furthermore, Borealis Polyolefins S.R.L., with its registered office in Bucharest, Romania was incorporated on 18 March 2022. Moreover, Borealis Polyolefins s.r.o., a company based in Bratislava, Slovakia, was incorporated on 25 August 2022. These 100% subsidiaries are not consolidated due to immateriality.

Following the acquisition of 0.88% of the shares in DYM SOLUTION CO., LTD during the first six months of 2022, and another 0.16% in the second half of the year, Borealis has a 99.75% shareholding.

Borealis AG increased its shareholding in Rosier S.A. through capital increase by contribution in kind by 20.62% on 29 July 2022 thus owning 98.09% of the company as of that date. For further information on Rosier S.A., please refer to Discontinued Operation in this note and note 32.

For a full list of all subsidiaries, please refer to note 33.

9. Investments in Associated Companies and Joint Ventures

EUR thousand	Shares in associated companies and joint ventures 2022	2021
Cost		
As of 1 January	1,022,092	1,022,429
Investments and acquisitions	433,044	26,264
Reclassification to assets of the disposal group held for sale	0	-19,548
Disposals	-166,229	-7,053
As of 31 December	1,288,908	1,022,092
Adjustments		
As of 1 January	1,504,314	2,555,067
Exchange adjustments	165,067	298,043
Dividends received	-565,892	-1,965,643
Reclassification to assets of the disposal group held for sale	0	13,636
Change in equity reserves	7,342	1,286
Net results of associated companies and joint ventures	397,113	594,872
Disposals	0	7,053
As of 31 December	1,507,944	1,504,314
Carrying amount as of 31 December	**2,796,851**	**2,526,406**

On 28 April 2022, Abu Dhabi National Oil Company and Borealis founded Borouge PLC as a holding company for a 100% interest in Abu Dhabi Polymers Company Limited and for a 84.75% interest in Borouge Pte. Ltd. Borealis' previously owned shares in Abu Dhabi Polymers Company Limited and Borouge Pte. Ltd were transferred into Borouge PLC. On 3 June 2022, Borouge PLC successfully listed on ADX, the Abu Dhabi Securities Exchange. Based on the final offer price of AED 2.45 per share, the Initial Public Offering (IPO) has raised gross proceeds of EUR 1.9 billion for the offering of 10% of the Company's total issued share capital. This transaction led to a net gain of EUR 604,171 thousand which is stated in the line "Gain from disposal of equity accounted investments" in the Consolidated Income Statement and also includes FX recycling effects. Borealis' share of the proceeds of EUR 745,068 thousand are included in the line "Proceeds from disposal of shares in joint ventures" in the cash flow from investing activities.

Based on the IPO, the shareholding in Borouge PLC has changed to Borealis owning a 36% stake in Borouge PLC and Abu Dhabi National Oil Company owning 54% respectively. Borouge PLC continues to be accounted for as a joint venture. Borealis' share in Borouge Pte. Ltd. changed, following the IPO, from a 50% (direct) share in 2021 to a 45.76% share (15.25% direct share and 30.51% indirect share through Borouge PLC).

Since March 2022, Borealis has a 40% interest in Borouge 4 LLC, registered in Abu Dhabi. The company executes the ongoing Borouge 4 project by developing an ethane-based steam cracker, two polyolefin plants, a 1-Hexene unit, a cross-linked polyethylene plant (XPLE) and an in-depth study for carbon capture unit. It was previously part of the 40% direct interest in Abu Dhabi Polymers Company Limited but scoped out of the IPO in June 2022, as described above, and therefore transferred to this newly founded company. However, it is intended to recontribute Borouge 4 at a later point in time into Borouge PLC. Given the fact that no Board Reserved Matters, which affect all relevant activities, can be decided without an affirmative vote by Borealis, the Group has joint control over Borouge 4 LLC and accounts for it as a joint venture.

Borealis recalculated the recoverable amount for its investment in Bayport Polymers LLC (Baystar) as of 31 December 2022 after a significant downturn in the performance of this joint venture was observed in 2022. The results of Baystar were affected by the full depreciation charge after the start-up of the new cracker, and subsequent slower ramping up due to the operational constraints. None of the calculated scenarios showed any need for an impairment.

On 24 June 2021, Borealis subscribed to a new share issue, thus acquiring 10% in Renasci N.V. (Renasci), a company based in Ghent, Belgium. On 9 November 2022, as a result of the debt conversion into newly issued shares, the stake was increased to 27.42%. Renasci is principally engaged in the development of the proprietary processes and know-how about various technologies regarding waste treatment and recycling. This investment is one milestone in line with Borealis' strategy to grow its circular economy business. Through the shareholder agreement, Borealis is guaranteed two seats on the board of Renasci, and participates in key financial and operating decisions. The Group has therefore determined that it has significant influence over the entity and the investment is accounted for as an associated company. For further information on investment in Renasci, please refer to note 32.

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

EUR thousand	**2022**	**2021**
Non-material associated companies	48,407	96,250
Material joint ventures		
Abu Dhabi Polymers Company Limited	0	1,731,830
Borouge PLC	1,651,574	0
Bayport Polymers LLC (Baystar)	673,916	688,089
Non-material joint ventures	422,954	10,238
Carrying amount as of 31 December	**2,796,851**	**2,526,406**

Due to revised control assessment as part of the financial restructuring for the preparation of the initial public offering of Borouge PLC, all Borouge entities are shown under "Joint ventures" in 2022, whereas in 2021 these are presented under "Associated companies".

The investment in Kilpilahden Voimalaitos Oy is part of the Base Chemicals segment. The share in Baystar is included in the Polyolefins segment. All other investments in associated companies and joint ventures are part of the non-allocated segment.

Associated Companies

The Group has the following investments in associated companies:

Associated companies	Country	Ownership in % 2022	2021
AZOLOR S.A.S. [1) 2)]	France	34.00	34.00
Chemiepark Linz Betriebsfeuerwehr GmbH [1) 2)]	Austria	47.50	47.50
Franciade Agrifluides S.A.S. (FASA) [1) 2)]	France	49.98	49.98
Industrins Räddningstjänst i Stenungsund AB [1)]	Sweden	25.00	25.00
Kilpilahden Voimalaitos Oy [1)]	Finland	20.00	20.00
Neochim AD [2)]	Bulgaria	20.30	20.30
Renasci N.V.	Belgium	27.42	10.00
Société d'Intérêt Collectif Agricole Laignes Agrifluides (SICA Laignes Agrifluides) [1) 2)]	France	49.90	49.90
Société d'Intérêt Collectif Agricole par Actions Simplifiée de Gouaix (SICA de Gouaix) [1) 2)]	France	25.00	25.00

1) Excluded from consolidation at equity due to immateriality // 2) Reclassified as assets of the disposal group held for sale as of 31 March 2021

Summary of financial information for non-material associated companies, adjusted for ownership by the Group:

EUR thousand	2022	2021
Net profit for the year	-2,763	-1,038
Other comprehensive income	0	0
Total comprehensive income	**-2,763**	**-1,038**

Joint Ventures

The Group has the following investments in joint ventures:

Joint ventures	Country	Ownership in % 2022	2021
Abu Dhabi Polymers Company Limited [2)]	United Arab Emirates	–	40.00
Borouge Pte. Ltd. [3)]	Singapore	45.76	50.00
Borouge PLC	United Arab Emirates	36.00	–
Borouge 4 LLC	United Arab Emirates	40.00	–
Bayport Polymers LLC (Baystar)	US	50.00	50.00

1) Excluded from consolidation at equity due to immateriality // 2) Shares transferred into Borouge PLC before the ADX listing. // 3) Shares partly transferred into Borouge PLC before the ADX listing. // 4) recycleMe Plastics GmbH at initial consolidation

Joint ventures	Country	Ownership in % 2022	2021
BTF Industriepark Schwechat GmbH [1]	Austria	50.00	50.00
Recelerate GmbH [1] [4]	Germany	50.00	–
C2PAT GmbH [1]	Austria	25.00	25.00
C2PAT GmbH & Co KG [1]	Austria	25.00	25.00
PetroPort Holding AB	Sweden	50.00	50.00

1) Excluded from consolidation at equity due to immateriality // 2) Shares transferred into Borouge PLC before the ADX listing. // 3) Shares partly transferred into Borouge PLC before the ADX listing. // 4) recycleMe Plastics GmbH at initial consolidation

Borouge investments (representing Borealis share in Abu Dhabi Polymers Company Limited and Borouge PLC) are a leading provider of innovative, value-creating plastic solutions for energy, infrastructure, automotive, healthcare and agriculture industries as well as advanced packaging applications and are also responsible for marketing and sales of the products produced.

The following tables illustrate the full summarised financial information for Abu Dhabi Polymers Company Limited until 31 May 2022 and Borouge PLC starting from 1 June 2022:

EUR thousand	Abu Dhabi Polymers Company Limited 2022	2021
Current assets	0	1,825,626
Non-current assets	0	6,696,113
Current liabilities	0	-558,086
Non-current liabilities	0	-3,602,817
Equity	**0**	**4,360,836**
Borealis share	0%	40%
Share of net assets	0	1,744,334
Adjustments	0	-12,504
Carrying amount as of 31 December	**0**	**1,731,830**
Net sales	2,141,639	4,630,302
Net profit for the year	489,098	1,289,955
Other comprehensive income	0	905
Total comprehensive income	**489,098**	**1,290,860**
Dividends received by Borealis from Borouge	411,397	1,875,581

EUR thousand	Borouge PLC 2022	2021
Current assets	2,757,735	0
Non-current assets	6,842,022	0
Current liabilities	-964,413	0
Non-current liabilities	-4,069,809	0
Equity	**4,565,535**	**0**
Borealis share	36%	0%
Share of net assets	1,643,593	0
Adjustments	7,981	0
Carrying amount as of 31 December	**1,651,574**	**0**
Net sales	3,795,965	0
Net profit for the year	707,922	0
Other comprehensive income	19,618	0
Total comprehensive income	**727,541**	**0**
Dividends received by Borealis from Borouge	118,346	0
Market capitalisation as at 31.12.	19,413,842	0

Baystar is currently building a 625,000-tonne-per-year polyethylene unit at our production site in Pasadena, Texas, US with the target to deliver a broad range of products to meet the growing global demand for sustainable and high energy-efficient plastic products. Baystar has also started its operation of the new one million tonne-per-year ethane cracker at Port Arthur, Texas, US. This cracker is processing ethane, which is abundantly available and competitively priced in the US, and will supply our Baystar polyethylene units.

The following table illustrates the full summarised financial information for Baystar:

EUR thousand	2022	2021
Current assets	194,066	162,602
Non-current assets	4,002,090	3,378,978
Current liabilities	-165,521	-205,878
Non-current liabilities	-2,635,099	-1,913,186
Equity	**1,395,535**	**1,422,517**
Borealis share	50%	50%
Share of net assets	697,768	711,259
Adjustments	-23,852	-23,170
Carrying amount as of 31 December	**673,916**	**688,089**
Net sales	600,718	588,252
Net profit for the year	-116,492	72,616
Other comprehensive income	0	0
Total comprehensive income	**-116,492**	**72,616**
Dividends received by Borealis from Baystar	0	21,138

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

EUR thousand	2022	2021
Net profit for the year	7,631	43,202
Other comprehensive income	280	924
Total comprehensive income	**7,910**	**44,126**

Please refer to note 30 for information related to transactions with the associated companies and joint ventures.

10. Other Investments, Other Receivables and Other Assets and Loans Granted

Other investments mainly include interests in infrastructure companies in Germany, interests in a technology platform for sustainable packaging in the UK and subsidiaries that are not consolidated on a materiality basis. The non-consolidated companies are mainly distribution and blending entities (see note 28).

The non-current other receivables and other assets mainly consist of non-current derivative financial instruments (see note 22), marketable securities and bonds (long-term deposits for statutory, regulatory and tax requirements), financial guarantee receivables, a prepayment to an associated company, contract assets and government grant receivables in Belgium. The loans granted include shareholder loans with Baystar amounting to EUR 653,994 thousand (EUR 985,240 thousand), with Kilpilahden Voimalaitos Oy amounting to EUR 40,022 thousand (EUR 17,778 thousand) and none with Renasci N.V. (EUR 12,000 thousand).
For further details, please refer to note 30.

Other current receivables also include receivables related to insurance compensation amounting to EUR 4,000 thousand (EUR 55,411 thousand).

11. Taxation

EUR thousand	2022	2021
Taxes		
Income tax payable	-186,171	-362,551
Change in deferred tax	-3,281	-6,346
Adjustment to prior year’s tax charge	-3,042	2,237
Taxes on income	**-192,494**	**-366,660**

Calculation of tax expenses at statutory rates for tax expense accounting at the effective group tax rate:

EUR thousand	2022		2021	
Tax expenses at statutory rates (weighted average tax rate of the Group)	**25%**	**452,151**	**25%**	**499,198**
Tax effect of result in associated companies	-7%	-117,530	-7%	-139,298
Tax effect of gain from disposal of equity accounted investments	-8%	-151,043	0%	0
Tax effect of permanent differences	0%	6,440	0%	-6,563
Adjustment of valuation allowance/reassessment of unrecognised tax assets	0%	2,944	1%	18,900
Prior year's adjustments and other effects	0%	-468	0%	-5,577
Taxes on income	**11%**	**192,494**	**18%**	**366,660**

The effective tax rate for 2022 as well as for 2021 was impacted by impairments of deferred tax assets on tax losses carried forward and tax losses in the year for which no deferred tax asset was recognised.

	Balance sheet		Income statement	
EUR thousand	**2022**	**2021**	**2022**	**2021**
Deferred tax assets				
Property, plant and equipment	4,182	4,485	-175	1,002
Intangible assets	318	1,010	-692	-344
Adjusted depreciation for tax purposes	**4,500**	**5,495**		
Revaluation of cash flow hedges	0	8,672	-2,168	3,759
Net gain on hedge of a net investment	12,348	9,243	0	0
Valuation of inventories for tax purposes	8,456	11,215	15,260	999
Fair values compared to tax values	**20,804**	**29,130**		
Interest-bearing liabilities	140,915	41,196	99,764	22,152
Employee benefits	51,142	82,078	2,485	-7,253
Other provisions	5,548	8,653	-3,199	-428
Financial assets	3,677	3,904	-290	50
Tax impairments according to Section 12 (3)(2) of the Austrian Corporate Income Tax Act (KStG)	882	1,211	-329	-300
Other assets and liabilities	4,491	6,465	2,272	-36,389
Other timing differences	**206,655**	**139,603**		
Losses available for offsetting against future taxable income	**313,548**	**144,673**	198,522	-5,818
Netting with deferred tax liabilities	**-521,713**	**-259,357**		
Deferred tax assets	**23,794**	**59,544**	**311,450**	**-22,570**

	Balance sheet		Income statement	
EUR thousand	**2022**	**2021**	**2022**	**2021**
Deferred tax liabilities				
Property, plant and equipment	-342,061	-251,456	-98,710	6,369
Intangible assets	-54,618	-56,271	1,653	3,459
Accelerated/adjusted depreciation for tax purposes	**-396,679**	**-307,727**		
Revaluation of cash flow hedges	-74,964	-77,859	2,185	710
Valuation of inventories for tax purposes	-14,224	-10,580	-3,644	-468
Fair values compared to tax values	**-89,188**	**-88,439**		
Interest-bearing liabilities	-12,348	-9,243	-3,105	-4,196
Employee benefits	-11,559	-5,798	-5,983	206
Other provisions	-71	-535	464	4,005
Financial assets	-187,984	-168	-187,816	-36
Other assets and liabilities	-38,618	-25,613	-19,775	6,175
Other timing differences	**-250,580**	**-41,357**		
Tax effect on outside basis difference	**-49,980**	**0**	0	0
Netting with deferred tax assets	**521,713**	**259,357**		
Deferred tax liabilities	**-264,714**	**-178,166**	**-314,731**	**16,224**
Net tax asset/liability	**-240,920**	**-118,622**	**-3,281**	**-6,346**

Increase in losses available for offsetting against future taxable income mainly result from the immediate depreciation for tax purposes of the newly built cracker at Bayport Polymers LLC (Baystar). Additionally, deferred tax assets of EUR 110,546 thousand (EUR 139,465 thousand) on expected liquidation loss of a French entity owning the French companies and deferred tax liabilities of EUR 49,980 thousand (EUR 0 thousand) arising from the sale of Austrian companies all being part of the disposal group were recognised in the Consolidated Income Statement in the line item Profit (loss) from discontinued operation, net of tax.

The deferred tax assets of EUR 23,794 thousand (EUR 59,544 thousand) include an amount of EUR 4,444 thousand (EUR 3,558 thousand), which will most likely be utilised within one year. The deferred tax liabilities of EUR 264,714 thousand (EUR 178,166 thousand) include an amount of EUR 99,618 thousand (EUR 83,309 thousand), which will most likely be utilised within one year.

In addition to capitalised tax assets, the Group has unrecognised tax losses amounting to EUR 496,458 thousand (EUR 739,242 thousand) and no unrecognised temporary differences, where current forecasts indicate insufficient future profits in the foreseeable future, thus resulting in unrecognised tax assets of EUR 137,295 thousand (EUR 188,570 thousand).

EUR thousand	**2022**	**2021**
Deductible temporary differences	0	0
Tax losses carried forward	137,295	188,570
Total unrecognised net tax assets	**137,295**	**188,570**

The recognised deferred tax assets are expected to be utilised against future profits based on internal projections in the relevant jurisdictions. Deferred tax expenses as a result of changes in estimates of deferred tax assets due to forecasts indicating insufficient future profits amount to EUR 257 thousand (EUR 6,905 thousand). Dividend payments to Borealis AG, to Borealis France S.A.S. and Borealis Middle East Holding GmbH by their subsidiaries have no tax effect for the Borealis Group. The temporary differences relating to subsidiaries amount to EUR 0 thousand (EUR 0 thousand), for which no deferred tax liability has been recognised in accordance with IAS 12.39 Income Taxes.

Tax Contingencies

Some Borealis Group companies have appealed against certain tax audit reassessments and it is uncertain whether those appeals will be successful. Management's opinion is that the Company is in compliance with all applicable regulations.

12. Inventories

EUR thousand	2022	2021
Finished products	1,008,200	916,936
Raw materials and consumables	471,316	350,544
Total	**1,479,516**	**1,267,480**

The costs for the consumption of inventories recognised during the period in the income statement amounted to EUR 8,715,664 thousand (EUR 6,354,811 thousand), including impairment costs of EUR 67,986 thousand (EUR 21,445 thousand).

13. Share Capital and Contributions by Shareholders

	Share capital		Contributions by shareholders	
EUR thousand	**2022**	**2021**	**2022**	**2021**
Balance as of 1 January	300	300	1,599,097	1,599,097
Capital increase or decrease	0	0	0	0
Balance as of 31 December	**300**	**300**	**1,599,097**	**1,599,097**

The share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (EUR 300,000.00) and is divided into 300,000 (300,000) fully paid shares with a par value of EUR 1.00, none of which have special voting rights.

The contributions by shareholders amounted to EUR 1,599,097 thousand (EUR 1,599,097 thousand).

Borealis AG is owned:
- 39.00% by OMV Borealis Holding GmbH, Trabrennstrasse 6–8, 1020 Vienna, Austria,
- 32.67% by OMV Downstream GmbH, Trabrennstrasse 6–8, 1020 Vienna, Austria,
- 3.33% by OMV Aktiengesellschaft, Trabrennstrasse 6–8, 1020 Vienna, Austria,
- 21.67% by MPP Holdings GmbH, Trabrennstrasse 6–8, 1020 Vienna, Austria, and
- 3.33% by Abu Dhabi National Oil Company (ADNOC) P.J.S.C., P.O. Box 898, Abu Dhabi, United Arab Emirates.

The shares of IPIC Beta Holdings GmbH in Borealis AG (21.67%) were indirectly transferred due to a demerger (Abspaltung zur Aufnahme) of the shares in IPIC Beta Holdings GmbH from IPIC Holdings GmbH to MPP Holdings GmbH carried out on 22 January 2022. As a result of the subsequent merger of IPIC Beta Holdings GmbH into MPP Holdings GmbH on 11 February 2022, there was a direct transfer of shares in Borealis AG (21.67%) from IPIC Beta Holdings GmbH to MPP Holdings GmbH.

A 3.33% share in Borealis AG was transferred from Mubadala Petroleum and Petrochemicals Holding Company LLC, P.O. Box 45005, Al Mamoura A, Muroor Road, 15th Street, Abu Dhabi, United Arab Emirates, to Abu Dhabi National Oil Company (ADNOC) P.J.S.C. on 8 November 2022. Furthermore, Abu Dhabi National Oil Company (ADNOC) P.J.S.C. acquired MPP Holdings GmbH on 8 November 2022.

The ultimate controlling party is OMV Aktiengesellschaft, Vienna, Austria. Distribution of dividends to its shareholders does not have any tax effect for Borealis AG.

The Group's objectives are to safeguard the entity's ability to continue as a going concern and to provide an adequate return to its shareholders. The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as net interest-bearing debt divided by total equity. The Group's target is to keep the gearing ratio within a range of 35%–65% to meet the business needs of the Group. As of year end, the gearing ratio stands at -1% (3%), significantly below the target range due to the strong performance of the Group, proceeds from disposal of shares in joint ventures (Borouge IPO), Borouge dividend payments and a partial prepayment by Bayport Polymers LLC of receivables of Borealis AG, partially offset by dividend payments for the financial year 2021 and financial lease additions.

14. Personnel and Share Based Payments

EUR thousand	2022	2021
Personnel expenses		
Salaries and wages	475,818	453,448
Costs of defined contribution plans	28,859	27,572
Costs of defined benefit plans and other long-term employee benefits	26,828	32,166
Social security costs	110,594	101,475
Other personnel expenses	28,073	24,792
Total	**670,172**	**639,453**

Costs of defined benefit plans and other long-term employee benefits are recognised in the production costs at EUR 23,904 thousand (EUR 28,474 thousand), sales and distribution costs at EUR 2,177 thousand (EUR 2,605 thousand), administration costs at EUR 719 thousand (EUR 1,010 thousand) and research and development costs at EUR 28 thousand (EUR 77 thousand).

Number of employees (headcount) by country as of 31 December	2022 continuing operations	2022 Total	2021 continuing operations	2021 Total
Austria	1,432	2,274	1,348	2,200
Belgium	1,235	1,343	1,194	1,310
Finland	938	938	910	910
France	0	876	0	869
Sweden	979	979	948	948
Other Europe	607	799	577	788
Non-Europe	440	440	483	483
Total	**5,631**	**7,649**	**5,460**	**7,508**

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

EUR thousand	2022	2021
Salaries management (Executive Board)	6,461	8,168
Pension and severance costs management (Executive Board)	580	594
Salaries other key management	1,951	1,481
Pension and severance costs other key management	131	106
Total	**9,123**	**10,349**

From the salaries of the Executive Board of EUR 6,461 thousand (EUR 8,168 thousand), EUR 265 thousand (EUR 3,799 thousand) were paid to former members of the Executive Board.

From the pension and severance costs of the Executive Board of EUR 580 thousand (EUR 594 thousand), EUR 0 thousand (EUR 154 thousand) were paid to former members of the Executive Board.

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

Long Term Incentive (LTI) Plans

LTI plans with similar conditions have been granted to the Executive Board and selected employees. At vesting date, shares of the parent will be transferred to the management and share equivalents to selected employees. The number of shares or share equivalents is determined depending on the achievement of defined performance criteria. The defined performance criteria may not be amended during the performance period of the LTI plans. However, in order to maintain the incentivising character of the programme, the Remuneration Committee will have discretion to adjust the threshold/target/maximum levels in case of material changes in external factors such as oil and gas prices. The adjustment is possible in both directions and will be determined by the Remuneration Committee. Disbursement is made in cash or shares. Executive Board members as active participants of the plans are required to build up an appropriate volume of shares of the parent and to hold those shares until retirement or departure from the Company. The shareholding requirement is defined as a percentage of the respective Target Long Term Incentive. Until fulfilment of the shareholding requirement, disbursement is in the form of shares, whilst thereafter the plan participants can decide between cash or share settlement. As long as the shareholding requirements are not fulfilled, the shares granted net of taxes are transferred to a trustee deposit, managed by OMV. For cash-settled share-based payment transactions, the fair value of the liability is measured at each reporting date and at the settlement date. The fair value is recognised over the vesting period.

Borealis introduced a new LTI plan in 2021, which is harmonised with the OMV LTI plan and also implemented a transitional LTI plan for 2021 and 2022 in order to bridge the cash gaps that arise from migrating to the new three-year plan. Transitional LTI plan allowances for 2021 and 2022 are based on similar KPIs to the three-year plan for that specific year only. Total expenses relating to Borealis' transitional LTI plan amounted to EUR 3,270 thousand in 2022 (EUR 3,545 thousand). Total expenses relating to share-based payment transactions amounted to EUR 7,874 thousand (EUR 8,599 thousand).

15. Employee Benefits

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

EUR thousand	2022	2021
Pensions and other post-employment benefit plans		
Present value of funded defined benefit pension plans	270,801	321,545
Fair value of plan assets	-184,528	-180,312
Deficit of funded defined benefit pension	86,273	141,233
Present value of unfunded defined benefit pension plans	130,617	200,316
Total deficit of defined benefit pension plans	216,890	341,549
Severance and medical plans	35,080	47,075
Pensions and other post-employment benefit plans	**251,970**	**388,624**
Other long-term employee benefits	24,542	27,215
Net liability recognised in the balance sheet	**276,512**	**415,839**

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

Defined Benefit Pension Plans

The pension plans are typically final salary pension plans which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The pension payments are generally updated in line with the retail price or a similar index. The benefit payments related to funded plans are from insurance funds, however, there are also a number of unfunded plans where the Company meets the benefit payment obligation as it falls due. The movement in the benefit pension obligation and the plan assets over the year is as follows:

EUR thousand	2022	2021
Defined benefit obligation as of 1 January	**521,861**	**536,176**
Net current service cost	20,782	22,160
Interest cost on defined benefit obligation	6,644	4,818
Total amount recognised in the income statement	27,426	26,978
Gains (-)/losses (+) due to changes in demographic assumptions	-415	-1,111
Gains (-)/losses (+) due to changes in financial assumptions	-146,843	8,789
Experience gains (-)/losses (+)	33,969	-949
Exchange rate gains (-)/losses (+)	-3,294	-1,665
Total amount recognised in other comprehensive income (actuarial gains and losses)	-116,583	5,064
Actual benefits (and taxes) paid directly from the plan assets	-18,237	-12,595
Actual benefits paid directly by employer	-7,966	-5,097
Actual plan participants' contributions	1,437	1,256
Reclassification to liabilities directly related to the disposal group	0	-28,430
Exchange rate gains (-)/losses (+)	-6,520	-1,491
Defined benefit obligation as of 31 December	**401,418**	**521,861**
Fair value of plan assets as of 1 January	**180,312**	**179,904**
Interest income on plan assets less administrative expenses	1,558	1,136
Total amount recognised in the income statement	1,558	1,136
Return on plan assets excluding amounts included in interest income	1,573	3,666
Total amount recognised in other comprehensive income (actuarial gains and losses)	1,573	3,666
Actual benefits (and taxes) paid directly from the plan assets	-18,237	-12,595
Actual plan participants' contributions	1,437	1,256
Actual employer contributions	17,988	16,512
Reclassification to liabilities directly related to the disposal group	0	-9,626
Exchange rate gains (-)/losses (+)	-103	59
Fair value of plan assets as of 31 December	**184,528**	**180,312**

The majority of pension commitments are attributable to plans in Austria and Belgium and were transferred to external pension funds managed by APK Pensionskasse AG in Austria as well as Vivium and KBC Asset Management in Belgium. The investment of plan assets in Austria is governed by Section 25 of the Austrian Pension Fund Act and the Investment Fund Act. In addition to these regulations, the investment guidelines of APK Pensionskasse AG regulate the spread of asset allocation, the use of umbrella funds and the selection of fund managers. The investment plans in Belgium follow the investment strategy of the respective insurance company as well as local legal regulations.

The plan assets in 2022 and 2021 mainly consist of insurance contracts.

Severance and Medical Plans

Severance plans are operated in the Austrian Group companies and cover employees who started their service before 1 January 2003. Furthermore, the Group operates severance plans in Austria, Italy and the United Arab Emirates. Medical plans reimburse certain medical costs for retired employees, mainly in Belgium. The movement in the severance and medical obligation over the year is as follows:

EUR thousand	2022	2021
Defined benefit obligation as of 1 January	**47,075**	**81,486**
Net current service cost	1,139	1,487
Interest cost on defined benefit obligation	464	473
Past service cost	23	0
Total amount recognised in the income statement	1,626	1,960
Gains (-)/losses (+) due to changes in demographic assumptions	692	0
Gains (-)/losses (+) due to changes in financial assumptions	-7,083	1,539
Experience gains (-)/losses (+)	-4,347	-1,009
Total amount recognised in other comprehensive income (actuarial gains and losses)	-10,738	530
Actual benefits paid directly by employer	-2,932	-2,114
Reclassification to liabilities directly related to the disposal group	0	-34,838
Exchange rate gains (-)/losses (+)	49	51
Defined benefit obligation as of 31 December	**35,080**	**47,075**

Other Long-term Employee Benefits

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

EUR thousand	2022	2021
Defined benefit obligation as of 1 January	**27,215**	**32,955**
Net current service cost	1,726	1,636
Interest cost on defined benefit obligation	233	170
Gains (-)/losses (+) due to changes in demographic assumptions	24	228
Gains (-)/losses (+) due to changes in financial assumptions	-3,986	1,566
Experience gains (-)/losses (+)	1,338	1,381
Total amount recognised in the income statement	-665	4,981
Actual benefits paid directly by employer	-2,008	-2,508
Reclassification to liabilities directly related to the disposal group	0	-8,213
Defined benefit obligation as of 31 December	**24,542**	**27,215**

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

Percent	2022		2021	
	Pensions	Severance and medical plans	Pensions	Severance and medical plans
Discount rate	4.1%	3.7%	1.3%	1.0%
Projected future salary growth	3.6%	4.0%	2.9%	2.0%
Expected pension increase	0.8%	–	1.7%	–

The sensitivity of the defined benefit obligation for pensions and other post-employment benefit plans to changes in the principal assumptions is:

		Impact on defined benefit obligation			
		Pension		Severance and medical plans	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 6.1%	Increase by 6.8%	Decrease by 4.8%	Increase by 5.2%
Projected future salary growth	0.5%	Increase by 4.5%	Decrease by 4.2%	Increase by 3.5%	Decrease by 3.3%
Expected pension increase	0.5%	Increase by 6.9%	Decrease by 6.5%	–	–

The above sensitivity analyses are based on a change in an assumption while maintaining all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognised in the balance sheet.

Expected contributions to post-employment benefit plans for the year 2023 are EUR 25,752 thousand (EUR 25,673 thousand). The weighted average duration of the defined benefit obligation is 11.4 years (14.1 years). The defined benefit plans expose the Group to actuarial risks, mainly the longevity risk, interest rate and market (investment) risk.

16. Provisions

EUR thousand	2022					
	Restructuring	Decommissioning	Legal	Environmental	Other	Total
As of 1 January	198	55,764	3,691	1,034	73,506	**134,193**
Additions	0	75	277	199	67,617	**68,168**
Reclassification to liabilities directly related to the disposal group	0	0	0	0	-2,394	**-2,394**
Utilised	-124	0	-356	-13	-49,883	**-50,376**
Reversed	0	-31,634	-79	0	-8,315	**-40,028**
Interest expense (+)/income (-)	0	278	0	0	0	**278**
Exchange adjustments	-4	-2	193	0	-229	**-42**
Balance as of 31 December	**70**	**24,481**	**3,726**	**1,220**	**80,302**	**109,799**
Other provisions current	68	0	1,430	0	46,716	**48,214**
Other provisions non-current	2	24,481	2,296	1,220	33,586	**61,585**
Balance as of 31 December	**70**	**24,481**	**3,726**	**1,220**	**80,302**	**109,799**

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

Restructuring

Provisions for restructuring cover estimated costs for the ongoing restructuring programmes.

Decommissioning

Provisions for decommissioning cover mainly the expected clean-up and dismantling costs for plants situated on rented land in Germany and Belgium. It is expected that EUR 4,615 thousand will be used by 2027 and EUR 19,791 thousand by 2052.

Legal

Legal provisions represent litigation provisions in various business areas.

Environmental

Environmental provisions cover several environmental exposures in the Group.

Other

Other provisions cover numerous types of obligations, including short-term and long-term incentive plans. EUR 12,271 thousand (EUR 8,619 thousand) of these provisions relates to transitional and new LTI plans implemented in 2021, which are share-based. Note 14 provides additional information regarding share-based payments.

17. Financial Risk Management

The Group is exposed through its operations to the following financial risks:

- Foreign currency risk (note 23)
- Interest rate risk (note 24)
- Liquidity risk (note 21)
- Commodity price risk (note 25)
- Credit risk (note 27)

The objective of financial risk management is to support the core businesses of Borealis. Financial risk management is centralised in the Treasury and Funding department and operates within policies approved by the Executive Board. The Group provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, commodity price risk or the use of derivative financial instruments. Borealis aims to minimise effects related to foreign exchange, interest rate, liquidity, credit, commodity price and refinancing risks.

The use of any financial instrument is based on actual or forecasted underlying commercial or financial cash flows or identified risks as defined in the policy. When certain conditions are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item.

Note 22 provides an overview of the financial instruments used by Borealis to manage risk. For further details on hedging instruments, see note 22. Derivative financial instruments, note 23. Foreign currency risk, note 24. Interest rate risk and note 25. Commodity price risk. The risk management process in general is described in the Group Management Report.

18. Financial Income/Expenses

EUR thousand	2022	2021
Interest income from		
Cash and loans granted	51,785	27,282
Derivatives	3,164	2,848
Interest expenses to		
Finance institutions	-32,038	-31,073
Derivatives	-3,962	-4,433
Capitalised interest	13,978	9,308
Net foreign exchange gains/losses	85,943	-1,132
Interest expenses for lease liabilities	-8,310	-3,741
Other financial income	10,180	5,475
Other financial expenses	-19,570	-11,337
Financial income/expenses	**101,170**	**-6,803**

19. Gains and Losses from Financial Instruments

EUR thousand	2022	2021
Recognised in the income statement		
Change in fair value of commodity derivatives	4,412	-4,858
Change in fair value of cross currency interest rate swaps	-5,017	-2,484
Change in fair value of foreign exchange swaps	2,982	1,615
Change in fair value of other investments and marketable securities and bonds	-3,819	1,668
Realised result on commodity derivatives	6,495	-14,899
Realised result on cross currency interest rate swaps	-1,256	-277
Realised result on foreign exchange swaps	-1,615	-1,373
Realised result on other investments and marketable securities and bonds	1,641	1,163
Financial assets and liabilities at fair value through profit or loss	**3,823**	**-19,445**
Amounts recognised in the income statement for realised cash flow hedges		
Commodity derivative contracts	412,302	215,362
Interest rate swaps	458	-1,308
Foreign exchange forwards	-27,646	6,130
Foreign exchange effects on loans designated as hedge of investments in foreign operations	-3,009	0
Hedging instruments	**382,105**	**220,184**
Interest income on cash and loans granted	54,978	27,282
Expenses for factoring of trade receivables	-4,095	-3,164
Impairment losses on trade receivables	-3,420	-4,046
Impairment losses on loans granted	-3,311	0
Impairment losses on deposits and other receivables	-943	0
Financial assets at amortised cost	**43,210**	**20,072**
Interest expenses and other expenses on financial liabilities	-37,879	-37,944
Interest expenses for lease liabilities	-8,310	-3,741
Financial liabilities at amortised cost	**-46,189**	**-41,685**
Net gain on financial guarantee receivables/liabilities	3,785	0
Financial guarantee	**3,785**	**0**

The amounts recognised in the income statement for commodity derivatives and foreign exchange forwards are booked as a correction to the net sales, to assets under construction or to production costs that are being hedged. The amounts that are recognised in the income statement for interest rate derivatives and foreign exchange swaps are reported as part of financial income and expenses. Impairment losses on trade receivables are reported in sales and distribution costs, impairment losses on loans granted as well as impairment losses on deposits and other receivables are included in financial expenses.

EUR thousand	2022	2021
Recognised in other comprehensive income		
Commodity derivatives designated as cash flow hedge	357,590	474,843
Interest rate swaps outstanding designated as cash flow hedge	7,191	1,827
Foreign exchange forwards designated as cash flow hedge	-16,317	-14,532
Foreign exchange effects on long-term loans part of net investments in foreign operations	-7,645	-2,100
Foreign exchange effects on loans designated as hedge of investments in foreign operations	-12,208	-14,687
Amounts reclassified to the income statement		
Commodity derivatives	-412,302	-215,362
Interest rate swaps	-458	1,308
Foreign exchange forwards	27,646	-6,130
Foreign exchange effects on loans designated as hedge of investments in foreign operations	3,009	0
Total recognised in other comprehensive income	**-53,494**	**225,167**

Net foreign exchange gains/losses are allocated in the income statement as follows:

EUR thousand	2022	2021
Foreign exchange gains from operating acitivities included in other operating income	98,077	34,161
Foreign exchange losses from operating acitivities included in production costs	-98,819	-33,851
Net foreign exchange gains/losses included in financial income/expenses	85,943	-1,132
Total	**85,201**	**-822**

20. Loans and Borrowings and Lease Liabilities

The composition of interest-bearing loans and borrowings and lease liabilities (current and non-current debt) as of 31 December 2022 was as follows:

EUR thousand		2022						
Due		Term loans	Bond	Utilised uncommitted facilities	Export credits	**Total loans and borrowings**	Unutilised committed facilities	**Lease liabilities**
After	5 years	360,166				**360,166**		**436,299**
Within	5 years	121,328				**121,328**	1,000,000	**22,650**
	4 years	84,748				**84,748**		**30,599**
	3 years	330,492	298,460			**628,952**		**35,343**
	2 years	317,007				**317,007**		**38,348**
Total non-current debt		**1,213,741**	**298,460**	**0**	**0**	**1,512,201**	**1,000,000**	**563,239**
Total current debt		40,599	0	1,330	0	**41,929**	166,011 [1)]	**42,635**
Total debt		**1,254,340**	**298,460**	**1,330**	**0**	**1,554,130**	**1,166,011**	**605,874**

1) Borealis maintains EUR 166,011 thousand in export credit facilities (these were undrawn on 31 December 2022). These facilities are economically evergreen in nature, but include one year's notice for cancellation.

The composition of interest-bearing loans and borrowings (current and non-current debt) as of 31 December 2021 was as follows:

EUR thousand		2021						
Due		Term loans	Bond	Utilised uncommitted facilities	Export credits	**Total loans and borrowings**	Unutilised committed facilities	**Lease liabilities**
After	5 years	471,272				**471,272**		**66,228**
Within	5 years	83,564				**83,564**	1,000,000	**12,962**
	4 years	327,612	297,955			**625,567**		**15,052**
	3 years	307,911				**307,911**		**17,067**
	2 years	37,964				**37,964**		**22,775**
Total non-current debt		**1,228,323**	**297,955**	**0**	**0**	**1,526,278**	**1,000,000**	**134,084**
Total current debt		73,511	0	122	0	**73,633**	166,011 [1)]	**30,682**
Total debt		**1,301,834**	**297,955**	**122**	**0**	**1,599,911**	**1,166,011**	**164,766**

1) Borealis maintains EUR 166,011 thousand in export credit facilities (these were undrawn on 31 December 2021). These facilities are economically evergreen in nature, but include one year notice for cancellation.

The carrying amounts of loans and borrowings and lease liabilities developed as follows:

EUR thousand	2022					
	Term loans	Bond	Utilised uncommitted facilities	Export credits	**Total loans and borrowings**	**Lease liabilities**
As of 1 January	1,301,834	297,955	122	0	**1,599,911**	**164,766**
Proceeds from loans and borrowings	420	0	1,330	0	**1,750**	**0**
Repayment of loans and borrowings	-76,490	0	-122	0	**-76,612**	**0**
New lease liabilities	0	0	0	0	**0**	**494,762**
Principal elements of lease payments	0	0	0	0	**0**	**-47,125**
Reclassification to liabilities directly related to the disposal group	0	0	0	0	**0**	**-1,191**
Exchange adjustments non-cash	27,981	0	0	0	**27,981**	**2,099**
Other	595	505	0	0	**1,100**	**-7,437**
Balance as of 31 December	**1,254,340**	**298,460**	**1,330**	**0**	**1,554,130**	**605,874**

EUR thousand	2021					
	Term loans	Bond	Utilised uncommitted facilities	Export credits	**Total loans and borrowings**	**Lease liabilities**
As of 1 January	1,269,001	297,461	47,614	107,873	**1,721,949**	**194,798**
Proceeds from loans and borrowings	150,000	0	122	0	**150,122**	**0**
Repayment of loans and borrowings	-156,023	0	-47,614	-107,873	**-311,510**	**0**
New lease liabilities	0	0	0	0	**0**	**20,472**
Principal elements of lease payments	0	0	0	0	**0**	**-36,532**
Reclassification to liabilities directly related to the disposal group	0	0	0	0	**0**	**-12,957**
Exchange adjustments non-cash	38,222	0	0	0	**38,222**	**3,328**
Other	634	494	0	0	**1,128**	**-4,343**
Balance as of 31 December	**1,301,834**	**297,955**	**122**	**0**	**1,599,911**	**164,766**

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

Borealis continues to maintain a strong diversified liquidity position through its EUR 1 billion fully committed Syndicated Revolving Credit Facility (RCF), of which EUR 1 billion remained undrawn as of year end, and by terming out its debt through diverse funding channels. The RCF was refinanced in December 2019 with a five-year tenor with two one-year extension options at lenders' discretion. The second and final RCF extension option was utilised in December 2021 and the new maturity date is now 19 December 2026.

As of 31 December 2022, the Group had total committed credit facilities of EUR 1,166,011 thousand (EUR 1,166,011 thousand). Besides the above-mentioned undrawn EUR 1 billion RCF, Borealis had OeKB Export Credit Facilities in the amount of EUR 166,011 thousand. These were undrawn at year end.

In 2022, Borealis increased its debt position by EUR 395,327 thousand, mainly driven by an increase in long-term lease liabilities. The net debt position which decreased by EUR 292,399 thousand resulted in a gearing ratio of -1%. The net debt and resulting gearing ratio include interest-bearing debt reclassified as liabilities associated with assets held for sale and includes cash and cash equivalents that were reclassified as assets held for sale.

In November 2018, S&P Global Ratings issued a BBB+ rating with a stable outlook for Borealis. This constitutes the first public rating for the Company, which has been successfully active in a wide range of financing markets and instruments over the last ten years, and has built up a robust and well-diversified funding portfolio. While Borealis' long-term banking partners and investors have always appreciated the strong credit quality of the Company, the public rating provides a very good additional evaluation basis for all external stakeholders. On 25 January 2023, S&P Global Ratings affirmed Borealis' BBB+ rating with a stable outlook.

Under Borealis' funding strategy, a strongly diversified financing portfolio has been implemented in past years with the aim of maintaining a balanced maturity profile. In addition, Borealis is pursuing a long-term relationship approach with a larger group of international financing institutions that support the Company in funding and risk management transactions.

Based on this, combined with a resilient balance sheet and the strong public rating, Borealis has access to a wide variety of attractive funding instruments (such as bonds, the German Schuldschein, US Private Placement, foreign investment financing, bank loans and other). In order to meet the financing needs in 2023 and beyond, Borealis will continue to explore several suitable financial instruments fitting its strategy.

Some loan agreements have financial covenants based on maintaining certain gearing and solvency ratios. As of 31 December 2022, Borealis was in compliance with all financial covenants stipulated by the loan agreements.

Currency Mix EUR thousand	**2022**	**%**	**2021**	**%**
EUR	1,615,184	75%	1,188,835	67%
USD	505,362	23%	532,335	30%
JPY	35,466	2%	38,223	2%
GBP	359	0%	126	0%
Other	3,633	0%	5,158	0%
Interest bearing total	**2,160,004**	**100%**	**1,764,677**	**100%**

21. Liquidity Risk

Liquidity risk is the risk of the Group encountering difficulty in meeting the obligations associated with its financial liabilities. Liquidity is managed on a daily basis to ensure the Group's liquidity requirement and is covered at all times with the lowest possible level of working capital. For further details on loans and borrowings and lease liabilities, see note 6, note 20 and for derivatives, note 22.

The following are the contractual maturities of non-derivative financial liabilities, including forecasted interest payments, derivative financial liabilities and off balance sheet liabilities.

All carrying amounts exclude outstanding interest accruals at year end. Cash outflows are reported with a minus sign.

EUR thousand	2022						
Non-derivative financial liabilities	Carrying amount	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
EUR floating rate loans	-50,396	**-55,690**	-1,240	-1,130	-24,706	-28,614	0
EUR fixed rate loans	-1,000,453	**-1,047,063**	-6,576	-9,436	-60,788	-758,410	-211,853
USD floating rate loans	-189,552	**-211,989**	-5,255	-6,313	-184,381	-16,040	0
USD fixed rate loans	-278,263	**-349,627**	-6,575	-42,744	-44,965	-74,244	-181,099
JPY floating rate loans	-35,466	**-36,022**	-78	-110	-35,834	0	0
Lease liabilities	-605,874	**-721,585**	-28,660	-22,457	-46,092	-109,080	-515,296
Trade payables	-862,826	**-862,826**	-862,826	0	0	0	0
Financial guarantee liabilities	-27,799	**-623,300**	-623,300	0	0	0	0
Total	**-3,050,629**	**-3,908,102**	**-1,534,510**	**-82,190**	**-396,766**	**-986,388**	**-908,248**

EUR thousand	2021						
Non-derivative financial liabilities	Carrying amount	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
EUR floating rate loans	-68,962	**-70,540**	-13,536	-5,878	-326	-50,800	0
EUR fixed rate loans	-1,002,420	**-1,062,051**	-6,596	-10,157	-14,670	-713,876	-316,752
USD floating rate loans	-178,320	**-190,360**	-1,124	-1,492	-3,952	-183,792	0
USD fixed rate loans	-311,376	**-392,031**	-7,295	-55,483	-46,445	-88,073	-194,735
JPY floating rate loans	-38,223	**-38,863**	-82	-98	-171	-38,512	0
Other floating rate loans	-488	**-490**	-490	0	0	0	0
Lease liabilities	-164,766	**-200,943**	-20,552	-14,015	-25,385	-51,676	-89,315
Trade payables	-1,016,936	**-1,016,936**	-1,016,936	0	0	0	0
Utilised uncommitted facilities	-122	**-122**	-122	0	0	0	0
Total	**-2,781,613**	**-2,972,336**	**-1,066,733**	**-87,123**	**-90,949**	**-1,126,729**	**-600,802**

EUR thousand	2022					
Derivative financial liabilities/outflow	Carrying amount	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years
Cross currency interest rate swaps	-8,834	**-48,938**	-1,258	-1,514	-46,166	0
Foreign exchange contracts	-4,037	**-188,713**	-94,278	-94,435	0	0
Feedstock derivatives	-19,642	**-46,981**	-37,432	-2,845	-6,704	0
Electricity derivatives	-2,471	**-62,695**	-15,086	-22,405	-25,011	-193
Natural gas derivatives	-3,385	**-3,390**	-3,390	0	0	0
Total	**-38,369**	**-350,717**	**-151,444**	**-121,199**	**-77,881**	**-193**

EUR thousand	2021					
Derivative financial liabilities/outflow	Carrying amount	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years
Interest rate swaps	-791	**-1,096**	-653	-402	-200	159
Cross currency interest rate swaps	-3,817	**-44,067**	-316	-403	-1,033	-42,315
Foreign exchange contracts	-8,258	**-437,058**	-238,664	-198,394	0	0
Feedstock derivatives	-13,211	**-20,053**	-19,540	-513	0	0
Electricity derivatives	-563	**-26,304**	-16,577	-7,338	-2,389	0
Natural gas derivatives	-59,211	**-63,079**	-49,375	-13,704	0	0
Total	**-85,851**	**-591,657**	**-325,125**	**-220,754**	**-3,622**	**-42,156**

EUR thousand	2022					
Off balance sheet liabilities	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
Short-term and low-value lease payments	**-1,747**	-962	-598	-156	-31	0
Capital commitments – property, plant and equipment	**-165,294**	-140,649	-15,388	-9,256	-1	0
Commitments in associated companies	**-10,000**	0	-10,000	0	0	0
Commitments in joint ventures	**-46,050**	0	0	0	-46,050	0

EUR thousand	2021					
Off balance sheet liabilities	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
Short-term and low-value lease payments	**-1,515**	-725	-630	-101	-59	0
Capital commitments – property, plant and equipment	**-149,998**	-111,532	-24,725	-8,484	-5,257	0
Commitments in associated companies	**-27,733**	0	-22,400	-5,333	0	0
Commitments in joint ventures	**-250,854**	0	0	0	-250,854	0

For details in respect of off balance sheet liabilities, please see note 5, note 30 and note 31.

22. Derivative Financial Instruments

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk, interest rate risk and commodity price risk.

The Group's risk management strategy and how it is applied to manage risk is explained in note 17 and in the Group Management Report in general and in this note, notes 23, 24 and 25 in detail for the risks mentioned in the preceding paragraph.

Hedge Accounting Policies of the Group

Hedges are generally placed in the legal entities where the underlying exposure exists. When certain conditions are met, Borealis applies IFRS 9 hedge accounting principles in order to recognise the offsetting effects on profit or loss of changes in the fair value of the hedging instrument and the hedged items. Borealis has the following hedge accounting relationships:

- Cash flow hedging – foreign exchange (see this note and note 23)
- Cash flow hedging – interest rate (see this note and note 24)
- Cash flow hedging – commodity (feedstock, electricity, natural gas – see this note and note 25)
- Net investment hedging in a foreign operation (see note 23)

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives are not designated as hedging instruments, they are measured at fair value through profit or loss (FVPL) for accounting purposes.

The Group holds the following derivative financial instruments:

EUR thousand	2022	2021
Current assets		
Foreign exchange swaps – FVPL	2,994	1,908
Foreign exchange forwards – cash flow hedges	7,405	16
Feedstock derivatives – FVPL	0	1,567
Feedstock derivatives – cash flow hedges	25,137	11,853
Electricity derivatives – cash flow hedges	210,475	292,247
Natural gas derivatives – cash flow hedges	0	22
Total current derivative financial instrument assets (Other receivables and other assets)	**246,011**	**307,613**

EUR thousand	2022	2021
Non-current assets		
Interest rate swaps – cash flow hedges	5,941	0
Electricity derivatives – cash flow hedges	105,335	71,364
Total non-current derivative financial instrument assets (Other receivables and other assets)	**111,276**	**71,364**

EUR thousand	2022	2021
Current liabilities		
Interest rate swaps – cash flow hedges	0	68
Foreign exchange swaps – FVPL	12	293
Foreign exchange forwards – cash flow hedges	4,025	7,965
Feedstock derivatives – FVPL	1,158	7,194
Feedstock derivatives – cash flow hedges	18,484	6,017
Electricity derivatives – cash flow hedges	2,267	59
Natural gas derivatives – cash flow hedges	3,385	59,211
Total current derivative financial instrument liabilities (Other liabilities)	**29,331**	**80,807**

EUR thousand	2022	2021
Non-current liabilities		
Cross currency interest rate swaps – FVPL	8,834	3,817
Interest rate swaps – cash flow hedges	0	723
Electricity derivatives – cash flow hedges	205	504
Total non-current derivative financial instrument liabilities (Other liabilities)	**9,039**	**5,044**

Impact of Hedge Accounting on Equity

The Group's hedging reserve disclosed in the Consolidated Statement of Changes in Equity relates to the following hedging instruments:

Hedging Reserve EUR thousand	2022					
	Cash flow hedge – foreign currency	Cash flow hedge – interest rate	Cash flow hedge – feedstock	Cash flow hedge – electricity	Cash flow hedge – natural gas	Hedging reserve total
As of 1 January	-5,961	-593	5,682	272,286	-44,391	**227,023**
Change in fair value of hedging instrument recognised in OCI	-16,317	7,191	-60,804	356,324	62,070	**348,464**
Reclassifications from OCI to the income statement	27,646	-458	0	-406,036	-6,266	**-385,114**
Reclassifications to the cost of non-financial items	0	0	59,883	0	0	**59,883**
Deferred tax	-2,765	-1,565	364	18,695	-14,019	**710**
As of 31 December	**2,603**	**4,575**	**5,125**	**241,269**	**-2,606**	**250,966**

Hedging Reserve EUR thousand	**2021**					
	Cash flow hedge – foreign currency	**Cash flow hedge – interest rate**	**Cash flow hedge – feedstock**	**Cash flow hedge – electricity**	**Cash flow hedge – natural gas**	**Hedging reserve total**
As of 1 January	9,009	-2,945	-16,145	7,731	-3,381	**-5,731**
Change in fair value of hedging instrument recognised in OCI	-14,532	1,827	-38,580	478,171	35,252	**462,138**
Reclassifications from OCI to the income statement	-6,130	1,308	0	-125,431	-89,931	**-220,184**
Reclassifications to the cost of non-financial items	702	0	67,683	0	0	**68,385**
Deferred tax	4,990	-783	-7,276	-88,185	13,669	**-77,585**
As of 31 December	**-5,961**	**-593**	**5,682**	**272,286**	**-44,391**	**227,023**

Reserve for unrealised exchange gains/losses EUR thousand	**2022**	**2021**
As of 1 January	232,321	-40,435
Foreign currency revaluation of USD loans, designated as net investment hedge	-12,208	-14,687
Reclassifications to the income statement during the period	3,009	0
Foreign currency revaluation of financial statements of foreign operations	133,664	283,973
Reclassifications to the income statement during the period	-42,744	357
Foreign currency revaluation of long-term loans to foreign operations	-7,645	-2,100
Share of other comprehensive income of joint venturees accounted for using the equity method	-2,769	1,036
Foreign currency revaluation of financial statements of foreign operations – Non-controlling interests	-803	-20
Deferred tax	3,102	4,197
As of 31 December	**305,927**	**232,321**

As of 31 December 2022 and 31 December 2021, the Group had the following cash flow and net investment hedging relationships. The table shows the profile of the timing (maturity) of the nominal amount of the hedging instruments.

	2022									
	Unit	**Total**	3 months or less	3–6 months	6–12 months	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
Foreign exchange forwards	EUR thousand	**423,357**	75,613	113,770	233,974	0	0	0	0	0
USD loans, designated as net investment hedge	USD thousand	**160,000**	0	0	40,000	49,000	30,000	21,000	20,000	0
Interest rate swaps	EUR thousand	**103,131**	0	0	0	103,131	0	0	0	0
Feedstock derivatives	tonnes	**1,102,121**	462,560	324,561	315,000	0	0	0	0	0
Electricity derivatives	GWh	**3,956**	542	520	998	1,563	333	0	0	0
Natural gas derivatives	GWh	**86**	86	0	0	0	0	0	0	0

	2021									
	Unit	**Total**	3 months or less	3–6 months	6–12 months	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
Foreign exchange forwards	EUR thousand	**343,918**	53,192	92,424	198,302	0	0	0	0	0
USD loans, designated as net investment hedge	USD thousand	**216,000**	0	0	56,000	40,000	49,000	30,000	21,000	20,000
Interest rate swaps	EUR thousand	**108,660**	0	0	11,538	0	97,122	0	0	0
Feedstock derivatives	tonnes	**273,757**	194,032	29,085	50,640	0	0	0	0	0
Electricity derivatives	GWh	**5,544**	926	797	1,506	1,516	799	0	0	0
Natural gas derivatives	GWh	**1,280**	735	271	274	0	0	0	0	0

As of 31 December 2022 and 31 December 2021, no fair value hedges existed.

Offsetting

Financial assets and financial liabilities are offset only when the Group has a current and legally enforceable right to offset the recognised amounts and when there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. In the normal course of business, the Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements.

The following table presents the recognised financial instruments (derivatives) that are offset, or subject to enforceable master netting arrangements, but are not offset. The "Net amount" column shows the impact on the Group's balance sheet if all offsetting rights were exercised.

EUR thousand	2022				
	Gross amounts	Related amounts offset in the balance sheet	Amounts presented in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets					
Derivative financial instruments	463,633	-106,346	357,287	-2,246	355,041
Financial liabilities					
Derivative financial instruments	144,716	-106,346	38,370	-2,246	36,124

EUR thousand	2021				
	Gross amounts	Related amounts offset in the balance sheet	Amounts presented in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets					
Derivative financial instruments	415,542	-36,565	378,977	-800	378,177
Financial liabilities					
Derivative financial instruments	122,416	-36,565	85,851	-800	85,051

There is no further netting potential for non-derivative financial instruments.

23. Foreign Currency Risk

Foreign exchange risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

Borealis incurs foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than EUR. The most significant currencies in terms of hedged amounts are USD and SEK.

The foreign exchange risk related to short-term commercial cash flows is hedged and limits for long-term foreign exchange exposures are established. Based on regular cash flow forecasts, Borealis hedges its foreign exchange exposure coming from forecasted sales and purchases and from committed investment projects.

Borealis hedges forecasted positions denominated in foreign currencies. At any time, Borealis may also hedge its long-term commercial exposures up to a predefined level and duration. Borealis normally hedges the currency positions using foreign exchange forward contracts. Borealis classifies its foreign exchange forward contracts, which hedge a forecasted currency position, as cash flow hedges and states them at fair value.

Changes in the fair value of foreign exchange forward contracts that hedge monetary assets and liabilities in foreign currencies and the forward legs of foreign exchange swaps used in liquidity management, for which no hedge accounting is applied, are recognised in the income statement. Both changes in the fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as financial expenses.

There is an economic relationship between the hedged items and the hedging instruments as the critical terms of the foreign exchange forward contracts match the terms of the expected highly probable forecast transactions (i.e. nominal amount, exchange rate and expected payment date). Hence, the Group has established a hedge ratio of 1:1. To test the hedge effectiveness, the Group uses the Dollar Offset method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness may arise from:
- differences in the timing of the cash flows of the hedged items and the hedging instruments,
- different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments,
- the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items,
- changes to the forecasted amount of cash flows of hedged items,
- change in fair value of the cross currency basis spread element of the foreign exchange forward contracts ("ccbs").

Borealis does not recognise any ineffectiveness in the income statement due to immateriality.

Net Investment Hedges in Foreign Operations

A foreign currency exposure arises from the Group's long-term net investment in its subsidiaries, associated companies and joint ventures in foreign currencies. Foreign exchange translation differences relating to these net investments are recognised in other comprehensive income. Borealis has hedged part of its investment in a joint venture, which has USD as its functional currency, by designating certain external loans in USD as hedges of the Group's investments in its foreign operations. The hedged risk in the net investment hedge is the risk of a weakening USD against the EUR that will result in a reduction in the carrying amount of the Group's net investment in the joint venture in USD. The EUR/USD impact on the measurement of the loan is recognised in other comprehensive income.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the Dollar Offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the USD borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. Hedge ineffectiveness will arise when the amount of the investment in the foreign joint venture becomes lower than the amount of the borrowing.

Effects of Hedge Accounting on the Financial Position and Performance

The effects of the foreign currency-related hedging instruments on the Group's financial position and performance are as follows:

Foreign exchange forwards **EUR thousand**	**2022**	**2021**
Carrying amount (asset – current)	7,405	16
Carrying amount (liability – current)	4,025	7,965
Line item in the balance sheet where the hedging instrument is included	Other receivables and other assets/ Other liabilities	Other receivables and other assets/ Other liabilities
Total nominal amount	kEUR 423,357	kEUR 343,918
Hedge ratio	1:1	1:1
Hedged rate for the year	EUR/USD 1.01–1.10 EUR/SEK 10.67–11.11	EUR/USD 1.15–1.20 EUR/SEK 10.01–10.30
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	-16,317	-14,532
Change in value of the hedged item used for measuring ineffectiveness for the period	16,317	14,532
Hedging reserve (net of deferred taxes)	2,603	-5,961
Total hedging gain (+) or loss (-) recognised in OCI	-16,317	-14,532
Hedge ineffectiveness recognised in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	27,646	-6,130
Line item in the income statement affected by the reclassification	Net sales and production costs	Net sales and production costs
Amount reclassified from hedging reserve to the cost of non-financial items	0	702

Net investment hedges in foreign operations EUR thousand	2022	2021
Carrying amount (liability)	150,009	190,712
Line item in the balance sheet where the hedging instrument is included	Loans and borrowings	Loans and borrowings
Total nominal amount	kUSD 160,000	kUSD 216,000
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	-12,208	-14,687
Change in value of the hedged item used for measuring ineffectiveness for the period	12,208	14,687
Reserve for unrealised exchange gains/losses (net of deferred taxes)	-22,970	-15,445
Balances remaining in the reserve for unrealised exchange gains/losses from hedging relationships for which hedge accounting is no longer applied	-15,358	-6,290
Total hedging gain (+) or loss (-) recognised in OCI	-12,208	-14,687
Hedge ineffectiveness recognised in the income statement	0	0
Amount reclassified from Reserve for unrealised exchange gains/losses to the income statement	3,009	0

Sensitivity Analysis

The Group's exposure to the risk of changes in foreign exchange rates primarily relates to the Group's operating activities, mainly invoicing in EUR and mainly purchasing raw materials in USD and the Group's net investments in associated companies and joint ventures mainly denominated in USD. The sensitivity analysis has been prepared on the basis that the financial instruments in foreign currencies and all other parameters, apart from changes in foreign exchange rates themselves (foreign exchange rate against EUR), are constant, and on the basis of hedge designations in place as of 31 December 2022. The Group assumes that the prevailing polyolefin market pricing mechanisms reduce the foreign exchange risk in practice. As of 31 December 2022, the Group showed a net payable (prior year: net payable) position in USD and a net payable (prior year: net payable) position in SEK.

Effect in EUR thousand	Profit before taxation		Other comprehensive income	
	Strengthening +1%	Weakening -1%	Strengthening +1%	Weakening -1%
31 December 2022				
USD	-1,236	1,012	-3,519	2,879
SEK	-14	12	1,486	-1,215
USD – including net investment	-1,236	1,012	28,493	-23,312
SEK – including net investment	-14	12	7,228	-5,914
31 December 2021				
USD	16,335	-13,365	-3,863	3,161
SEK	-69	56	1,612	-1,319
USD – including net investment	16,335	-13,365	25,828	-21,132
SEK – including net investment	-69	56	7,244	-5,927

The key foreign exchange rates used for the Group were as follows:

	2022		2021	
	Closing rate	Average rate	Closing rate	Average rate
USD	1.0666	1.0530	1.1326	1.1827
SEK	11.1218	10.6296	10.2503	10.1465

24. Interest Rate Risk

Interest rate risk is the risk of the fair value or future cash flows of a financial instrument fluctuating because of changes in market interest rates.

Borealis adopts a policy of managing its interest rate risk through the modified duration of its loan portfolio. The average modified duration is allowed to deviate within a predefined range. Overall, Borealis' risk management strategy according to its financial procedures is to protect itself against adverse interest rate movements and to obtain predictable interest costs. As of 31 December 2022, Borealis had two outstanding interest rate swaps. Borealis classifies these interest rate swaps as cash flow hedges and states them at fair value. The purpose of these hedges is to fix the cash outflows related to the floating rate loans.

The Group enters into interest rate swaps that have matching critical terms with the hedged item, such as reference rate, reset dates, payment dates, maturities and nominal amount.

The hedge ratios are based on interest rate swaps with a nominal amount in EUR and USD and a receive leg of a rate index. This results in 1:1 hedge ratios (100%). Since loans and hedging instruments are fully aligned and cannot be changed unless terminated, the hedge ratios will not change and hence, do not result in any imbalances that would create hedge ineffectiveness.

Hedge effectiveness will be assessed by comparing changes in the fair values of the hedging instruments to changes in the fair values of the respective hypothetical derivatives. The terms of the hypothetical derivative are as such that its fair value changes offset exactly the changes in the fair value of the hedged item. The terms are identical to the hedging instrument but, assume no counterparty risk. Hence, the hedge is expected to be highly effective.

A significant change in the credit risk of either Borealis or the counterparty is identified as a potential source of ineffectiveness. The Group treasury monitors the Company and the bank's credit risk for significant adverse changes.

Hedge ineffectiveness may arise from:
– differences in the timing of the cash flows of the hedged items and the hedging instruments,
– the counterparties' credit risk impacting the fair value movements of the hedging instruments and hedged items differently.

Borealis has one cross currency interest rate swap that is measured at fair value through profit or loss (FVPL).

Of loans and borrowings, approximately 82% (82%) have a fixed interest rate and 18% (18%) are based on a floating interest rate before applying interest rate swaps. After applying interest rate swaps, approximately 89% (89%) have a fixed interest rate and 11% (11%) are based on a floating interest rate. The floating interest rates are set by adding a spread to the reference rates (mainly EURIBOR and LIBOR).

Effects of Hedge Accounting on the Financial Position and Performance

The effects of the interest rate related to hedging instruments on the Group's financial position and performance are as follows:

Interest rate swaps **EUR thousand**	**2022**	**2021**
Carrying amount (asset – non-current)	5,941	0
Carrying amount (liability – current)	0	68
Carrying amount (liability – non-current)	0	723
Line item in the balance sheet where the hedging instrument is included	Other receivables and other assets/ Other liabilities	Other receivables and other assets/ Other liabilities
Total nominal amount	kEUR 103,131	kEUR 108,660
Hedge ratio	1:1	1:1
Weighted average hedged rate for the year	2.36%	2.17%
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	7,191	1,827
Change in value of the hedged item used for measuring ineffectiveness for the period	-7,191	-1,827
Hedging reserve (net of deferred taxes)	4,575	-593
Total hedging gain (+) or loss (-) recognised in OCI	7,191	1,827
Hedge ineffectiveness recognised in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	-458	1,308
Line item in the income statement affected by the reclassification	Financial expenses	Financial expenses

Interest Rate Benchmark Reform

The table below provides an overview of IBOR related exposure by currency and nature of financial instruments:

	Benchmark	Carrying amount (notional amount for derivatives) 2022	2021
Non-derivative financial assets			
Loans granted	USD LIBOR	kEUR 657,072	kEUR 985,240
Non-derivative financial liabilities			
Term loans (loans and borrowings)	USD LIBOR	kEUR 189,856	kEUR 178,320
Term loans (loans and borrowings)	JPY LIBOR [1)]	kEUR 35,547	kEUR 38,223
Derivatives			
Interest rate swap – cash flow hedge	USD LIBOR	kUSD 50,000	kUSD 50,000
Interest rate swap – cash flow hedge	USD LIBOR	kUSD 60,000	kUSD 60,000
Cross currency interest rate swap – FVPL	JPY LIBOR to USD LIBOR [1)]	kJPY 5,000,000	kJPY 5,000,000
Off balance sheet items			
Commitments in joint ventures	USD LIBOR	kEUR 46,050	kEUR 250,854
Unutilised committed facilities	Multicurrency	kEUR 1,000,000	KEUR 1,000,000

1) transitioned to TONAR

The Group continuously evaluates contractual terms in respect of the LIBOR transition exposures. Where necessary, agreements will be amended to provide for alternative benchmark rates, which will be in accordance with the LMA standard at the time, to apply in relation to the affected currencies. Where applicable, the Group will transition USD LIBOR agreements during the first half of 2023.

As of the end of December 2022, for the EUR 1,000,000 thousand multicurrency Revolving Credit Facility (RCF), a drawdown waiver is in place for currencies where IBOR rates were discontinued as a screen rate from 31 December 2021 (CHF, GBP, JPY). The RCF drawdown waiver will cease to have effect if the facility is amended to provide for alternative benchmark rates, which will be in accordance with the LMA standard at any given time.

In addition, the JPY 5,000,000 thousand Samurai loan tranche has been successfully transitioned to TONAR.

Borealis considers that it is, in principle, exposed to uncertainties resulting from the interest rate benchmark reform in respect of its hedges of (three month) USD LIBOR interest risks related to the existence of two outstanding USD interest rate swaps, with a nominal amount of USD 110 million in total. Their hedging period spans beyond 2022 when uncertainties about the existence of the USD LIBOR rates arise. Borealis expects that the hedging instrument and the hedged risk of the hedged item will not change as a result of the reform. However, any hedge ineffectiveness would be accounted for in the income statement.

Sensitivity Analysis

In managing interest rate risks, Borealis aims to reduce the impact of short-term fluctuations on its earnings. Over the long term, permanent changes in interest rates will have an impact on consolidated earnings. The sensitivity analysis has been prepared on the basis of the amount of net debt, floating interest rates of the debt and the derivatives as of 31 December 2022.

Effect in EUR thousand	Profit before taxation		Other comprehensive income	
	Strengthening +1%	Weakening -1%	Strengthening +1%	Weakening -1%
31 December 2022				
Interest rate	-1,907	1,919	757	-761
31 December 2021				
Interest rate	-1,904	1,916	484	-488

25. Commodity Price Risk

Commodity price risk is the risk of future cash flows or the fair value of inventories fluctuating because of changes in commodity prices. Borealis states its inventories at the lower of cost and net realisable value, taking into account future price developments. Commodity price risk is managed by the feedstock and energy traders and monitored by Trade Support and Risk Management. The commodity price risk exposure is calculated by a trading software program. Trade Support and Risk Management take a snapshot of all data in the trading system on a daily basis and retrieve the daily position from the system. The position is analysed and compared with the trading limits. Traders use financial derivatives (i.e. financial swaps) in order to stay within the limits.

Feedstock Derivatives

Borealis hedges some of its forecasted feedstock purchases and finished product sales through feedstock swaps. Cash flow hedge accounting is applied to those derivatives, except for the derivatives that are used to limit the price risk on the inventory held for immediate consumption. Some of the derivatives have been designated as cash flow hedges for future sales and purchases. Derivatives not designated as cash flow hedges are measured at fair value through profit or loss (FVPL).

Electricity Derivatives

Borealis hedges its forecasted electricity purchases using electricity swaps. Cash flow hedge accounting has been applied for these derivatives.

Natural Gas Derivatives

Borealis hedges part of its forecasted natural gas purchases and exposure in commercial contracts to changes in natural gas prices using natural gas swaps. Cash flow hedge accounting has been applied for these derivatives.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e. nominal quantity and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:
- differences in the timing of the cash flows of the hedged items and the hedging instruments, and
- changes to the forecasted amount of cash flows of hedged items and hedging instruments.

Effects of Hedge Accounting on the Financial Position and Performance

The effects of the commodity-related hedging instruments on the Group's financial position and performance are as follows:

Feedstock derivatives EUR thousand	**2022**	**2021**
Carrying amount (asset – current)	25,137	11,853
Carrying amount (liability – current)	18,484	6,017
Line item in the balance sheet where the hedging instrument is included	Other receivables and other assets/ Other liabilities	Other receivables and other assets/ Other liabilities
Total nominal amount	1,102,121 tonnes	273,757 tonnes
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	-60,804	-38,580
Change in value of the hedged item used for measuring ineffectiveness for the period	60,804	38,580
Hedging reserve (net of deferred taxes)	5,125	5,682
Balances remaining in the hedging reserve for hedging instruments that have expired but forecast transaction still has to occur	0	1,742
Total hedging gain (+) or loss (-) recognised in OCI	-60,804	-38,580
Hedge ineffectiveness recognised in the income statement	0	0
Amount reclassified from hedging reserve to the cost of non-financial items	59,883	67,683

Electricity derivatives **EUR thousand**	**2022**	**2021**
Carrying amount (asset – current)	210,475	292,247
Carrying amount (asset – non-current)	105,335	71,364
Carrying amount (liability – current)	2,267	59
Carrying amount (liability – non-current)	205	504
Line item in the balance sheet where the hedging instrument is included	Other receivables and other assets/ Other liabilities	Other receivables and other assets/ Other liabilities
Total nominal amount	3,956 GWh	5,544 GWh
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	356,324	478,171
Change in value of the hedged item used for measuring ineffectiveness for the period	-356,324	-478,171
Hedging reserve (net of deferred taxes)	241,269	272,286
Total hedging gain (+) or loss (-) recognised in OCI	356,324	478,171
Hedge ineffectiveness recognised in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	-406,036	-125,431
Line item in the income statement affected by the reclassification	Production costs	Production costs

Natural gas derivatives **EUR thousand**	**2022**	**2021**
Carrying amount (asset – current)	0	22
Carrying amount (liability – current)	3,385	59,211
Line item in the balance sheet where the hedging instrument is included	Other receivables and other assets/ Other liabilities	Other receivables and other assets/ Other liabilities
Total nominal amount	86 GWh	1,280 GWh
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	62,070	35,252
Change in value of the hedged item used for measuring ineffectiveness for the period	-62,070	-35,252
Hedging reserve (net of deferred taxes)	-2,606	-44,391
Total hedging gain (+) or loss (-) recognised in OCI	62,070	35,252
Hedge ineffectiveness recognised in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	-6,266	-89,931
Line item in the income statement affected by the reclassification	Production costs	Production costs

Sensitivity Analysis

The sensitivity analysis has been prepared for all derivative financial instruments on the basis that the amount of the feedstock held and all other parameters besides commodity prices (in particular sales prices) are constant and on the basis of the hedge designations in place on 31 December 2022. The Group assumes that the prevailing market pricing mechanisms reduce the commodity price risk in practice.

Effect in EUR thousand	Profit before taxation		Other comprehensive income	
	Strengthening +1%	Weakening -1%	Strengthening +1%	Weakening -1%
31 December 2022				
Feedstock – Naphtha	-480	480	-2,734	2,734
Feedstock – Other	65	-65	1,281	-1,281
Electricity	0	0	5,717	-5,717
Natural gas	0	0	530	-530
31 December 2021				
Feedstock – Naphtha	-120	120	-240	240
Feedstock – Other	0	0	122	-122
Electricity	0	0	5,710	-5,710
Natural gas	0	0	326	-326

26. Factoring

Borealis has a factoring programme under which the Company sells certain trade receivables to external parties. The Group does not retain any major interest in the trade receivables and thus derecognises the receivables sold accordingly. Borealis continues to administer the relationship with debtors and has to transfer all receivables collected and previously sold to the purchaser under this programme. Several reserves are deducted from the nominal value of the sold receivables and will be released upon transfer of the respective collected receivables to the purchaser.

The total nominal value sold to the purchaser under the factoring programme in the current year amounted to EUR 3,683,635 thousand (EUR 3,609,439 thousand). As of 31 December 2022, receivables worth EUR 382,258 thousand (EUR 378,734 thousand) were sold to the purchaser under the factoring programme. The reserves deducted from the nominal value of the sold receivables amounted to EUR 33,861 thousand (EUR 31,012 thousand) as of 31 December 2022 and are included in other current receivables. During the year, expenses amounting to EUR 4,095 thousand (EUR 3,164 thousand) were recognised in the income statement for the factoring programme.

27. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Group has three types of financial assets that are subject to the expected credit loss model:
– trade receivables (excluding trade receivables at FVPL) and contract assets,
– cash and cash equivalents,
– debt investments carried at amortised cost.

On each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. For trade receivables, the Group applies the IFRS simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance.

Trade Receivables Credit Risk

A credit control procedure is in place. Credit risk is monitored on an ongoing basis. Credit risk for a specific counterparty is the sum of all outstanding trade receivables and is compared to the individual credit limit allocated to that counterparty. Credit limit evaluations are performed on a daily basis and all customers are reviewed annually at least. Approval and escalation limits are used to authorise the available credit limits to customers. For some trade receivables, the Group may obtain security in the form of guarantees (bank and parental guarantees), letters of credit or credit insurance, which can be called upon if the counterparty is in default under the terms of the agreement. As of the reporting date, Borealis has no large concentrations of credit risks for trade receivables from external parties representing more than 10% of the total outstanding trade receivables. For details on trade receivables from related parties, see note 30. No credit risk is retained in trade receivables sold under the factoring programme (note 26).

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

EUR thousand	2022	2021
EU countries	357,809	543,733
Non-EU in Europe	128,510	251,015
US	51,580	63,234
Middle East and Asia	164,762	141,259
Other regions	85,779	114,545
Total	**788,440**	**1,113,786**

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

EUR thousand	2022	2021
Polyolefins	580,023	695,428
Base Chemicals	17,034	305,066
Borealis NITRO	0	30,629
Non-Allocated	191,383	82,663
Total	**788,440**	**1,113,786**

All customers are classified in risk categories based on external and internal ratings with associated probabilities of default in order to measure the lifetime expected losses.

The table below shows the maximum exposure (gross carrying amount) for each risk class based on which loss allowance was determined for trade receivables (excluding trade receivables at FVPL).

EUR thousand	31.12.2022				
	Equivalent to external rating	Probability of default	Gross carrying amount	Loss allowance	Credit-impaired
Risk category 1	AAA, AA+, AA, AA-, A+, A, A-	0.13%	51,143	-16	No
Risk category 2	BBB+, BBB, BBB-	0.44%	135,893	-33	No
Risk category 3	BB+, BB, BB-	1.18%	241,872	-158	No
Risk category 4	B+, B, B-	8.52%	150,299	-702	No
Risk category 5	CCC/CC	29.54%	86,270	-1,800	No
Risk category 6	SD/D	100.00%	9,721	-9,721	Yes
Total			**675,198**	**-12,431**	

EUR thousand	31.12.2021				
	Equivalent to external rating	Probability of default	Gross carrying amount	Loss allowance	Credit-impaired
Risk category 1	AAA, AA+, AA, AA-, A+, A, A-	0.07%	187,165	-1	No
Risk category 2	BBB+, BBB, BBB-	0.24%	32,987	-4	No
Risk category 3	BB+, BB, BB-	1.21%	211,533	-834	No
Risk category 4	B+, B, B-	10.37%	311,933	-1,806	No
Risk category 5	CCC/CC	10.37%	140,695	-1,111	No
Risk category 6	SD/D	100.00%	9,938	-9,938	Yes
Total			**894,251**	**-13,694**	

The identified impairment loss for contract assets was immaterial.

The movement in the loss allowance in respect of trade receivables during the year was as follows:

EUR thousand	2022		2021	
	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired
Balance as of 1 January	3,756	9,938	1,480	14,126
Impairment loss recognised	0	4,557	2,441	2,162
Written off	0	0	0	-2,045
Reversal of impairment	-1,047	-90	0	-557
Reclassification to assets directly related to the disposal group	0	-4,597	-165	-3,783
Other movements	0	0	0	0
Exchange adjustments	0	-86	0	35
Balance as of 31 December	**2,709**	**9,721**	**3,756**	**9,938**

In 2022, the Group did not renegotiate the terms of trade receivables. Generally, trade receivables written off during 2022 are not subject to enforcement activity.

The total guarantees received (bank guarantees and parental guarantees) in respect of the trade receivables amounted to EUR 233,765 thousand (EUR 234,195 thousand). The Group does not require collateral in respect of trade receivables. The Group does not have trade receivables for which no loss allowance is recognised because of collateral or guarantees received.

Other Credit Risk

The Group is also exposed to credit risk relating to other financial assets. The maximum exposure to credit risk as of the reporting date is the carrying amount of each class of financial assets disclosed in note 28.

The table below shows the maximum exposure to credit risk (gross carrying amount) for financial assets that are measured at amortised cost and subject to a 12-month expected credit loss.

	Credit risk (Gross carrying amount)		Loss allowance recognised	
EUR thousand	**2022**	**2021**	**2022**	**2021**
Cash and cash equivalents	2,226,207	1,540,973	0	0
Debt investments carried at amortised cost				
Loans granted	697,327	1,015,018	-3,310	0
Deposits and other receivables	158,362	171,133	-943	0

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

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. All of the entities' other debt investments at amortised cost are considered in general to have low credit risk and the loss allowance recognised during the period is therefore limited to 12-month expected losses. In 2021, a fully impaired balance of restricted cash in the amount of EUR 2,099 thousand classified as other financial assets and a fully impaired loan to an external party in the amount of EUR 651 thousand were reclassified to assets directly related to the disposal group. Additionally, a fully impaired loan in the amount of EUR 2,500 thousand was written off.

For the financial guarantee liability, no loss allowance was recognised in the reporting period as the fair value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 was higher than the amount of the loss allowance determined in accordance with the impairment requirements of IFRS 9. For further details on financial guarantee contracts, please refer to note 30.

28. Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value, if the carrying amount is a reasonable approximation of fair value.

EUR thousand	31.12.2022			31.12.2021		
Assets	**Carrying amount**	**Fair value**	**Fair value hierachy level**	**Carrying amount**	**Fair value**	**Fair value hierachy level**
Other investments						
Other investments	18,459	18,459	3	18,355	18,355	3
thereof at fair value through profit or loss	**15,391**			**15,287**		
thereof at fair value through other comprehensive income	**3,068**			**3,068**		
Trade receivables						
Trade receivables	788,440			1,113,786		
thereof at amortised cost	**662,767**			**880,557**		
thereof at fair value through profit or loss	**125,673**			**233,229**		
Cash and cash equivalents						
Cash	221,260			161,342		
Other current deposits	2,004,947			1,379,631		
at amortised cost	**2,226,207**			**1,540,973**		
Loans granted						
Loans granted	694,016	691,607	2	1,015,018	1,017,414	2
at amortised cost	**694,016**			**1,015,018**		
Other receivables and other assets (current and non-current)						
Marketable securities and bonds	26,431	26,431	1	29,521	29,521	1
at fair value through profit or loss	**26,431**			**29,521**		
Derivative financial instruments for which hedge accounting is applied	354,293	354,293	2	375,501	375,501	2
Hedging instruments	**354,293**			**375,501**		
Derivative financial instruments for which hedge accounting is not applied	2,994	2,994	2	3,476	3,476	2
at fair value through profit or loss	**2,994**			**3,476**		
Deposits and other receivables	157,419			171,133		
at amortised cost	**157,419**			**171,133**		
Other non financial assets	197,469	n/a	n/a	209,471	n/a	n/a
Total other receivables and other assets (current and non-current)	**738,606**			**789,102**		

EUR thousand	31.12.2022			31.12.2021		
Liabilities	**Carrying amount**	**Fair value**	**Fair value hierachy level**	**Carrying amount**	**Fair value**	**Fair value hierachy level**
Loans and borrowings (current and non-current)						
Bond	298,460	289,884	1	297,955	316,932	1
Floating rate loans and borrowings	275,414	274,738	2	285,992	286,645	2
Fixed rate loans and borrowings	980,256	872,649	2	1,015,964	1,050,893	2
at amortised cost	**1,554,130**			**1,599,911**		
Trade payables						
Trade payables	862,826			1,016,936		
at amortised cost	**862,826**			**1,016,936**		
Other liabilities (current and non-current)						
Derivative financial instruments for which hedge accounting is applied	28,364	28,364	2	74,547	74,547	2
Hedging instruments	**28,364**			**74,547**		
Derivative financial instruments for which hedge accounting is not applied	10,004	10,004	2	11,304	11,304	2
at fair value through profit or loss	**10,004**			**11,304**		
Interest accruals on loans and borrowings	7,021			5,945		
Other financial liabilities	97,414			78,947		
at amortised cost	**104,435**			**84,892**		
Financial guarantee liabilities	27,799	27,799	2	0		
Other non-financial liabilities	252,832	n/a	n/a	441,837	n/a	n/a
Total other liabilities (current and non-current)	**423,434**			**612,580**		

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

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

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

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

In 2022 and 2021, no transfers between the different levels of the fair value hierarchy took place.

Other Investments

For details on other investments, see note 10. The equity value of the other investments is assumed to equal other investments' fair value. If the equity decreases (increases), the fair value decreases (increases) accordingly.

The following table presents the changes in other investments (level 3 items):

EUR thousand	2022	2021
Balance as of 1 January	18,355	31,443
Investments and acquisitions	56	3,068
Reclassification to assets of the disposal group held for sale	0	-18,052
Fair value changes recognised in income statement (financial income/expenses)	115	1,914
Exchange adjustments	-67	-18
Balance as of the reporting date	**18,459**	**18,355**

Trade and Other Receivables and Other Assets

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

The carrying amount of deposits and other receivables is not materially different from their fair value.

Loans granted

The fair value of loans granted is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest adjusted for the respective counterparty credit risk as of the reporting date.

Derivatives

The fair value of foreign exchange derivatives is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the derivative using market rates as of the reporting date.

The fair value of interest rate swaps is estimated by discounting estimated future cash flows based on the terms and maturity of each derivative and using market rates for a hypothetical instrument as of the reporting date. The credit quality of counterparties did not lead to a significant change in the fair values.

The fair value of commodity derivatives is estimated by discounting the difference between current forward price and contractual forward price.

Other Non-financial Assets and Liabilities

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

Non-derivative Financial Liabilities

Fair value for non-current and current loans and borrowings is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest adjusted for Borealis' credit risk as of the reporting date. All fair values are excluding the outstanding interest accruals as of the reporting date.

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

Contingent Consideration

For the acquisition of the remaining 50% of Novealis, a contingent consideration up to EUR 10,150 thousand was agreed based on an earnings target for 2022. According to Borealis' assessment, the earnings target was not met. Thus, the contingent consideration has been valued at a fair value of EUR 0 thousand (EUR 0 thousand).

29. Other Operating Income

In 2022, other operating income consisted mainly of intangible assets received by way of government grants as allowances for emissions (EU Emissions Trading System) of EUR 150,530 thousand (EUR 38,009 thousand). Furthermore, gains from foreign currency translation effects related to working capital amount to EUR 98,077 thousand

(EUR 34,161 thousand). Moreover, insurance compensation of EUR 4,000 thousand (EUR 33,946 thousand) is recognised here. The remainder of other operating income is mainly related to various small grants and subsidies.

30. Transactions with Related Parties

	Transaction values		Balance outstanding	
EUR thousand	**2022**	**2021**	**31.12.2022**	**31.12.2021**
Sales of goods and services to				
Associated companies	51,450	450,647	21,801	142,997
Joint ventures	646,400	6,435	161,834	8,416
Companies with significant influence	13,181	21,565	0	4,124
Other related parties	119,013	78,440	15,532	14,724
Purchases of goods and services from				
Associated companies	133,964	588,584	150	108,052
Joint ventures	411,273	5,814	88,745	40
Companies with significant influence	45,033	74,153	0	5,757
Other related parties	2,111,463	1,776,173	182,788	245,707
Others				
Loans granted and related interest – Associated companies	1,009	1,131	40,022	29,778
Loans granted and related interest – Joint ventures	19,188	26,538	656,973	987,143
Financial guarantee receivables - Joint ventures	0	0	28,712	0
Financial guarantee liabilities - Joint ventures	0	0	27,799	0
Lease liability and related interest – Parent company	23	0	8,556	0
Lease liabilities and related interest – Other related parties	265	277	12,348	14,355
Income taxes liability and related expense – Parent company	221,981	347,094	111,127	282,363

The amounts shown in the table include transaction values and the balance outstanding from discontinued operation.

Due to the ownership change in Borealis on 8 November 2022, the transactions with Mubadala group entities are shown under "Companies with significant influence" until the end of October 2022, whereas, starting with November 2022, the transactions and outstanding balances with Abu Dhabi National Oil Company (ADNOC) P.J.S.C. and its group entities are shown under "Companies with significant influence".

For further details on control reassessment and new presentation for Borouge entities, see note 9.

The sales to associated companies and joint ventures mainly include sales of finished goods and services. Transactions with joint ventures further include the granting of licences for the use of Group technologies. Contract assets with Borouge PLC amounting to EUR 8,139 thousand (EUR 8,250 thousand with Abu Dhabi Polymers Company Limited) and with Bayport Polymers LLC (Baystar) amounting EUR 0 thousand (EUR 7,284 thousand) are included in the balance outstanding. For details on contract assets, please see note 2. Also included in the balance outstanding from associated companies are prepayments to Kilpilahden Voimalaitos Oy (KPP) of EUR 11,465 thousand (EUR 12,345 thousand) and to Renasci N.V. (Renasci) of EUR 9,834 thousand (EUR 9,877 thousand). Purchases from joint ventures mainly include purchases of finished goods produced in Borouge and sold in Europe. Purchases from other related parties mainly relate to purchases of feedstock and utilities from OMV group companies. Receivables from and payables to related parties are included in trade receivables/payables. Lease liabilities and related interest from the parent company represent rental of office facilities in Vienna from OMV Aktiengesellschaft. Lease liabilities and related interest from other related parties relate to rented land and infrastructure from OMV in Germany. Loans granted, including interest receivables, to joint ventures amounting to EUR 656,973 thousand (EUR 987,143 thousand) were outstanding from Baystar. For further details on loans granted, see note 10.

All transactions with related parties were conducted on an arm's length basis.

Borealis has a commitment to grant a loan to Baystar with a total value of EUR 1,312,582 thousand (EUR 1,236,093 thousand). The commitment is available until the cracker and Borstar® unit are in service or 10 June 2023, whatever occurs first. As of year end 2022, Baystar had EUR 657,119 thousand (EUR 985,240 thousand) outstanding, and EUR 601,685 thousand was repaid on 19 April 2022. The repayment was financed from the two tranches of senior notes issued in USD in the amount of EUR 323,984 thousand and EUR 277,701 thousand, which mature in 2027 and 2032 respectively. Borealis provided a parental guarantee of USD 650,000 thousand for the full amount of the senior notes which is recognised as a financial liability of EUR 26,371 thousand. Additionally, Borealis provided a parental guarantee for a lease of railcars with maximum exposure of USD 16,619 thousand and recognised a financial liability of EUR 1,428 thousand.

On the reporting date, the Group further has financing commitments to KPP amounting to EUR 10,000 thousand (EUR 15,773 thousand) and none to Renasci (EUR 12,000 thousand). Their entitlements are dependent on the fulfilment of specific events, as defined in the underlying contracts.

As of 1 January 2021, selected Austrian entities of the Borealis Group belong to the OMV tax group and reimburse income tax payments directly to OMV Aktiengesellschaft with income tax liability to the parent company shown under Other current liabilities.

For further information in respect of dividends received from associated companies and joint ventures, please refer to note 9. For further information regarding commitments to joint ventures and associated companies, see note 21. For information regarding dividends paid, please refer to the statement of changes in equity. For details regarding the remuneration of key management personnel, please see note 14.

31. Commitments and Contingent Liabilities

Legal Claim Contingencies

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

Financial Guarantees

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

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

In addition to the contractual commitments for property, plant and equipment (see note 5) and contractual obligations for additional capital contributions (see note 9 and note 30), no further significant risks and uncertainties have been identified compared to year end 2021.

32. Subsequent Events

The sale of Borealis' shares in Rosier S.A. to YILDIRIM Group's YILFERT BENELUX B.V. was completed on 2 January 2023. Following the completion of the sale, Borealis no longer holds any shares in Rosier S.A.

On 11 January 2023, Borealis further increased its stake in Renasci N.V. (Renasci) from 27.42% to 50.01%, signalling on-going confidence in the potential of Renasci's patented SCP concept to drive the circular transformation. The stake increase was reached through a capital increase of EUR 5 million and the acquisition of 35,719 shares for EUR 10.5 million. Following this transaction, Renasci will become a fully consolidated subsidiary in 2023 (2022: at-equity accounted).

Borouge 4 LLC as the borrower and Borealis AG as lender entered into a shareholder loan agreement (SHL) on 3 February 2023 in the amount of USD 1,068 million to part finance the Borouge 4 capex requirements of Borouge 4 LLC. The SHL is structured as a facility with a five-year tenor. Borealis retains the right to accelerate the prepayment of the outstanding amounts at the point of reintegration. Drawdowns under the SHL facility in the amount of USD 60 million were made by Borouge 4 LLC on 7 February 2023.

33. Subsidiaries Included in the Consolidated Accounts

	Company name	Country	City	Percentage of shares owned 2022	2021
	Borealis AG				
■	Borealis Agrolinz Melamine GmbH	Austria	Linz	100.00	100.00
■	Borealis Agrolinz Melamine Deutschland GmbH	Germany	Wittenberg	100.00	100.00
■	Borealis Argentina SRL [1)]	Argentina	Buenos Aires	100.00	100.00
■	BOREALIS ASIA LIMITED [1)]	Hong Kong	Hong Kong	100.00	100.00
■	Borealis Brasil S.A.	Brazil	Itatiba	80.00	80.00
■	BOREALIS CHEMICALS ZA (PTY) LTD [1)]	South Africa	Germiston	100.00	100.00
■	Borealis Chile SpA [1)]	Chile	Santiago	100.00	100.00
■	Borealis Chimie S.A.R.L [1)]	Morocco	Casablanca	100.00	100.00
■	Borealis Circular Solutions Holding GmbH	Austria	Vienna	100.00	100.00
■	Borealis Colombia S.A.S. [1)]	Colombia	Bogota	100.00	100.00
■	Borealis Denmark ApS [1)]	Denmark	Copenhagen	100.00	100.00
■	Borealis Digital Studio B.V. [1)]	Belgium	Zaventem	100.00	100.00
■	Borealis Financial Services N.V.	Belgium	Mechelen	100.00	100.00
■	Borealis France S.A.S.	France	Courbevoie	100.00	100.00
■■	Borealis Chimie S.A.S.	France	Courbevoie	100.00	100.00
■■■	AGRIPRODUITS S.A.S. [1)]	France	Courbevoie	100.00	100.00
■■■	STOCKAM G.I.E. [1)]	France	Grand-Quevilly	100.00	100.00
■■	Borealis L.A.T France S.A.S.	France	Courbevoie	100.00	100.00
■■	Borealis Produits et Engrais Chimiques du Rhin S.A.S.	France	Ottmarsheim	100.00	100.00
■■	Borealis Services S.A.S. [1)]	France	Paris	100.00	100.00
■	Borealis Insurance A/S (captive insurance company)	Denmark	Copenhagen	100.00	100.00
■	BOREALIS ITALIA S.p.A.	Italy	Monza	100.00	100.00
■	Borealis L.A.T GmbH	Austria	Linz	100.00	100.00
■■	Borealis L.A.T Belgium B.V. [1)]	Belgium	Beringen	100.00	100.00
■■	Borealis L.A.T Bulgaria EOOD [1)]	Bulgaria	Sofia	100.00	100.00
■■	Borealis L.A.T Czech Republic s.r.o. [1)]	Czech Republic	Budweis	100.00	100.00
■■	Borealis L.A.T doo, Beograd	Serbia	Belgrade	100.00	100.00
■■	Borealis L.A.T Greece Single Member P.C. [1)]	Greece	Athens	100.00	100.00
■■	Borealis L.A.T Hrvatska d.o.o. [1)]	Croatia	Klisa	100.00	100.00
■■	Borealis L.A.T Hungary Kft. [1)]	Hungary	Budapest	100.00	100.00
■■	Borealis L.A.T Polska sp. z o.o. [1)]	Poland	Warsaw	100.00	100.00
■■	Borealis L.A.T Romania s.r.l. [1)]	Romania	Bucharest	100.00	100.00

1) Excluded from the consolidation due to immateriality (individual and in total) // ■ subsidiary of Borealis AG // ■■ second-tier subsidiary of Borealis AG // ■■■ third-tier subsidiary of Borealis AG

	Company name	Country	City	Percentage of shares owned	
				2022	2021
■■	Borealis L.A.T Slovakia s.r.o. 1)	Slovakia	Chotin	100.00	100.00
■	Borealis L.A.T Italia s.r.l. 1)	Italy	Milan	100.00	100.00
■	Borealis México, S.A. de C.V. 1)	Mexico	Mexico City	100.00	100.00
■	Borealis Middle East Holding GmbH	Austria	Vienna	100.00	0.00
■	Borealis Plasticos, S.A. de C.V. 1)	Mexico	Mexico City	100.00	100.00
■	Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Sirketi 1)	Turkey	Istanbul	100.00	100.00
■	Borealis Plastomers B.V.	The Netherlands	Geleen	100.00	100.00
■	Borealis Poliolefinas da América do Sul Ltda. 1)	Brazil	Itatiba	100.00	100.00
■	Borealis Polyolefins d.o.o. 1)	Croatia	Zagreb	100.00	0.00
■	Borealis Polyolefins S.R.L. 1)	Romania	Bucharest	100.00	0.00
■	Borealis Polyolefins s.r.o. 1)	Slovakia	Bratislava	100.00	0.00
■	Borealis Polska Sp. z o.o. 1)	Poland	Warsaw	100.00	100.00
■	Borealis Polymere GmbH	Germany	Burghausen	100.00	100.00
■	Borealis Polymers N.V.	Belgium	Beringen	100.00	100.00
■■	Borealis Antwerpen N.V.	Belgium	Zwijndrecht	100.00	100.00
■■	Borealis Kallo N.V.	Belgium	Kallo	100.00	100.00
■	Borealis Polymers Oy	Finland	Porvoo	100.00	100.00
■	Borealis Polyolefine GmbH	Austria	Schwechat	100.00	100.00
■	Borealis Química España S.A.	Spain	Barcelona	100.00	100.00
■	Borealis RUS LLC 1)	Russia	Moscow	100.00	100.00
■	Borealis s.r.o. 1)	Czech Republic	Prague	100.00	100.00
■	Borealis Sverige AB	Sweden	Stenungsund	100.00	100.00
■■	Borealis AB	Sweden	Stenungsund	100.00	100.00
■■■	Borealis Group Services AS	Norway	Bamble	100.00	100.00
■■■	Etenförsörjning i Stenungsund AB	Sweden	Stenungsund	80.00	80.00
■■■	KB Munkeröd 1:72 1)	Sweden	Stenungsund	100.00	100.00
■	Borealis Technology Oy	Finland	Porvoo	100.00	100.00
■	BOREALIS UK LTD	UK	Manchester	100.00	100.00
■	Borealis USA Inc.	US	Port Murray	100.00	100.00
■■	Borealis BoNo Holdings LLC	US	Port Murray	100.00	100.00
■■	Borealis Compounds Inc.	US	Port Murray	100.00	100.00

1) Excluded from the consolidation due to immateriality (individual and in total) // ■ subsidiary of Borealis AG // ■■ second-tier subsidiary of Borealis AG // ■■■ third-tier subsidiary of Borealis AG

	Company name	Country	City	Percentage of shares owned	
				2022	2021
■■	Star Bridge Holdings LLC	US	Port Murray	100.00	100.00
■■■	Novealis Holdings LLC	US	Port Murray	100.00	100.00
■	DYM SOLUTION CO., LTD	South Korea	Cheonan	99.75	98.71
■	Ecoplast Kunststoffrecycling GmbH	Austria	Wildon	100.00	100.00
■	Feboran EOOD	Bulgaria	Sofia	100.00	100.00
■	mtm compact GmbH	Germany	Niedergebra	100.00	100.00
■	mtm plastics GmbH	Germany	Niedergebra	100.00	100.00
■	Rosier S.A.	Belgium	Moustier	98.09	77.47
■■	Rosier France S.A.S.	France	Arras	98.09	77.47
■■	Rosier Nederland B.V.	The Netherlands	Sas Van Gent	98.09	77.47

■ subsidiary of Borealis AG // ■■ second-tier subsidiary of Borealis AG // ■■■ third-tier subsidiary of Borealis AG

For further details relating to discontinued operation and other changes in the legal structure during the financial year 2022, please see note 8.

34. Auditor's Fees

The following fee information relates to the auditors of the Group (including their related networking firms):

EUR thousand	2022	2021
Audit of Borealis AG's subsidiaries	1,273	1,123
Audit of consolidated and standalone financial statements of Borealis AG	415	351
Other assurance services	578	368
Tax consulting services	106	702
Other services	595	0
Total	**2,967**	**2,544**

The following fees for 2022 relate to the Group auditor, PwC Wirtschaftsprüfung GmbH, Vienna, Austria: audit of Borealis AG's subsidiaries amounting to EUR 239,078 (EUR 227,200), audit of consolidated and standalone financial statements of Borealis AG amounting to EUR 415,203 (EUR 351,100) and other assurance services amounting to EUR 440,596 (EUR 249,174).

35. Executive Board and Supervisory Board

Executive Board

Thomas Gangl (Chairman), Mark Tonkens, Wolfram Krenn, Philippe Roodhooft, Lucrèce De Ridder

Supervisory Board

Alfred Stern (Chairman), Musabbeh Al Kaabi (Vice Chairman until 9 February 2022), Saeed Al Mazrouei (Vice Chairman from 10 February 2022 to 8 November 2022), Khaled Salmeen (Vice Chairman since 10 November 2022), Reinhard Florey, Martijn Arjen van Koten, Alvin Teh (Member from 10 February 2022 to 8 November 2022), Khaled Al Zaabi (Member since 10 November 2022)

Vienna, 22 February 2023
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Mark Tonkens m.p.
Chief Financial Officer

Wolfram Krenn m.p.
Executive Vice President
Base Chemicals & Operations

Philippe Roodhooft m.p.
Executive Vice President
Joint Ventures & Growth Projects

Lucrèce De Ridder m.p.
Executive Vice President
Polyolefins, Circular Economy Solutions
and Innovation & Technology

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

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group Management Report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Company faces.

Vienna, 22 February 2023
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Mark Tonkens m.p.
Chief Financial Officer

Wolfram Krenn m.p.
Executive Vice President
Base Chemicals & Operations

Philippe Roodhooft m.p.
Executive Vice President
Joint Ventures & Growth Projects

Lucrèce De Ridder m.p.
Executive Vice President
Polyolefins, Circular Economy Solutions and Innovation & Technology

Auditor's Report [1] [2]

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of Borealis AG, Vienna, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2022, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow and the consolidated statement of changes in equity for the financial year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2022, and of its financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian Generally Accepted Standards on Auditing. 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 Consolidated Financial Statements" section of our report. We are independent of the Group 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 until the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the financial year. These matters were addressed in the context of our audit of the consolidated 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 and key observations
– Reference to related disclosures

1. Recoverability of Property, Plant and Equipment and Intangible Assets including Goodwill

Description

In the consolidated financial statements of Borealis AG, Vienna, as of 31 December 2022, an amount of EUR 3,759.4 million (25.6% of total assets) is presented under "property, plant and equipment" and "right-of-use assets" and an amount of EUR 634.0 million (4.3% of total assets) is presented under "intangible assets" which includes goodwill in the amount of EUR 132.8 million (0.9% of total assets).

Goodwill is tested for impairment at least annually. The carrying amounts of property, plant and equipment and intangible assets are reviewed for impairment triggers on each reporting date and whenever triggering events occur that indicate that property, plant and equipment and intangible assets including goodwill may be impaired. For this purpose, Borealis AG, Vienna, estimates the recoverable amount using the discounted cash flow method.

Property, plant and equipment and intangible assets including goodwill are allocated to cash-generating units ("CGUs"). The carrying amounts of the CGUs are compared to the recoverable amounts (value in use) derived from the valuation model. As far as the recoverable amount is lower than the carrying amount, an impairment is recognised.

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

Given the complexity of the impairment model, the estimation uncertainty involved in the derivation of data and parameters used and the immanent discretionary decisions, the recoverability of property, plant and equipment and intangible assets including goodwill is considered as a key audit matter.

Audit Approach and Key Observations
As part of our audit of the consolidated financial statements, we have evaluated the determination of CGUs.

We have assessed the annual process, the procedure for budgeting and the impairment test for property, plant and equipment and intangible assets including goodwill. In particular, we have verified the appropriateness of the significant assumptions used in the valuation model.

We evaluated whether the assumptions used to derive the future cash flows are based on the most recent five-year plan prepared by management and approved by the Supervisory Board. We confirmed the accuracy of the five-year plan by performing an analysis of historic budget deviations.

We have further evaluated the tenability of assumptions used to determine the discount rates. Our internal specialists have evaluated whether the assumptions used for the discount rates as well as the growth rates for the perpetuity are in line with external market and industry data.

Additionally, we carried out own sensitivity analyses to determine the impact of parameter changes (changes in discount rate and cash flows) on the recoverable amount. Furthermore, we have assessed whether the long-term profitability in the terminal value period is plausible. We also evaluated whether the disclosures in accordance with IAS 36 made by Borealis AG, Vienna, in the notes to the consolidated financial statements are complete and accurate.

Our audit procedures have verified the appropriateness and tenability of the valuation model used by the entity to carry out an impairment test as required by IFRS (impairment test in accordance with IAS 36) as of 31 December 2022. The assumptions and parameters used in the valuation are appropriate. The disclosures required by the relevant standards are complete and appropriate.

Reference to Related Disclosures
Management has disclosed this key audit matter under "7. Depreciation, Amortisation and Impairment" in the consolidated financial statements.

2. Discontinued Operation – IFRS 5 – NITRO

Description
Borealis nitrogen business unit ("NITRO") including fertilizers, technical nitrogen and melamine products, excluding its interest in Rosier S.A., Belgium was presented as asset held for sale and as a discontinued operation as of 31 December 2021. Based on the binding offer received by EuroChem Group AG, Switzerland on 2 February 2022, which valued the business on an enterprise value basis of EUR 455 million, Borealis had recognised an impairment in the amount of EUR 443.7 million in line with IFRS 5 as of 31 December 2021. In March 2022, Borealis announced it had declined the offer of EuroChem Group AG.

In June 2022, a binding offer was received from AGROFERT, a.s., Czech Republic and subsequently accepted in July 2022. The valuation of the business on an enterprise value basis amounts to EUR 810 million which indicated a fair value less cost of disposal above the carrying amounts of the assets held for sale. Based on the valuation performed, management has recognised a gain in fair value less cost of disposal in the amount of EUR 266.4 million as of 31 December 2022 in line with IFRS 5.

We considered the accounting treatment of this transaction in the consolidated financial statements as a key audit matter because of the size of the transaction, the complexity of the accurate and complete classification of assets and liabilities of the disposal group and the measurement of the fair value less cost of disposal in line with IFRS 5.

Audit Approach and Key Observations
We held meetings and performed inquiries with the Borealis M&A and legal departments to obtain an understanding of the status of the negotiation and the disposal process.

We read and reviewed the information available in relation to the status of the sales process as of 31 December 2022 to evaluate whether the criteria of IFRS 5 have still been met and whether the accounting treatment of NITRO as asset held for sale and as a discontinued operation is still appropriate.

We performed procedures to verify the completeness and accuracy of the assets and liabilities presented as held for sale and the results stated as discontinued operation, including measurement in accordance with IFRS 5.

Our audit procedures included reviewing and challenging management's valuation of the gain recognised based on the fair value less cost of disposal of NITRO as of 31 December 2022; we note that up to closing of the transaction, the calculation of some amounts is based on judgment.

Our audit procedures have verified the appropriateness of NITRO being classified as asset held for sale and as a discontinued operation. Our audit procedures have furthermore confirmed the recognised gain based on the fair value less cost of disposal. The disclosures required by the relevant standards are complete and appropriate.

Reference to Related Disclosures

Management has disclosed this key audit matter under "8. Discontinued Operation and Other Changes" in the notes to the consolidated financial statements.

3. Recoverability of the carrying amounts of investments in associated companies and joint ventures

Description

As of 31 December 2022, the carrying amount of investments in associated companies and joint ventures amounted to EUR 2,796.9 million. Under IAS 28 Borealis assesses the recoverability of the investments in associated companies and joint ventures on each reporting date whenever triggering events occur that indicate that equity accounted investments may be impaired.

For the equity accounted investment Bayport Polymers LLC (Baystar), US, impairment indicators were identified as of 31 December 2022. For this purpose, Borealis AG, Vienna, estimates the recoverable amount using the discounted cash flow method. Given the complexity of the impairment model, the estimation uncertainty involved in the derivation of data and parameters used and the immanent discretionary decisions, the recoverability of equity accounted investments is considered as a key audit matter.

Audit Approach and Key Observations

We evaluated management's assessment of the recoverability of the carrying amount of investments in associated companies and joint ventures by evaluating if and how management determines a need of impairment. Where an impairment test was required, we evaluated management's assumptions.

We have assessed the annual process, the procedure for budgeting and the impairment test of investments in associated companies and joint ventures. In particular, we have verified the appropriateness of the significant assumptions used in the valuation model.

We evaluated whether the assumptions used to derive the future cash flows are based on the most recent five-year plan prepared by management and approved by the Supervisory Board. We confirmed the accuracy of the five-year plan by performing an analysis of historic budget deviations.

We have further evaluated the tenability of assumptions used to determine the discount rates. Our internal specialists have evaluated whether the assumptions used for the discount rates as well as the growth rates for the perpetuity are in line with external market and industry data.

Additionally, we carried out own sensitivity analyses to determine the impact of parameter changes (changes in discount rate and cash flows) on the recoverable amount. Furthermore, we have assessed whether the long-term profitability in the terminal value period is plausible. We also evaluated whether the disclosures in accordance with IFRS 12 made by Borealis AG, Vienna, in the notes to the consolidated financial statements are complete and accurate.

Our audit procedures have verified the appropriateness and tenability of the valuation model used by the entity to assess the recoverability of equity investments in associated companies and joint ventures as of 31 December 2022. The assumptions and parameters used in the valuation are appropriate. The disclosures required by the relevant standards are complete and appropriate.

Reference to Related Disclosures

Management has disclosed this key audit matter under "9. Investments in Associated Companies and Joint Ventures" in the notes to the consolidated financial statements.

Other Information

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Austrian Generally Accepted Standards on Auditing, 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 consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:
- identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.
  We remain solely responsible for our audit opinion.

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 consolidated 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 Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian standards on auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal regulations and is consistent with the consolidated financial statements.

Statement

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

Additional Information in Accordance with Article 10 of the EU Regulation

We were elected as statutory auditor at the ordinary general meeting dated 21 February 2022. We were appointed by the Supervisory Board on 21 February 2022. We have audited the Company for an uninterrupted period since the financial year 2016.

We confirm that the audit opinion in the "Report on the Consolidated 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 no prohibited non-audit services (Article 5 para. 1 of the EU Regulation) were provided by us 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 Alexander Riavitz, Austrian Certified Public Accountant.

Vienna, 22 February 2023
PwC Wirtschaftsprüfung GmbH

Alexander Riavitz m.p.
Austrian Certified Public Accountant

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

Report of the Supervisory Board of Borealis AG

In the year under review, the Supervisory Board received a comprehensive overview of the activities of the Executive Board of Borealis AG and performed its duties and exercised its powers under the law and the Articles of Association in seven plenary sessions.

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

The Executive Board of Borealis AG submitted the financial statements as of 31 December 2022, including the management report, and the consolidated financial statements as of 31 December 2022, including the Group management report, and the consolidated non-financial report to the Supervisory Board and explained it thoroughly.

The financial statements of Borealis AG have been prepared in accordance with the applicable provisions of the Austrian Commercial Code ("Unternehmensgesetzbuch"), and PwC Wirtschaftsprüfung GmbH issued the unqualified audit opinion ("uneingeschränkter Bestätigungsvermerk") on the financial statements.

Further, the consolidated financial statements of Borealis AG have been prepared in accordance with the International Financial Reporting Standards (IFRS), and PwC Wirtschaftsprüfung GmbH issued the unqualified audit opinion ("uneingeschränkter Bestätigungsvermerk") on the consolidated financial statements.

The (consolidated) financial statements documents, the consolidated non-financial report and the audit reports were submitted to the Audit Committee and the Supervisory Board in due time. After a thorough examination and discussion by the Audit Committee and by the Supervisory Board with the auditors, the Supervisory Board reached the final agreement that no material objections would be raised, and the drawn up financial statements, the management report, the proposal for the appropriation of the retained earnings, the proposal for the appointment of the auditor for the financial year 2023, the consolidated financial statements, the Group management report and the consolidated non-financial report were approved/acknowledged.

Vienna, 28 February 2023

Alfred Stern m.p.
Chairman of the Supervisory Board

IMPRINT

This report is available in English and German. The original version was written in English. Both documents are available online and can be downloaded from www.borealisgroup.com.

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Keep Discovering

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