STANDALONE AND GROUP

Borealis AG
Financial Report
2023

Keep Discovering

BOREALIS

Contents

Cover image: Borealis production location in Beringen, Belgium

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 2022, Thomas Gangl was a member of the OMV Executive Board and in charge of Refining & Petrochemical Operations at OMV from 2019. 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. Thomas Gangl studied process engineering at the Vienna University of Technology, Austria, and mechanical engineering at the University of Salford in Manchester, United Kingdom.

Significant external positions

- Borouge PLC; Vice Chairperson 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
- Österreichischer Verband Creditreform (ÖVC); Member of Advisory Council

Daniel Turnheim
Chief Financial Officer
Appointed in June 2023
Male / Austrian national

Daniel Turnheim joined Borealis after a long-standing career in OMV Group. After joining OMV in 2002, he held various senior management functions in OMV Finance, including Head of Controlling at OMV UK in London, United Kingdom and a two-year assignment to Petrol Ofisi in Istanbul, Turkey. From 2011 to 2012, Daniel Turnheim held the role of Chief Financial Officer at OMV Petrom in Bucharest, Romania, before being appointed Senior Vice President Finance & Tax at OMV AG. Daniel Turnheim holds a Master's degree from the Vienna University of Economics and Business in Vienna, Austria.

Significant external positions

- Member of Borouge PLC Audit Committee
- Member of Baystar Finance & Audit Committee

Lucrèce Foufopoulos-De Ridder
Executive Vice President Polyolefins, Circular Economy Solutions and Innovation & Technology
Appointed in January 2019 – until December 2023
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. Lucrèce Foufopoulos-De Ridder holds a European Master's degree in Polymer and Composites Engineering from the University of Leuven, and a Master's degree in Materials Science & Engineering from the University of Ghent, both in Belgium.

Significant external positions

- 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 2022. 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. Wolfram Krenn holds a Master's degree in Chemical Engineering from the Technical University of Graz, 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. He holds a Master's degree in Applied Science from Katholieke Universiteit Leuven in Belgium, with a specialization in Production Management and Electro Mechanical Engineering.

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

Craig Arnold was appointed Borealis Executive Vice President Polyolefins, Circular Economy Solutions and Innovation & Technology with effect from February 1, 2024, succeeding Lucrèce Foufopoulos-De Ridder.

Milestones 2023

"B-Safe" program puts safety first as it is rolled out across the entire Group

Nitrogen business unit divested to AGROFERT as of July, and **Rosier to YILDIRIM** in January

Start-up of new Borstar® 3G polyethylene plant Bay 3 as part of the **Baystar™** joint venture with TotalEnergies in **Texas**

Annual production capacity of circular products and solutions to be boosted by **acquisition of Rialti S.p.A.** (finalized), **Integra Plastics AD** (in progress) and by an **increase** in the Group's **share in Renasci N.V.** to 98.56%

ISCC PLUS certification for all Europe-based polyolefins and polyolefin compounding facilities as well as recycling operations in Belgium (Renasci), Austria (Ecoplast) and Germany (mtm)

Two new power purchase agreements put Borealis over the 40% mark of use of **renewable electricity** to power European operations, two years earlier than foreseen by the Borealis Strategy 2030

Strategic launches based on renewably sourced feedstock, including **Stelora™**, the new class of engineering polymer suitable for technically advanced applications; and the **Bornewables™ line of Queo™** portfolio of circular plastomers and elastomers

Completion of major **cracker furnace upgrade in Stenungsund, Sweden** enhances energy efficiency and process safety standards of this feedstock-flexible cracker

Borealis cements **innovation leadership as top-ranked Austrian company in patent applications**

Project STOP inaugurates the largest material recovery facility to date in Banyuwangi, and **hands over another two projects to local municipalities Pasuruan and Jembrana, Indonesia**

Borealis **named #1 plastics producer in BloombergNEF's 2022 Circular Economy ranking,** reflecting its leadership in developing more sustainable packaging, thus accelerating circularity

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 M&A and selected builds in NAM, 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. Utilize technology and digitalization to drive efficiencies.

Our Values

Considering the impact of everything we do.

We show respect, speak up and act responsibly towards each other, our customers and the environment.

Defining tomorrow by welcoming new perspectives today.

We learn by being inclusive, asking questions, sharing our knowledge and having the courage to try new things.

Overcoming obstacles and finding solutions to deliver high performance.

We take ownership, trusting and empowering each other to make bold decisions to deliver safely and at speed.

Our Business

Borealis is one of the world's leading providers of advanced and sustainable polyolefin solutions. In Europe, Borealis is also an innovative leader in polyolefins recycling and a major producer of base chemicals. 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.

With operations in over 120 countries and head offices in Vienna, Austria, Borealis employs around 6,000 people. In 2023, we generated a net profit of EUR 168 million. OMV, the Austria-based international energy, fuels & feedstock and chemicals & materials company, owns 75% of our shares. The Abu Dhabi National Oil Company (ADNOC), based in the United Arab Emirates (UAE), owns the remaining 25%.

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. Our operations are augmented by two important joint ventures: Borouge (with ADNOC, headquartered in the UAE); and Baystar™ (with TotalEnergies, based in the US).

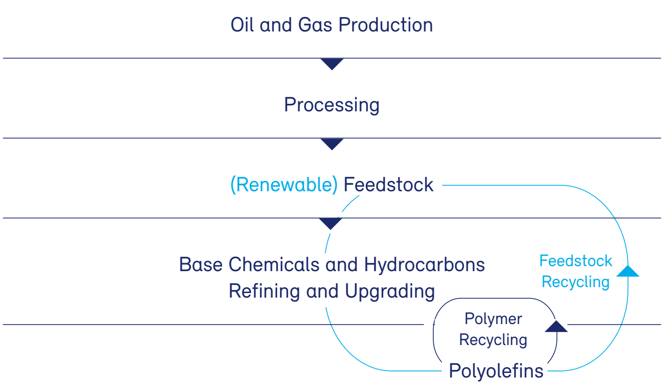
Value creation through innovation is at the core of Borealis' strategy

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 materials' 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 two business segments: Polyolefins and Base Chemicals.

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. 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, more affordable, durable and circular. In short: they enable more sustainable living.

Circular Economy

Borealis recognizes Circular Economy as imperative across all its industry applications and is dedicated to the entire cascade of circular solutions, including reuse and design for recycling. Borealis also offers solutions produced from (advanced) mechanically recycled feedstock (Borcycle™ M), chemically recycled feedstock (Borcycle™ C) and renewable-based feedstock (Bornewables™). These sustainable solutions embody the aims of our EverMinds™ approach dedicated to promoting and advancing circularity in the industry to ensure the continued success of our customers and partners.

Advanced polyolefin solutions

Consumer Products

With over 50 years of experience in the industry, Borealis is an innovative and reliable supplier of advanced and circular polyolefin plastic materials used in consumer products. Proprietary Borealis Borstar technology enables production of eco-efficient, sustainable and high-performing solutions for flexible and rigid packaging, and for hygiene and filtration applications.

Borcycle M and the ISCC PLUS-certified Borcycle C products based on mechanically and chemically recycled feedstock as well as the ISCC PLUS-certified Bornewables products using renewable-based feedstock meet a growing demand for high-sustainability packaging applications. In addition, via Design for Recycling (DfR) Borealis accelerates the transformation of the plastics industry towards circularity.

All of these innovative solutions designed for eco-efficiency and easy recycling play a significant role also in safeguarding the quality and safety of consumer and industrial products, while also fulfilling demand for enhanced functionality, convenience and sustainability. They protect and preserve, prevent spoilage and minimize waste.

Energy

For over six decades, Borealis has been a leading provider of value-creating polyolefin compounds for the energy industry and a partner of choice for wire and cable customers. Our global presence is assured thanks to our own operations outside Europe such as Rockport (US), and DYM SOLUTION CO., LTD (South Korea), as well as through our joint ventures Borouge (UAE) and Baystar (US).

The proprietary technologies and advanced material solutions accelerating electrification and the green energy transition include our industry-wide platform Borlink™; the sustainable engineering polymer class Stelora™; the solar brand Quentys™; and our Borclean™ capacitor film resins.

As a reliable partner, Borealis provides high-performance compounds for insulation and protection of land and submarine applications; power transmission and distribution; network and communication cables; energy storage and capacitors. Our Borcycle M, Borcycle C and Bornewables portfolios of ISCC PLUS-certified circular solutions help meet growing industry demand for high-quality and more sustainable cable and capacitor polymers.

Healthcare

As a leading supplier of advanced polyolefins for medical and diagnostic devices and pharmaceutical packaging, Borealis has been a reliable and trusted partner to the industry for over 25 years. The cornerstone of Borealis Healthcare is the Bormed™ Concept, founded on the principles of service, commitment and conformance, with unrivaled regulatory and technical support provided to material engineers to enable innovation.

Medical polyolefins in the Bormed grade portfolio offer superior technical performance, fulfilling the most stringent requirements in terms of safety and quality. As a global supplier, Borealis can ensure long-term supply security.

As a circular economy pioneer, Borealis offers material solutions from its ISCC PLUS-certified Bornewables and Borcycle C grade portfolios to deliver the same high material performance as virgin grades, but with a reduced carbon footprint.

Infrastructure

As a trusted and experienced partner with more than 50 years of experience (since 1967), Borealis offers market-leading polyethylene and polypropylene materials for pipe systems in water and gas distribution, waste water and sewage disposal, plumbing, heating, and industrial, along with multi-layer steel pipe coating solutions for onshore and offshore oil and gas pipelines. With the proprietary Borealis Borstar technology as the main foundation, complimented by selected other processes, Borealis can offer a wide variety of tailored pipe solutions.

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

Consumer Products

Energy

Healthcare

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

Infrastructure

Mobility

Solutions for Polymers

In addition, Borcycle M and the ISCC PLUS-certified Borcycle C compounds based on mechanically and chemically recycled feedstock as well as the ISCC PLUS-certified Bornewables compounds using renewable-based feedstock meet a growing demand for high-sustainability building and infrastructure pipe polymers.

By offering more durable and reliable as well as circular pipe solutions, Borealis' step-change innovations continue to boost the sustainability of pipe networks by making them safer, leak free, longer lasting and more efficient, with installation costs reduced by up to 60% compared to the traditional pipe material.

Based on Borealis' European assets, its Middle Eastern joint venture Borouge as well as the American joint venture Baystar, Borealis confirms its position as a partner of choice for global pipe customers, helping to meet the growing needs and requirements of the building and infrastructure industry today and in the future.

Mobility

For over 50 years, Borealis has been a leading supplier of innovative polyolefin-based solutions for engineering applications in the mobility industry. Together with our value chain partners around the globe, we are developing solutions for a more sustainable and energy-efficient future.

The proprietary Borstar technology forms the foundation of high-performance, cost-effective and lightweight polypropylene materials that can substitute for conventional materials like metal.

As an alternative to fossil fuel-based polyolefins, our renewable-based feedstock Bornewables and advanced mechanical recycling Borcycle M portfolios can help reduce the carbon footprint of vehicles. Our leading-edge material solutions are found in automotive interior, exterior, e-powertrain and under the hood applications.

Solutions for Polymers

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 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 fulfill 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.

Base Chemicals

As the building blocks of the chemical industry, base chemicals are used to manufacture the essential products and applications used by industry and consumers in daily life. Base chemicals are used in diverse sectors, including aviation, mobility, renewable energy, consumer appliances, advanced packaging, healthcare and many others.

Borealis produces a wide range of these base chemicals, including ethylene, propylene, C4 hydrocarbons, hydrogen, phenol and acetone. Its Borvida™ portfolio of sustainable base chemicals produced using non-food waste and residues from biomass and chemically recycled waste enhance the circularity of these essential building blocks. Together with OMV, Borealis is one of the largest olefins producers in Europe. Thanks to its joint ventures with Borouge (UAE) and Baystar (US), Borealis is a sizeable international player in the industry.

The Borealis Base Chemicals business is tasked with sourcing renewable power, natural gas and main utilities (e.g. steam, water and nitrogen) for all its Base Chemicals and Polyolefins production locations in Europe. This integral function plays an important role in enabling Borealis to lower its own emissions and achieve its ambitious sustainability targets.

Olefins and Co-products

Borealis sources feedstock like naphtha, butane, propane and ethane from the oil and gas industry. It uses its olefin units to convert feedstock into the building blocks of the chemical industry: olefins (ethylene and propylene); and C4 hydrocarbons (petrochemical derivatives e.g. butanes, n- and iso-butylene, butadiene), among others.

Ethylene, propylene and C4 base chemicals are produced in steam crackers in Finland and Sweden, and in Abu Dhabi, as part of the Borouge joint venture. An ethane cracker with an annual production capacity of one million metric tons of ethylene commenced operations in 2023 as part of the Baystar joint venture in Texas (US). Propylene and hydrogen are also produced at Borealis' propane dehydrogenation (PDH) plant in Kallo (Belgium). A second PDH plant currently under construction will triple Kallo's propylene capacity once started up.

For the most part, ethylene is captively used for Borealis' polyethylene applications. It is also sold to customers in the acetaldehyde value chain for vinyl acetate monomer.

Propylene is captively used for Borealis' polypropylene applications, and is also sold to customers across several value chains, including acrylonitrile (for ABS, nitrile rubber and plastics); acrylic acid (for superabsorbent fibers such as diapers); butyraldehyde (for solvents, plasticizers, acrylic esters); and propylene oxide (for polyols, polyurethane and polyester resins).

Borealis sources the required feedstock and olefins from its owners, or purchases them on the market. A range of co-products from the steam cracking process are also sold on international markets. These include butadiene, butene raffinate 1, ethyl tertiary butyl ether (ETBE), benzene and pyrolysis gasoline (pygas).

Borealis produces hydrogen in its own PDH plant in Kallo and at its steam crackers in Stenungsund (Sweden) and Porvoo (Finland). As one of nature's essential building blocks, hydrogen combines easily with other elements and molecules. These combinations give rise to many other things, including energy. Hydrogen is, thus, crucial to global decarbonization efforts. It is a viable alternative to conventional fossil-fuel feedstock, and will become a key enabler for sustainable chemicals, such as renewable syngas, or methanol from CO_2.

Phenol and Acetone

In the Nordic and Baltic regions of Europe, Borealis is the leading producer of phenol and acetone. Used in industry as a starting material for plastics, phenol is commonly found in adhesives, construction materials, carpets, mobile phones and household appliances.

The phenol, benzene, cumene and acetone produced by Borealis in Finland are mainly sold to its Northern European industry customers for the manufacture of adhesives, fibers, epoxy resins and polycarbonates. Acetone is frequently used in acrylics, fibers, pharmaceuticals, and in paint solvents. Benzene is often used as a base chemical for other chemical processes, such as cyclohexane for nylon, and styrene for polystyrene.

Circular Base Chemicals

One way in which Borealis is proactively accelerating the transition to a circular economy is through circular base chemicals. These materials lessen our dependence on fossil fuels, drastically lower the environmental footprint of manufactured products, and reduce CO_2 emissions.

The Borvida portfolio comprises Borvida™ B, which are circular base chemicals (such as ethylene, propylene and phenol) made from non-food waste biomass. Borvida™ C materials are made using chemically recycled post-consumer waste. In the future, Borvida™ A will offer sustainable base chemicals derived from atmospheric carbon capture.

In line with the mass balance accounting method, the ISCC PLUS-certified materials in the Borvida portfolio can be tracked, traced and verified across the entire value chain. This ensures circularity from feedstock to end product.

Power, Natural Gas and Utilities

The Borealis Base Chemicals business unit is responsible for sourcing renewable power and natural gas for all European Base Chemicals and Polyolefins production locations, in addition to managing primary utilities. The business unit, thus, plays a crucial role in ensuring that Borealis achieves its ambitious, long-term Energy & Climate goals. These include using an ever higher share of renewable power in its own operations. By 2030, 100% of electricity used in Borealis Polyolefins and Base Chemicals operations should be renewable in origin, thanks to a diverse renewable energy portfolio based on wind, solar and hydropower. Scope 1 and Scope 2 emissions shall be reduced from 5.1 million metric tons per year (from a 2019 baseline) to 2 million metric tons by 2030, with expanded use of renewable power sources making up the majority of Scope 2 emissions reductions.

STANDALONE

Financial **Statements 2023**

including Management Report

Management Report as of December 31, 2023

Ukraine and Geopolitical Conflict

The Borealis Executive Board and senior management have taken specific actions in response to the war in Ukraine. Maintaining business continuity while ensuring human health and safety is the paramount concern. Borealis employs very few people in Russia and has no production operations in either Russia or Ukraine. Sales to Russia and Belarus have been halted. After terminating contracts with Russian-based suppliers, Borealis is now procuring feedstock from the US. The reliable and cost-effective transportation of liquefied petroleum gas (LPG) from North America to the Borealis crackers in Porvoo (Finland), Stenungsund (Sweden) as well as to the PDH unit in Kallo (Belgium) is made possible by long-term charter contracts for custom-built LPG vessels.

While operations at Borealis sites have not been disrupted by the conflicts in Europe or the Middle East, plans are in place to address contingencies such as supply chain disruptions. In monitoring the geopolitical situation closely, the Group continually adapts and updates its measures to ensure stable material procurement for Borealis production sites.

Business Overview

The Brent crude market remained volatile throughout 2023, with the average price of USD 83/bbl lower than the 2022 average of USD 101/bbl. Even given supply management and the extension of OPEC+ supply cuts into the first quarter of 2024, concerns regarding the global macroeconomic climate and China's lagging recovery weighed heavily on the oil markets. Core inflation remained sticky in developed markets, resulting in rising interest rates which are however expected to have peaked in the fourth quarter of 2023.

Naphtha prices increased from USD 559/metric ton (t) in December of 2022 to a 2023 peak of USD 717/t in March, supported by higher crude prices and increased blending of naphtha into the gasoline pool as the differential between crude and naphtha narrowed. In July, naphtha prices fell to USD 552/t, in line with low seasonal demand from refineries as well as lower crude prices. At year end, naphtha prices stood at USD 640/t.

Ethylene and propylene contract prices were impacted by the naphtha price development. Ethylene started the year at EUR 1,170/t and, supported by healthy demand in the spring turnaround season, peaked in March at EUR 1,290/t. Unprecedented industry destocking occurred during the seasonally weak summer months. Ethylene prices hit a low of EUR 1,120/t in July and ended the year at EUR 1,185/t. The price of propylene rose from EUR 1,075/t in January to EUR 1,185/t in April, closing out the year at EUR 1,050/t.

The polyolefins market remained weak overall in 2023 but was temporarily bolstered from January to April by the spring turnaround season and optimism surrounding China's post-COVID opening. Industry profitability plunged in the summer months, with unprecedented levels of industry destocking due to underlying factors such as import pressure, high inventories, expectation of falling polyolefin prices, and the annual demand slowdown during the holidays. Industry profitability and operating rates fell to levels last recorded during the height of the global financial crisis of 2007–2008. While industry profitability recovered somewhat post summer with seasonal decline towards year end, it remained very weak.

Strategy

The Borealis Strategy 2030 is a strategic evolution centered on sustainability. Since its launch in 2022, it has guided Borealis in its efforts to transform the Company and expand its global presence, while at the same time significantly reducing the Group's CO_2 footprint. Built on the strong foundation of its people, corporate culture and safety mindset, the Borealis Strategy 2030 enables Borealis to deliver value-added solutions in collaboration with its customers and partners to accelerate the transition to a circular economy of plastics. Its emphasis on innovation and technology in tandem with performance excellence is a catalyst for growth in high potential areas such as specialty polyolefins, compounding, catalyst technologies and the licensing thereof.

Joint Ventures and Global Growth Projects

Borealis achieves geographic expansion by way of joint ventures, mergers and acquisitions and by new builds on several continents. It is crucial to boost the production capacity of both base chemicals as well as advanced and sustainable polyolefin-based solutions based on proprietary Borealis technologies in order to better serve global customers and drive the circular economy transition.

The largest global growth project currently underway is Borouge 4, situated within the Borouge joint venture founded by Borealis and the Abu Dhabi National Oil Company (ADNOC) in 1998. Ground was broken in 2022 for the construction of Borouge 4, the new USD 6.2 billion facility at the existing complex in Ruwais (UAE). The increased production capacity of advanced base chemicals and polyolefins, which will be unlocked once Borouge 4 comes onstream, will further enhance its role as it supplies large volumes to customers in the Middle East and Asia as well as feedstock to the adjacent TA'ZIZ Industrial Chemicals Zone.

The Baystar™ joint venture with TotalEnergies in Pasadena, Texas (US) passed a most significant milepost in October 2023 with the start-up of the new 625,000 metric ton/year Borstar® polyethylene (PE) unit (Bay 3). This growth project has brought the state-of-the-art Borstar third generation (3G) technology to the US in the most advanced Borstar plant ever built outside of Europe. With the completion of the USD 1.4 billion PE unit, Baystar has doubled its production capacity. As a fully integrated petrochemicals venture, it will supply value-added specialty polymers primarily to the booming energy, infrastructure and consumer product sectors in North America. In addition to the new Bay 3, the Baystar site comprises an ethane-based steam cracker (started up in 2022), two legacy PE production units and the TotalEnergies ethane cracker in adjacent Port Arthur.

A major European growth endeavor is the new, global-scale PDH plant at the existing Borealis production site in Kallo. Upon its expected start-up in 2025, the projected annual propylene production will be 740,000 metric tons. Up until late 2022, construction had been halted after misconduct on the part of one of the site's former contractors led Borealis to terminate all contracts and restart the tender process. Substantial progress has been made since work resumed in mid-summer 2023, and on-site mobilization has picked up speed. Borealis does not tolerate breaches of work ethics or contractual non-compliance in any aspects of its operations. The Kallo case has resulted in the implementation of in-depth monitoring measures to ensure full compliance in the future.

Acquisitions

In October, Borealis successfully closed its acquisition of Italy-based Rialti, a leading polypropylene (PP) compounder of recyclates used in injection molding and extrusion processes. In the same month, Borealis declared its intent to acquire Integra Plastics, an advanced mechanical recycling company based in Bulgaria. Once regulatory approvals have been obtained, this transaction will further boost recycling capacity for the Borealis portfolio. At the end of November, Borealis increased its share in Belgium-based recyclers Renasci from 50.01% to 98.56%.

In order to simplify Borealis' overall group structure, in December 2023 Borealis AG acquired from Borealis Polymers N.V., by inter-group sale and purchase via implementation of Share Purchase Agreements, 99.94% of the shares of Borealis Kallo N.V. and 90% of the shares of Borealis Antwerpen N.V. As a result, Borealis AG holds 100% of the shares of all Belgian entities.

Divestments

The divestment process of the Borealis nitrogen business unit (including fertilizers, technical nitrogen and melamine products) which commenced in February 2021 was completed as of July 5, 2023. Final regulatory approvals were obtained at the end of June 2023, after which Borealis divested its former asset to Czech-based AGROFERT, whose binding offer had been submitted in June 2022. The parties continue the process of customary closing accounts adjustments. Payment may be deferred in part subject to contractually stipulated conditions. The Borealis Executive Board has full confidence that AGROFERT, as a leading European fertilizer concern, will remain committed to maintaining supply security and the development of production facilities in the long term.

In September 2022, a binding agreement made by YILDIRIM for the acquisition of Borealis' shares in Rosier was first announced. On January 2, 2023, Borealis reported that it had divested all of its shares in Rosier after finalizing the agreement with the YILDIRIM Group.

Circular Economy

In the Borealis Strategy 2030, the strategic goal of geographical expansion is complemented by that of transformation: Borealis is cementing its position as a fully customer-centric supplier of sustainable material solutions which add value to society and accelerate the transition to a circular economy. Long an industry front-runner in circularity, Borealis aims to further increase the share of circular products in its overall production output in the coming years. These include recycled and renewable-based polymers in its Borcycle™ C, Borcycle™ M, and Bornewables™ grade portfolios, as well as the renewable hydrocarbons in the Borvida™ family of base chemicals.

Upon certification of the Borealis polyolefin compounding site in Monza (Italy) in July 2023, all Borealis polyolefin and polyolefin compounding sites in Europe have now been certified ISCC PLUS (International Sustainability and Carbon Certification). This mark of quality ensures traceability by way of objective, third-party verification of critical points along the supply chain.

Recycling facilities operated by Renasci in Ostend (Belgium), mtm in Niedergebra (Germany) and Ecoplast in Wildon (Austria) have also been ISCC PLUS-certified. Borealis was the first virgin polyolefins player in Europe to have entered into mechanical recycling by acquiring mtm plastics in 2016, and Austria-based Ecoplast in 2018. Now 100% owned by the Borealis Group, the combined mtm and Ecoplast output will be augmented by high-quality volumes from the recent acquisition Rialti and, at a later date to be determined, Integra Plastics.

In addition to ongoing collaboration with OMV centered on the patented OMV ReOil® technology, Borealis is working closely with its upstream partner Neste and its Neste RE™ technology to take the commercialization of chemically recycled plastics to the next level. The majority stake acquired in late 2023 in Renasci also gives Borealis access to chemically recycled feedstock for the grades in its ISCC PLUS-certified Borcycle™ C portfolio. Because the chemical recycling process valorizes residual waste streams which would otherwise be landfilled or incinerated, it is a valuable complement to mechanical recycling. The virgin-grade quality of monomers produced in chemical recycling processes makes them suitable for use in the production of high-end polyolefin applications in food-grade consumer packaging, infrastructure and healthcare.

Technological Innovation

As a pillar of the strong Borealis foundation, innovation drives transformation in all areas of business activity. Making good on the corporate purpose of "Reinventing Essentials for Sustainable Living" requires ongoing investment in research and development (R&D). Proprietary technologies such as Borstar® form the base for material solutions which help the industry address urgent societal and environmental issues such as decarbonization, the green-energy transition and waste reduction. Its suite of technologies enables Borealis to continually expand its offer of advanced specialty polyolefins in order to capitalize on promising market opportunities in lucrative niche applications in sectors such as renewable energy, mobility, healthcare, consumer packaging and the circular sphere.

In May, Borealis launched a new class of engineering polymers produced from renewably sourced feedstock: Stelora™ opens up an abundance of options for technically advanced applications requiring high heat resistance, such as in e-mobility and renewable energy generation. The introduction of the Bornewables line of Queo™, a portfolio of polymers and elastomers based on renewable feedstock, took place in the same month.

The EverMinds™ platform founded in 2018 is one way in which Borealis is spearheading the circular economy transition. By encouraging collaboration among value chain partners and other stakeholders in the name of circularity, Borealis is facilitating the development of a broad range of eco-efficient applications across diverse industry sectors. In 2023, highlights included the development of a new monomaterial pouch for dry foodstuffs containing over 95% PP and fully compatible for mechanical recycling. Bornewables grades were used to enhance the circularity of BOPP film used in flexible packaging, while Bornewables PP for absorbent hygiene products were able to help improve the ecological footprint of nonwovens.

Innovation at Borealis is global in scope. Nearly 600 are employed at one of three innovation hubs: the Innovation Headquarters in Linz (Austria) as well as the Innovation Centers in Porvoo (Finland) and Stenungsund (Sweden). Borealis also operates Borstar pilot plants for PE in Porvoo, and for PP in both Porvoo and Schwechat (Austria). Catalyst manufacturing plants in Linz and Porvoo are augmented by a pilot facility in Porvoo.

Borealis continues to head the list of patent filers in Austria. In 2023, Borealis filed 128 new priority patent applications at the European Patent Office, the same number filed as in 2022. As of December 2023, the Borealis Group holds around 12,000 individual patents or patent applications which are subsumed in approximately 1,500 patent families. The growing number of patents is proof positive of the Group's dedication to Value Creation through Innovation.

Review of the Financial Performance

The operating result decreased from a profit of EUR 869 million in 2022 to a loss of EUR 24 million in 2023. This drop must be considered in the context of current market challenges (which affect all petrochemical companies), namely ongoing market volatility; stubborn inflation and high energy costs, particularly in Europe; weak margins; and record polyolefins overcapacity in the face of feeble demand.

The financial result decreased from a financial income of EUR 7,585 million in 2022 to a financial income of EUR 346 million in 2023. The main drivers for this decrease were one-time effects in the previous year, with the sale of Borouge entities to Borealis Middle East Holding GmbH (EUR 7,187 million) and the write-up of Borealis L.A.T. GmbH (EUR 99 million), on the one hand, whereas one-time effects in the current year relate to the sale of the nitrogen business ("Borealis NITRO", EUR 294 million) and the write-up of Borealis Polymers OY (EUR 168 million). On the other hand, dividends decreased by 67% from EUR 514 million in 2022 to EUR 170 million in 2023 and impairments of financial assets increased from EUR 33 million in 2022 to EUR 300 million in 2023.

Overall, Borealis AG generated a net income of EUR 319 million in 2023 compared to a net income of EUR 8,276 million in 2022.

KPI Overview

	2023 EUR thousand	2022 EUR thousand
Cash flow from operating activities	395	-391,229
Cash flow from investing activities	226,380	1,296,602
Cash flow from financing activities	-677,190	-680,236
Net cash flow for the period	**-450,416**	**225,137**
Cash and cash equivalents (including internal bank [1]) as of January 1	2,275,174	2,050,037
Cash and cash equivalents (including internal bank [1]) as of December 31	1,824,759	2,275,174
Change in cash and cash equivalents (including internal bank [1])	-450,416	225,137

1) included in financial statement caption “Accounts payable to affiliated companies”

	2023	2022
Equity ratio [2]	82.0%	81.1%
Return on equity [3]	2.4%	61.7%
EBIT (in EUR thousand) [4]	368,894	8,669,530
ROCE [5]	1.9%	81.4%
Gearing ratio [6]	-5.0%	-5.3%

2) Equity divided by Total assets // 3) Net income divided by Total equity // 4) Net income + Taxes on income + Interest and similar expenses + Other interest and similar income // 5) Operating profit, profit and loss from sale of operations, after imputed tax, divided by average capital employed // 6) Interest-bearing debt, less cash and cash equivalents, divided by total equity

Review of Sales
In 2023, Borealis AG sold 3.31 mn metric tons of polyolefins, slightly less than the 3.36 mn sold in 2022. The decline is due primarily to imports into the European market. The macroeconomic situation was difficult throughout the year, with weak economic growth, high energy prices in Europe and ongoing supply chain bottlenecks. The industry situation was also bleak, with sluggish demand in the face of record-level polyolefins capacity additions and increased imports to Europe. In response, the entity has adopted initiatives to improve inventory and working capital management by lowering cracker utilization and protecting margins from oversupply.

Review of Cost Development
The lower feedstock price environment saw a sharp reduction in 2023 cost of materials compared to 2022. The negative macroeconomic scenario throughout the year, with weak economic growth and high inflation, resulted in sluggish demand and lower sales and distribution costs, where freight costs decreased from EUR 369 mn in 2022 to EUR 357 mn in 2023. Guided by an unwavering commitment to Value Creation through Innovation, spending on research and development (comprising costs for the Borealis Innotech organization and depreciation of R&D assets) increased from EUR 59 mn in 2022 to EUR 66 mn in 2023.

The average number of employees increased by 49 employees to 351 by the end of 2023.

Changes to the Supervisory Board and Executive Board
In April 2023, Daniela Vlad, OMV Executive Vice President Chemicals & Materials and member of the OMV Executive Board, was appointed Chairperson of the Borealis Supervisory Board, replacing Alfred Stern, OMV CEO. Daniel Turnheim was appointed Borealis Chief Financial Officer for a three-year period taking effect as of June 1, 2023. He takes over from Mark Tonkens, who left the Borealis Executive Board by mutual agreement at the end of May 2023. As of February 1, 2024, Craig Arnold assumes the position of Executive Vice President Polyolefins, Circular Economy Solutions and Innovation & Technology held by Lucrèce Foufopoulos-De Ridder up until December 31, 2023.

Strong Foundation Performance Excellence (SFPE): Weathering the storm
The implementation focused performance improvement program has been launched in 2022 as part of Borealis 2030 Strategy. The program is set up to deliver significant sustainable profit improvements and helps to protect margins short-term and mitigate the current downturn in the industry.

2023 marked an important year for SFPE as strong results could be reported from the profitability improvement measures across our value chain. The program supported the results by around EUR 140 million for the group in 2023. The measures aim at optimizing product pricing, reducing variable costs through feedstock sourcing improvements, enhancing operational efficiency in energy consumption, uplifting the reliability of our assets and leveraging integrated margin opportunities. Given the prolonged and deeper downturn a dedicated fixed costs program has been launched as part of SFPE in addition to other short-term measures to weather the storm. Focus points of the fixed costs program include optimizing inventories, enhancing maintenance processes, managing discretionary expenses. Additionally, the program focuses on streamlining internal and external spend structures in line with our Borealis values. The targeted fixed costs reductions will achieve a mid-term run rate of EUR 100 million savings for the group.

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 representations in Abu Dhabi.

Non-financial performance indicators are not monitored separately for Borealis AG but rather within the context of the entire Borealis Group.

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 organization 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 characterized by a clearly defined operational and organizational structure. The finance organization 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 standardized 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% of the outstanding external trade receivables). No significant default risks associated with trade receivables sold under the factoring program 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 such as 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 sales and purchases and other forecast positions denominated in currencies other than EUR. The Company can also hedge long-term business risks within predefined 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 predefined 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 2024

The year 2023 was a turbulent and challenging one for the entire industry. The Borealis Executive Board and its senior management anticipate a prolonged and deepening trough as increased global production capacity collides with lagging demand. These shorter-term factors are joined by long-term developments that are reshaping the petrochemicals industry, such as carbon reduction efforts; the transition to a circular economy; structural changes in key industries such as mobility and energy; and digitalization and technological disruption, to name only a few.

The Borealis Strategy 2030 is, however, a solid foundation which provides stability in turbulent times. Thanks to carefully managed growth and expansion efforts, and leadership in innovation and the circular economy sphere, Borealis is ideally positioned to capitalize on future market opportunities as they arise. In the meantime, the Strong Foundation – Performance Excellence (SFPE) program launched in 2022 is already mitigating the worst effects of the industry downturn by delivering long-term profit improvements across the entire Borealis Group.

Making good on the commitment to "Zero Harm" will be the chief priority in 2024. While the Group posted excellent results in process and occupational safety in 2023, there is still work to be done on improving the TRI rate. The recently launched initiative "HSSE 2030" envisions Borealis as the industry leader in health, safety, security and the environment by 2030. We have full confidence that Borealis will make meaningful progress towards this goal in 2024 thanks to the dedication and commitment of its people.

Vienna, February 22, 2024

Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Daniel Turnheim 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

Craig Arnold m.p.
Executive Vice President
Polyolefins, Circular Economy Solutions
and Innovation & Technology

Financial Statements Standalone

Balance Sheet as of December 31, 2023

	31.12.2023 EUR	31.12.2022 EUR thousand
Assets		
A. Fixed assets		
I. Intangible assets		
1. Rights and licenses	32,451,670.31	33,812
II. Tangible assets		
1. Office equipment	1,250,845.24	1,072
2. Construction in progress	309,662.22	2,529
	1,560,507.46	3,601
III. Financial assets		
1. Investments in affiliated companies	3,140,627,311.09	2,681,533
2. Loans to affiliated companies	122,403,820.44	131,536
thereof with residual maturity of more than one year EUR 118,403,820.44; 2022: EUR 127,536 thousand		
3. Investments in associated companies	5,712,892.28	5,463
4. Loans to associated companies	720,780,524.32	612,356
thereof with residual maturity of more than one year EUR 698,916,914.16; 2022: EUR 591,883 thousand		
5. Securities	9,017,983.00	6,664
	3,998,542,531.13	3,437,552
	4,032,554,708.90	**3,474,965**

	31.12.2023 EUR	31.12.2022 EUR thousand
Assets		
B. Current assets		
I. Inventories		
1. Raw materials and supplies	404,910,626.42	427,559
2. Finished goods and merchandise	722,989,274.92	877,922
	1,127,899,901	1,305,481
II. Receivables and other assets		
1. Trade receivables	399,514,745.20	532,327
thereof with residual maturity of more than one year EUR 0.00; 2022: EUR 0 thousand		
2. Receivables from affiliated companies	8,079,030,308.12	8,678,745
thereof with residual maturity of more than one year EUR 6,615,659,410.17; 2022: EUR 7,048,369 thousand		
3. Receivables from associated companies	265,147,844.26	187,457
thereof with residual maturity of more than one year EUR 202,621,000.18; 2022: EUR 38,956 thousand		
4. Other receivables and other assets	336,253,954.80	283,065
thereof with residual maturity of more than one year EUR 0.00; 2022: EUR 0 thousand		
	9,079,946,852.38	9,681,594
in total thereof with residual maturity of more than one year EUR 6,818,280,410.35; 2022: EUR 7,087,325 thousand		
III. Cash and cash equivalents	2,002,112,536.44	2,079,030
	12,209,959,290.16	**13,066,105**
C. Prepaid expenses	**15,134,943.28**	**11,047**
D. Deferred tax assets	**17,274,998.21**	**5,895**
Total assets	**16,274,923,940.55**	**16,558,013**

	31.12.2023 EUR	31.12.2022 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	11,697,920,537.68	11,778,756
thereof profit carried forward EUR 11,378,756,089.74; 2022: EUR 3,502,453 thousand		
	13,339,638,407.68	**13,420,474**
B. Provisions		
1. Provisions for pensions	15,786,603.69	16,596
2. Provisions for severance	590,543.00	320
3. Other provisions	172,182,608.95	213,749
	188,559,755.64	**230,665**
C. Liabilities		
1. Bonds	300,000,000.00	300,000
thereof with residual maturity of up to one year EUR 0.00; 2022: EUR 0 thousand		
thereof with residual maturity of more than one year EUR 300,000,000.00; 2022: EUR 300,000 thousand		

	31.12.2023 EUR	31.12.2022 EUR thousand
Shareholders' Equity and Liabilities		
2. Bank loans and overdrafts	1,211,223,936.23	1,263,401
thereof with residual maturity of up to one year EUR 305,845,526.21; 2022: EUR 40,149 thousand		
thereof with residual maturity of more than one year EUR 905,378,410.02; 2022: EUR 1,223,252 thousand		
3. Trade accounts payable	328,519,877.97	395,799
thereof with residual maturity of up to one year EUR 328,519,877.97; 2022: EUR 395,799 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2022: EUR 0 thousand		
4. Accounts payable to affiliated companies	724,899,476.59	825,316
thereof with residual maturity of up to one year EUR 724,899,476.59; 2022: EUR 25,316 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2022: EUR 0 thousand		
5. Accounts payable to associated companies	146,045,656.83	88,518
thereof with residual maturity of up to one year EUR 146,045,656.83; 2022: EUR 88,518 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2022: EUR 0 thousand		
6. Other liabilities	36,036,829.61	33,839
thereof taxes: EUR 3,777,445.90; 2022: EUR 2,548 thousand		
thereof social security: EUR 0.00; 2022: EUR 0 thousand		
thereof with residual maturity of up to one year EUR 36,036,829.60; 2022: EUR 33,839 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2022: EUR 0 thousand		
	2,746,725,777.23	**2,906,874**
in total thereof with residual maturity of up to one year EUR 1,541,347,367.20; 2022: EUR 1,383,622 thousand		
in total thereof with residual maturity of more than one year EUR 1,205,378,410.02; 2022: EUR 1,523,252 thousand		
Total equity and liabilities	**16,274,923,940.55**	**16,558,013**

Income Statement for the Year 2023

		31.12.2023 EUR	31.12.2022 EUR thousand
1.	Sales	6,684,550,067.69	8,801,357
2.	Increase or decrease in finished goods	-123,232,735.95	86,777
3.	Other operating income		
	a) Income from the release of provisions	11,318,661.17	0
	b) Other income	162,344,497.24	307,845
4.	Cost of materials and purchased services		
	a) Cost of materials	-4,336,376,011.74	-5,941,186
	b) Cost of purchased services	-1,631,121,726.57	-1,600,966
		-5,967,497,738.31	-7,542,151
5.	Personnel expenses		
	a) Salaries	-56,213,944.68	-52,838
	b) Social contributions	-16,699,018.15	-10,156
	thereof pension fund contributions (+ income / - expense) EUR -2,273,670.85; 2022: EUR 2,449 thousand		
	aa) thereof expense for severance payments and corporate staff and self-employment fund contributions EUR -1,175,559.21; 2021: EUR -1,063 thousand		
	bb) thereof expense for statutory social security and payroll-related taxes and contributions EUR -9,568,208.59; 2022: EUR -8,858 thousand		
		-72,912,962.83	-62,994
6.	Amortization and depreciation of		
	a) intangible and tangible assets	-3,149,914.13	-3,924
	b) current assets, insofar as these exceed the usual depreciation in the corporation	-7,500,013.50	-358
		-10,649,927.63	-4,282
7.	Other operating expenses		
	a) Taxes, other than those reported in line item 17	-14.08	0
	b) Other expenses	-708,213,632.79	-717,598
		-708,213,646.87	-717,598
8.	**Subtotal of line 1 to 7**	**-24,293,785.49**	**868,954**

	31.12.2023 EUR	31.12.2022 EUR thousand
9. Income from investments	169,700,300.07	514,222
thereof affiliated companies EUR 169,700,300.07; 2022: EUR 66,847 thousand		
10. Interest income from long-term loans	60,573,758.17	33,636
thereof affiliated companies EUR 0.00; 2022: EUR 0 thousand		
11. Other interest and similar income	175,900,254.25	75,796
thereof affiliated companies EUR 93,630,360.96; 2022: EUR 35,331 thousand		
12. Gains on sale of financial assets and gains from reversal of impairment	462,868,020.53	7,286,074
13. Expenses arising from financial assets	-299,954,678.90	-33,354
thereof affiliated companies EUR -299,954,678.90; 2022: EUR 32,974 thousand		
Depreciation EUR -299,954,678.90; 2022: EUR -33,354 thousand		
14. Interest and similar expenses	-222,652,464.15	-291,893
thereof affiliated companies EUR -46,292,864.10; 2022: EUR -7,002 thousand		
15. Subtotal from line 9 to 14	**346,435,189.97**	**7,584,481**
16. Income before tax (subtotal from line 8 and 15)	**322,141,404.48**	**8,453,435**
17. Taxes on income	-2,976,956.54	-177,833
thereof income from deferred tax assets EUR 11,322,847.08; 2022: EUR 4,897 thousand		
18. Income after tax	**319,164,447.94**	**8,275,600**
19. Net assets through demerger	0.00	703
20. Net income for the year	**319,164,447.94**	**8,276,303**
21. Profit carried forward from previous year	11,378,756,089.74	3,502,453
22. Retained earnings	**11,697,920,537.68**	**11,778,756**

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 realized at the balance sheet date were accounted for. All recognizable risks and impending losses incurred up to the balance sheet date were included. Estimates are based on prudent judgment. 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/amortization and impairment losses. Impairments of tangible and intangible assets in excess of scheduled depreciation are recognized 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 recognized. 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 recognized.

Raw materials and supplies are capitalized at acquisition cost in line with the weighted average price method. Feedstock, polyolefins and olefins are capitalized at acquisition cost in line with the first in, first out (FIFO) method.

Finished goods are stated at the lower of production cost, originating from the Company's cost accounting, or net sales value. Services not yet invoiced are valued at production cost. Acquisition/production costs are stipulated following the first-in, first-out (FIFO) method. Production costs comprise:

- Prime costs
- Special production costs
- Variable factory overheads
- Appropriate portions of variable and fixed overhead costs to the extent that they relate to the period of production

The subsequent valuation of inventories is carried out according to the strict lower of cost or market principle.

Receivables and other assets are reported at nominal value. All recognizable individual risks were accounted for using a cautious valuation approach. As from 01/2014 Borealis AG has its own EU-ETS account. In order to facilitate the emission rights needs within the Borealis Group a new structure is implemented. All existing rights were moved into the Borealis AG before the end of 2014. The intention is that during the year, only Borealis AG National Registry account will be administered in order to facilitate trading activities. (To be considered as a pool account). Borealis AG is responsible that entities have sufficient emission rights for surrendering. Yearly new allocations and surrendering remains within the scope of the local registry accounts, with a consequence that posting of the new allocations, amortisation of the government grant & posting of the actual emitted rights together with the surrendering remains in the local books. The emission certificates move between the group members and their registry accounts only through sale and purchase transactions, based on a spot price valid on the relevant trading platform on the day of agreement.

According to AFRAC Position Paper No. 27 dated June 2022 [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% (2022: 3.50%). 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 2.25% (2022: 2.60%) 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.

Provisions for jubilee bonuses are calculated in accordance with IFRS [2] (IAS [3] 19) using a discount rate of 3.75% (2022: 3.55%). The discount rate is determined by reference to market rates on the balance sheet date. Additionally, a fluctuation deduction of 2.00% (2022: 2.00%) as well as an average wage and salary increase of 4.00% (2022: 4.90%) are used for the calculations.

The corporate law provision for severance payments was actuarially calculated according to AFRAC Position Paper No. 27 "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 4.00% were taken into account.

At year end, all risks recognizable in the light of sound commercial judgment 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 January 1, 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.

1) AFRAC: Austrian Financial Reporting and Auditing Committee // 2) International Financial Reporting Standards // 3) International Accounting Standards

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 recognized 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 recognized 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.

II. Notes to the Balance Sheet

Assets

1. Fixed Assets

Development of fixed assets:

EUR	Acquisition Cost				
	Balance as of January 1, 2023	Additions	Disposals	Reclassification	Balance as of December 31, 2023
Intangible assets					
Rights and licences	77,376,686.93	844,075.23	0.00	11,624.00	78,232,386.16
	77,376,686.93	**844,075.23**	**0.00**	**11,624.00**	**78,232,386.16**
Tangible assets					
Office equipment	3,943,295.04	164,292.98	-1,585,154.21	948,577.17	3,471,010.98
Construction in progress	2,529,136.13	309,662.22	-1,568,934.96	-960,201.17	309,662.22
	6,472,431.17	**473,955.20**	**-3,154,089.17**	**-11,624.00**	**3,780,673.20**
Financial assets					
Investments in affiliated companies	3,729,395,455.49	850,412,496.20	-347,252,480.17	56,057.60	4,232,611,529.12
Loans to affiliated companies	131,536,240.53	0.00	-9,132,420.09	0.00	122,403,820.44
Investments in associated companies	5,462,893.28	1,500,000.00	-1,250,000.00	0.00	5,712,893.28
Loans to associated companies	612,356,032.72	108,424,491.60	0.00	0.00	720,780,524.32
Securities	6,771,690.01	2,303,085.56	-734.97	-56,057.60	9,017,983.00
	4,485,522,312.03	**962,640,073.36**	**-357,635,635.23**	**0.00**	**5,090,526,750.16**
Total fixed assets	**4,569,371,430.13**	**963,958,103.79**	**-360,789,724.40**	**0.00**	**5,172,539,809.52**

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.
- Borealis AB, Sweden
- Borealis Polymers Oy, Finland
- Borealis Plastomers B.V., the Netherlands

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 Amortization/Depreciation					Carrying Value	
Balance as of January 1, 2023	Additions	Disposals	Write-up	Balance as of December 31, 2023	Balance as of December 31, 2022	Balance as of December 31, 2023
-43,564,451.61	-2,216,264.24	0.00	0.00	-45,780,715.85	33,812,235.32	32,451,670.31
-43,564,451.61	**-2,216,264.24**	**0.00**	**0.00**	**-45,780,715.85**	**33,812,235.32**	**32,451,670.31**
-2,871,670.26	-933,649.89	1,585,154.41	0.00	-2,220,165.74	1,071,624.78	1,250,845.24
0.00	0.00	0.00	0.00	0.00	2,529,136.13	309,662.22
-2,871,670.26	**-933,649.89**	**1,585,154.41**	**0.00**	**-2,220,165.74**	**3,600,760.91**	**1,560,507.46**
-1,047,862,427.26	-299,667,147.06	87,545,356.29	168,000,000.00	-1,091,984,218.03	2,681,533,028.23	3,140,627,311.09
0.00	0.00	0.00	0.00	0.00	131,536,240.53	122,403,820.44
-1.00	-285,031.84	285,031.84	0.00	-1.00	5,462,892.28	5,712,892.28
0.00	0.00	0.00	0.00	0.00	612,356,032.72	720,780,524.32
-107,690.36	-735.00	735.00	107,690.36	0.00	6,663,999.65	9,017,983.00
-1,047,970,118.62	**-299,955,413.90**	**87,833,623.13**	**168,107,690.36**	**-1,091,984,219.03**	**3,437,552,193.41**	**3,998,542,531.13**
-1,094,406,240.49	**-302,105,327.83**	**89,418,777.54**	**168,107,690.36**	**-1,139,985,100.62**	**3,474,965,189.64**	**4,032,554,708.90**

Intangible Assets

Intangible assets purchased from affiliated companies amount to acquisition costs of EUR 31,802,173.36 (2022: EUR 31,802 thousand).

Amortization/Depreciation is calculated on a straight-line basis over expected useful lives of three to nineteen years. In the 2023 financial year, no impairment losses on intangible assets have been recognized (2022: 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 2023 EUR thousand	Proportional net profit IFRS 2023 EUR thousand
Borealis Antwerpen N.V.	Belgium	Zwijndrecht	100.00	13,780	3,664
Borealis Brasil S.A.	Brazil	Itatiba	80.00	42,783	7,912
Borealis Circular Solutions Holding GmbH	Austria	Vienna	100.00	33,096	-27,972
Borealis Financial Services N.V.	Belgium	Mechelen	100.00	200,182	11,450
Borealis France S.A.S.	France	Courbevoie	100.00	-10,258	-639,032
Borealis Insurance A/S (captive insurance company)	Denmark	Copenhagen	100.00	97,952	7,752
BOREALIS ITALIA S.p.A.	Italy	Monza	100.00	17,837	1,069
Borealis Kallo N.V.	Belgium	Kallo	100.00	354,858	17,336
Borealis Plastomers B.V.	Netherlands	Geleen	100.00	40,825	3,290
Borealis Polymere GmbH	Germany	Burghausen	100.00	74,365	-5,265
Borealis Polymers N.V.	Belgium	Beringen	100.00	415,704	150,433
Borealis Polymers Oy	Finland	Porvoo	100.00	375,814	18,496
Borealis Química España S.A.	Spain	Barcelona	100.00	795	199
Borealis Sverige AB	Sweden	Stenungsund	100.00	270,332	26,134
Borealis Technology Oy	Finland	Porvoo	100.00	29	0
BOREALIS UK LTD	UK	Manchester	100.00	3,523	925
Borealis USA Inc.	USA	Houston	100.00	694,441	8,936
DYM SOLUTION CO., LTD	South Korea	Cheonan	100.00	39,844	3,242
Renasci N.V.	Belgium	Oostende	98.56	-2,786	-27,112
Rialti S.p.A.	Italy	Taino	100.00	44,132	181

Investments in affiliated companies	Country	City	Investment in %	Proportional equity IFRS 2022 EUR thousand	Proportional net profit IFRS 2022 EUR thousand
Borealis Argentina SRL	Argentina	Buenos Aires	98.00	11	6
BOREALIS ASIA LIMITED	Hong Kong	Hong Kong	100.00	692	38
BOREALIS CHEMICALS ZA (PTY) LTD	South Africa	Germiston	100.00	115	16
Borealis Chile SpA	Chile	Santiago	100.00	113	107
Borealis Chimie S.A.R.L.	Morocco	Casablanca	100.00	309	34
Borealis Colombia S.A.S.	Colombia	Bogota	100.00	57	29
Borealis Denmark ApS	Denmark	Copenhagen	100.00	124	17
Borealis Digital Studio B.V.	Belgium	Zaventem	100.00	988	325
Borealis México, S.A. de C.V.	Mexico	Mexico City	100.00	595	-78
Borealis Plasticos, S.A. de C.V.	Mexico	Mexico City	100.00	28	-6
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Sirketi	Türkiye	Istanbul	100.00	242	204
Borealis Poliolefinas da América do Sul Ltda.	Brazil	Itatiba	100.00	4,134	1,654
Borealis Polyolefins d.o.o.	Croatia	Zagreb	100.00	33	6
Borealis Polyolefins S.R.L.	Romania	Bucharest	100.00	28	4
Borealis Polyolefins s.r.o.	Slovakia	Bratislava	100.00	7	2
Borealis Polska Sp. z o.o.	Poland	Warsaw	100.00	398	192
Borealis RUS LLC	Russia	Moscow	100.00	862	59
Borealis s.r.o.	Czech Republic	Prague	100.00	179	42

Investments in affiliated companies	Country	City	Investment in %	Proportional preliminary equity local GAAP 2023 in EUR thousand	Proportional preliminary net profit local GAAP 2023 in EUR thousand
Borealis Middle East Holding GmbH	Austria	Vienna	100.00	960,633	454,610
Borealis Polyolefine GmbH	Austria	Schwechat	100.00	145,860	13,874
Ecoplast Kunststoffrecycling GmbH	Austria	Wildon	100.00	1,263	-7,220

Investments in affiliated companies	Country	City	Investment in %	Proportional preliminary equity local GAAP 2022 in EUR thousand	Proportional preliminary net profit local GAAP 2022 in EUR thousand
mtm compact GmbH	Germany	Niedergebra	100.00	1,064	-221
mtm plastics GmbH	Germany	Niedergebra	100.00	5,515	1,614

Investments in associated companies	Country	City	Investment in %	Proportional preliminary equity local GAAP 2022 in EUR thousand	Proportional preliminary net profit local GAAP 2022 in EUR thousand
C2PAT GmbH	Austria	Wien	25.00	11	1
Recelerate GmbH	Germany	Herborn	50.00	851	-149

Investments in associated companies	Country	City	Investment in %	Proportional equity IFRS 2023 in EUR thousand	Proportional net profit IFRS 2023 in EUR thousand
Kilpilahden Voimalaitos Oy	Finland	Porvoo	20.00	4,328	1,835

Loans to affiliated companies totaling EUR 122,403,820.44 (2022: EUR 131,536 thousand) will mature within one year, in the amount of EUR 4,000,000.00 (2022: EUR 4,000 thousand), and in more than five years, in the amount of EUR 118,403,820.44 (2022: EUR 127,536 thousand).

Securities serve to fulfil coverage requirements for pension provisions. In the financial year, a write-up of EUR 107,690.36 (2022: impairment loss EUR 380 thousand) was recognized for securities.

Loans to associated companies totaling EUR 720,780,524.32 (2022: EUR 612,356 thousand), the amount of EUR 698,916,914.16 (2022: EUR 592 thousand) will mature in more than five years. Loans to Bayport Polymers LLC, USA, total EUR 0.00 (2022: EUR 0 thousand) will mature in one year, EUR 698,916,914.16 (2022: EUR 591,883 thousand) mature in more than five years.

2. Receivables and Other Assets

Other receivables and other assets comprise purchased emission rights amounting to EUR 173,207,203.71 (2022: EUR 164,802 thousand) and are stated at acquisition cost. Emission rights were disclosed under trade receivables until 2022; the previous year's amount was reclassified in 2023.

Receivables from affiliated companies are broken down into trade receivables of EUR 116,359,840.94 (2022: EUR 59,784 thousand) and other receivables of EUR 7,962,670,467.18 (2022: EUR 8,618,961 thousand). Most of the other receivables from affiliated companies are from Borealis Middle East Holding GmbH in the amount of EUR 6,288,512,819.28 (2022: EUR 6,743,375 thousand) coming from the sale of Borouge Pte. Ltd. and Abu Dhabi Polymers Company Limited in 2022.

Receivables from associated companies are exclusively trade receivables. There is no material income that will affect cash flow after the balance sheet date.

Borealis AG has a factoring program 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 derecognizes the receivables sold accordingly. Borealis AG continues to administer the relationship with debtors and transfers all receivables collected and previously sold to the purchaser under this program. 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 December 31, 2023, receivables worth EUR 406,528,083.50 (2022: EUR 363,960 thousand) were sold to the purchaser under the factoring program.

3. 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 January 1, 2023	959	2,079	0	2,857	5,895
Recognized through profit and loss in 2023	12,259	-573	0	-306	11,380
Deferred tax assets as of December 31, 2023	**13,218**	**1,506**	**0**	**2,551**	**17,275**

A tax rate of 23% was used to measure the temporary differences. Deferred taxes include long-term temporary differences totaling EUR 12,873,731.71 (2022: EUR 14,015 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 (2022: EUR 300,000.00) and is divided into 300,000 (2022: 300,000) fully paid shares with a par value of EUR 1.00, none of which have special voting rights.

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 December 5, 2005, relating to a 40% interest in Borealis A/S and a 50% interest in IOB Holdings A/S, 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 103,000,000.00 thousand (2022: EUR 1,054,000 thousand) and to carry forward the remaining balance.

2. Other Provisions

	2023 EUR	2022 EUR thousand
Provisions for customer rebates and bonuses	40,812,060.22	47,916
Provisions for outstanding invoices	39,175,593.56	86,913
Provisions for social fund	13,594,534.51	1,895
Provisions for impending losses from incomplete transactions	10,499,282.63	9,992
Provisions for long-term incentive plan	8,675,752.93	12,268
Provisions for accrued interest	6,683,556.21	7,009
Provisions for employee bonuses	6,199,586.04	4,782
Provisions for unused vacation	4,162,784.41	4,983
Provisions for jubilee bonuses	2,059,553.00	2,093
Other provisions	40,319,905.44	35,899
Total	**172,182,608.95**	**213,749**

3. Liabilities

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

EUR	2023	
	Carrying value as of 31.12.2023	**Thereof maturity > five years**
Bank loans and overdrafts	1,211,223,936.23	203,042,679.28
Accounts payable to affiliated companies	724,899,476.59	0.00
Trade accounts payable	328,519,877.97	0.00
Bonds	300,000,000.00	0.00
Accounts payable to associated companies	146,045,656.83	0.00
Other liabilities	36,036,829.61	0.00
Total	**2,746,725,777.23**	**203,042,679.28**

EUR	2022	
	Carrying value as of 31.12.2022	**Thereof maturity > five years**
Bank loans and overdrafts	1,263,401,228.92	361,065,550.88
Accounts payable to affiliated companies	825,316,307.06	0.00
Trade accounts payable	395,798,911.79	0.00
Bonds	300,000,000.00	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**

Accounts payable to affiliated companies consist of financial payables of EUR 229,606,415.95 (2022: EUR 474,232 thousand) and trade payables of EUR 495,293,060.64 (2022: EUR 351,084 thousand).

Accounts payable to associated companies 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	**2023**	
	Expenses for the next financial year	**Expenses for the next five financial years**
Obligations from lease agreements	51,278	147,956
Obligations from rental agreements	3,177	1,583
Total	**54,455**	**149,539**

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 centralized 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 exposure 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	2023					
	Nominal value		Fair value EUR thousand		Carrying value EUR thousand	Balance sheet item
		Unit	Positive	Negative		
Forward exchange forwards	174,100 1,441,000	USD thousand SEK thousand	3,070 6,847	-68 0	0.00	
thereof valuation unit with hedged transaction	174,100 1,441,000	USD thousand SEK thousand	3,070 6,847	-68 0	0.00	
Interest rate swaps	0 110,000	EUR thousand USD thousand	0 2,911	0 0	0.00	
thereof valuation unit with hedged transaction	0 110,000	EUR thousand USD thousand	0 2,911	0 0	0.00	
Forward exchange contracts	0 5,000,000	GBP thousand JPY thousand	0 0	0 -10,499	– -10,499	Other provisions
thereof valuation unit with hedged transaction	0 0	GBP thousand JPY thousand	0 0	0 0	0,00	
Commodity derivatives	747,711 4,221	metric tons GWh	24,901 3,070	-4,694 -68	0,00	Other provisions
thereof valuation unit with hedged transaction	596,323 4,221	metric tons GWh	24,901 3,070	-4,694 -68	– –	

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 derivatives	1,119,721 4,042	metric tons GWh	25,137 315,809	-19,642 -5,856	-1,158	Other provisions
thereof valuation unit with hedged transaction		metric tons GWh	25,137 315,809	-18,484 -5,856	– –	

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 10,499,282.00 thousand (2022: EUR 9,992 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 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 four months and for hedging the price of energy and gas maturing at an average of 23 months. Commodity derivatives mature no later than 2026.

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 capitalized. Interest rate swaps for hedging interest-bearing loans are not capitalized 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 December 31, 2023.

6. Contingent Liabilities

Borealis AG assumed guarantees amounting to EUR 3,116,142.88 (2022: EUR 3,031 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 698,455,981.00 (2022: EUR 624,977 thousand) to Baystar. Borealis AG granted a guarantee for the funding of Borouge 4 LLC under the Italian Export Credit Agency agreement. The total guarantee amounts to EUR 1,154,751 thousand plus interest. On December 31, 2023, the financing agreement had been drawn in the amount of EUR 1,399,636 thousand by Borouge 4 (of which EUR 535,747 thousand plus interest was guaranteed by Borealis).

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 2023			
	Polyolefins	Base Chemicals	Other	Total
EU countries	3,786,656	879,974	200,075	4,866,705
Non-EU countries	592,020	148,200	67,765	807,985
Total Europe	4,378,676	1,028,173	267,840	5,674,690
Asia	325,180	4,394	0	329,574
Africa	223,561	0	0	223,561
North America	132,082	35,844	2,238	170,164
South America	124,200	54	0	124,254
Middle East (excl. UAE)	39,414	0	112,168	151,582
United Arab Emirates	8,859	0	16	8,875
Australia, New Zealand	1,848	4	0	1,852
Total	**5,233,820**	**1,068,468**	**382,262**	**6,684,550**

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	7,619,017
Asia	413,245	6,436	0	419,681
Africa	200,995	0	0	200,995
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
Australia, New Zealand	2,232	4	0	2,235
Total	**6,571,915**	**1,753,860**	**475,582**	**8,801,357**

B. Other Operating Income

In the 2023 financial year, insurance compensation of EUR 6,699,412.00 (2022: EUR 4,029 thousand) for the business interruption at Schwechat is included in the remaining other operating income. Further, realized FX gains in the amount of EUR 143,824,668.55 are included in the other operating income (2022: EUR 212,883 thousand).

C. Personnel Expenses

In the 2023 financial year, the average number of employees was 351 (2022: 302). Exclusively white-collar workers are employed.

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

	2023 EUR	2022 EUR thousand
Executive Board	612,622.99	580
Managerial employees	932,959.72	1,014
Other employees	1,858,955.59	1,451
Total	**3,404,538.30**	**3,045**

Voluntary severance payments amounted to EUR 228,486.85 (2022: EUR 81 thousand) and are broken down as follows:

	2023 EUR	2022 EUR thousand
Executive Board	0,00	0
Managerial employees	228,486.85	0
Other employees	0,00	81
Total	**228,486.85**	**81**

D. Other Operating Expenses

	2023 EUR	2022 EUR thousand
Freight	356,899,733.83	369,455
Derivatives	68,503,446.25	37,966
Research and development costs	66,204,903.22	58,618
Consulting services	44,671,661.50	47,862
Storage	32,611,019.62	29,710
Insurance	27,325,222.18	24,796
Royalties	16,236,494.75	16,666
Commission	13,177,361.33	12,791
Rents	4,620,185.97	4,285
Training sessions, seminars	4,962,121.18	2,597
Travel expenses	2,167,975.03	2,115
Sundry	70,833,507.93	110,738
Total	**708,213,632.79**	**717,598**

E. Audit Expenses

	2023 EUR	2022 EUR thousand
Audits of statutory national and consolidated financial statements	404,279.00	415
Other assurance services	194,407.30	441
Other services	1,045.00	0
Total	**599,731.30**	**856**

F. Financial Result

The financial result is broken down as follows:

	2023 EUR	2022 EUR thousand
Income from investments		
Borealis L.A.T GmbH, Austria	97,732,402.79	0
Borealis AB Stenungsund, Sweden	26,010,508.25	0
Borealis Polymers Oy, Finland	17,148,082.15	528
Borealis Polyolefine GmbH, Austria	11,999,981.36	44,000
Borealis Polymere GmbH, Germany	10,875,000.00	0
Borealis Brasil S.A., Brazil	4,422,214.94	3,894
Borealis Italia S.p.A., Italy	1,100,000.00	550
Borealis RUS LLC, Russia	189,757.59	0
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Şirketi, Türkiye	181,259.45	250
Borealis s.r.o., Czech Republic	41,064.05	33
Borealis Sverige AB, Sweden	29.49	0
Abu Dhabi Polymers Company Ltd., UAE	0.00	411,397
Borouge Pte. Ltd., Singapur	0.00	35,978
Borealis Agrolinz Melamine GmbH, Austria	0.00	17,500
Borealis Colombia S.A.S., Colombia	0.00	47
Borealis Chile SpA, Chile	0.00	45
	169,700,300.07	514.222
Interest income from long-term loans		
Bayport Polymers LLC, USA	59,094,900,69	32,317
Kilpilahden Voimalaitos Oy, Finland	1,390,725,96	1,294
Borealis Polyolefine GmbH, Austria	0,00	25
Other	88,131,52	0
	60,573,758,17	33,636

	2023 EUR	2022 EUR thousand
Other interest and similar income		
Interest income from intercompany financing	102,209,134.63	35,707
Interest and other income from interest rate swaps and FX hedges	6,829,927.22	24,645
Other	66,861,192.40	15,444
	175,900,254.25	75,796
Gains on sale and from the write up of financial assets		
Gain on sale of shares in affiliated companies	294,402,924.67	7,187,102
Write-up of affiliated companies	168,000,000.00	98,972
Other write-up of investements	358,140.50	0
Write-up of derivatives of financial assets	106,955.36	0
	462,868,020.53	7,286,074
Expenses arising from financial assets		
Impairment of Borealis France S.A.S., Courbevoie, France	209,812,569.26	0
Impairment of Borealis Circular Solutions Holding GmbH	63,750,000.00	0
Impairment of mtm plastics GmbH	24,378,252.80	0
Impairment of Rosier S.A., Moustier, Belgium	1,726,325.00	32,974
Impairment of securities held as fixed assets	0.00	380
Other	287,531.84	0
	299,954,678.90	33,354
Interest and similar expenses		
Result from foreign exchange translations	121,275,813.67	222,243
Interest expenses from intercompany financing	41,983,543.44	2,957
Interest charged by banks	36,954,849.12	31,699
Interest and similar expenses arising from interest rate swaps and FX hedges	8,964,452.15	25,690
Interest expenses in the context of forfaiting	1,227,019.65	4,077
Other	12,246,786.12	5,227
	222,652,464.15	291,893
Financial Result	**346,435,189.97**	**7,584,481**

In the financial year 2023, Borealis AG finished the sale of the nitrogen business, which resulted in gains of EUR 294,402,924.67. Due to a sustainable value recovery there was a write-up on affiliated companies on the shares of Borealis Polymers Oy, Finland: therefore, a historical impairment was reversed.

Due to an unfavorable economic development, the shares in Borealis France S.A.S., mtm plastics as well as Borealis Circular Solutions Holding GmbH had to be impaired.

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. With the exception of deferred taxes, the tax expense stated in the income statement results entirely from the tax group and therefore represents a tax allocation.
The tax rate applied is 24% (previous year: 25%).

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which Borealis operates. Under the legislation, the parent company will be required to pay a top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. The legislation will be effective for Borealis' financial year beginning on January 1, 2024. Borealis AG is within the scope of the enacted or substantively enacted legislation and has performed an assessment of the potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements of the constituent entities as well as on the mid-term planning data. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15% and no material exposure to Pillar Two income taxes is expected.

H. Significant Events After the Balance Sheet Date

Borealis has had no significant events after the reporting date.

IV. Other Information

The total remuneration received by Executive Board members amounted to EUR 8,194 thousand (2022: EUR 6,461 thousand):
- Active Board members: EUR 6,498 thousand (2022: EUR 6,196 thousand)
- Former Board members: EUR 1,696 thousand (2022: EUR 265 thousand)

along with additional payments into pension funds amounting to EUR 488 thousand (2022: EUR 486 thousand).

Active members of the Supervisory Board received remuneration totaling EUR 856 thousand (2022: 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 (Chairperson), Mark Tonkens (Member until May 31, 2023), Daniel Turnheim (Member since June 1,2023), Wolfram Krenn, Philippe Roodhooft, Lucrèce De Ridder (Member until December 31, 2023), Craig Arnold (Member since February 1, 2024)

Supervisory Board

Alfred Stern (Chairperson until April 18, 2023), Daniela Vlad (Chairperson since April 19, 2023), Khaled Salmeen (Vice Chairperson), Reinhard Florey, Martijn Arjen van Koten, Khaled Al Zaabi

Vienna, February 22, 2024

Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Daniel Turnheim 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

Craig Arnold 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, February 22, 2024
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Daniel Turnheim 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

Craig Arnold m.p.
Executive Vice President
Polyolefins, Circular Economy Solutions
and Innovation & Technology

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of Borealis AG, Vienna, Austria, which comprise the Balance Sheet as at December 31, 2023, the Income Statement for the year then ended, and the Notes.

In our opinion, the financial statements comply with the legal requirements and present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and its financial performance for the year then ended, in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

Basis for our Opinion

We conducted our audit in accordance with Regulation (EU) 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on 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. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

<u>Recoverability of shares in affiliated companies and loans to affiliated & associated companies</u>

Refer to notes "Accounting and valuation policies", 1 "Fixed assets" and F "Financial result".

Risk for the Financial Statements

The carrying value of shares in affiliated companies amounts to EUR 3,141 million as of December 31, 2023, after an impairment loss incurred in the amount of EUR 300 million in 2023. The carrying value of loans to affiliated & associated companies amounts to EUR 843 million as of December 31, 2023.

The significant shares in and loans to affiliated and associated companies are subject to an impairment assessment on each balance sheet date to identify impairment triggers. If necessary, impairment calculations are carried out. The results of these calculations are highly dependent on estimates of future cash flows assumptions as well as assumptions for determining discount rates.

There is a risk for the financial statements that the valuation of shares in and loans to affiliated and associated companies which are to a large extant is misstated.

Our Response

We assessed the recoverability of the shares in and loans to affiliated and associated companies, as well as loans to associated companies as follows:

- We examined the impairment assessment process conducted by management.
- We assessed the appropriateness of the valuation methods used for the impairment calculations.
- We agreed the future cash flows included in the impairment calculations with the mid-term planning, that has been presented to the supervisory board.
- With the assistance of our valuation specialists we assessed the appropriateness of the assumptions used to determine the discount rates by comparing them with market and industry-specific benchmarks.
- We verified the mathematical accuracy of the impairment calculations.
- We assessed the adequacy of the disclosures in the financial statements.

Other Matter

The audit of the financial statements of Borealis AG as of December 31, 2022 was performed by another auditor, who expressed an unqualified audit opinion on the financial statements dated February 22, 2023.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the financial statements, the management report and the auditor's report.

Our opinion on the financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the financial statements or any apparent material misstatement of fact.

If we conclude that there is a material misstatement of fact in other information, we must 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 and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or errors.

Management is also 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

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 audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in 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 AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements 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.
- We 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 entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We 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 audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit 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.
- We evaluate the overall presentation, structure and content of the financial statements, including the notes, 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, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Management Report

In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with Austrian company law and other legal or regulatory requirements.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports.

Opinion

In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on February 28, 2023 and were appointed by the supervisory board on June 1, 2023 to audit the financial statements of Company for the financial year ending on December 31, 2023.

We have been auditors of the Company since the financial statements at December 31, 2023.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Engagement Partner

The engagement partner is Mr Karl Braun.

Vienna, February 22, 2024

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Karl Braun m.p.

Austrian Chartered Accountant

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

CONSOLIDATED

Financial **Statements 2023**

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. The amounts therefore include data from Borealis' nitrogen business for six months 2023 and 12 months 2022.

Safety Performance

In 2023, Borealis AG and its subsidiaries (the Company or Group) reported a Total Recordable Injuries (TRI) rate per million working hours of 4.0, a marked deterioration compared to the rate of 2.9 obtained in 2022. A large number of low impact (actual and potential) incidents were recorded, a third of which took place at the major construction site of the new propane dehydrogenation (PDH) plant in Kallo (Belgium). Borealis subsequently initiated an expanded training program to improve the safety performance there. No fatalities or life-threatening injuries were recorded in 2023.

In line with the Group's commitment to "Zero Harm," Borealis aims to further improve its safety record by eliminating accidents and safety incidents altogether. Lessons learned from the sole fatality in 2022, as well as incidents which occurred in 2023, are applied across all Group locations to avert future safety incidents. One key effort is "B-Safe," a proactive risk management program implemented in 2022 and currently being rolled out across the entire Group. As of the end of 2023, 4,000 Borealis employees had already received a one- or three-day training session, depending on their respective role. With its focus on implementing risk identification measures, learning from previous incidents, proactive intervention and elevated awareness for the safety of others, B-Safe will be further embedded in the Group throughout 2024.

Health and safety on the job must be assured for Borealis' own employees as well as those hired by subcontractors working for the Borealis Group. The Executive Board welcomes all measures implemented by Borealis senior management that help fulfill the Group's commitment to "Zero Harm" while at the same time heeding the most stringent ethical standards.

Ukraine and Geopolitical Conflict

The Borealis Executive Board and senior management have taken specific actions in response to the war in Ukraine. Maintaining business continuity while ensuring human health and safety is the paramount concern. Borealis employs very few people in Russia and has no production operations in either Russia or Ukraine. Sales to Russia and Belarus have been halted. After terminating contracts with Russian-based suppliers, Borealis is now procuring feedstock from the US. The reliable and cost-effective transportation of liquefied petroleum gas (LPG) from North America to the Borealis crackers in Porvoo (Finland) and Stenungsund (Sweden) as well as to the PDH unit in Kallo (Belgium) is made possible by long-term charter contracts for custom-built LPG vessels.

While operations at Borealis sites have not been disrupted by the conflicts in Europe or the Middle East, plans are in place to address contingencies such as supply chain disruptions. In monitoring the geopolitical situation closely, the Group continually adapts and updates its measures to ensure stable material procurement for Borealis production sites.

Business Overview

The Brent crude market remained volatile throughout 2023, with the average price of USD 83/bbl lower than the 2022 average of USD 101/bbl. Even given supply management and the extension of OPEC+ supply cuts into the first quarter of 2024, concerns regarding the global macroeconomic climate and China's lagging recovery weighed heavily on the oil markets. Core inflation remained sticky in developed markets, resulting in rising interest rates which are however expected to have peaked in the fourth quarter of 2023.

Naphtha prices increased from USD 559/metric ton (t) in December of 2022 to a 2023 peak of USD 717/t in March, supported by higher crude prices and increased blending of naphtha into the gasoline pool as the differential between crude and naphtha narrowed. In July, naphtha prices fell to USD 552/t, in line with low seasonal demand from refineries as well as lower crude prices. At year end, naphtha prices stood at USD 640/t.

Ethylene and propylene contract prices were impacted by the naphtha price development. Ethylene started the year at EUR 1,170/t and, supported by healthy demand in the spring turnaround season, peaked in March at EUR 1,290/t. Unprecedented industry destocking occurred during the seasonally weak summer months. Ethylene prices hit a low of EUR 1,120/t in July and ended the year at EUR 1,185/t. The price of propylene rose from EUR 1,075/t in January to EUR 1,185/t in April, closing out the year at EUR 1,050/t.

The polyolefins market remained weak overall in 2023 but was temporarily bolstered from January to April by the spring turnaround season and optimism surrounding China's post-Covid opening. Industry profitability plunged in the summer months, with unprecedented levels of industry destocking due to underlying factors such as import pressure, high inventories, expectation of falling polyolefins prices, and the annual demand slowdown during the holidays. Industry profitability and operating rates fell to levels last recorded during the height of the global financial crisis of 2007–2008. While industry profitability recovered somewhat post summer with seasonal decline towards year end, it remained very weak.

Strategy

The Borealis Strategy 2030 is a strategic evolution centered on sustainability. Since its launch in 2022, it has guided Borealis in its efforts to transform the Company and expand its global presence while at the same time significantly reducing the Group's CO_2 footprint. Built on the strong foundation of its people, corporate culture and safety mindset, the Borealis Strategy 2030 enables Borealis to deliver value-added solutions in collaboration with its customers and partners to accelerate the transition to a circular economy of plastics. Its emphasis on innovation and technology in tandem with performance excellence is a catalyst for growth in high potential areas such as specialty polyolefins, compounding, catalyst technologies and the licensing thereof.

Joint Ventures and Global Growth Projects

Borealis achieves geographic expansion by way of joint ventures, mergers and acquisitions and by new builds on several continents. It is crucial to boost the production capacity of both base chemicals as well as advanced and sustainable polyolefin-based solutions based on proprietary Borealis technologies in order to better serve global customers and drive the circular economy transition.

The largest global growth project currently underway is Borouge 4, situated within the Borouge joint venture founded by Borealis and the Abu Dhabi National Oil Company (ADNOC) in 1998. Ground was broken in 2022 for the construction of Borouge 4, the new USD 6.2 billion facility at the existing complex in Ruwais (UAE). The increased production capacity of advanced base chemicals and polyolefins, which will be unlocked once Borouge 4 comes onstream, will further enhance its role as it supplies large volumes to customers in the Middle East and Asia as well as feedstock to the adjacent TA'ZIZ Industrial Chemicals Zone.

The Baystar™ joint venture with TotalEnergies in Pasadena, Texas (US) passed a most significant milepost in October 2023 with the start-up of the new 625,000 metric ton/year Borstar® polyethylene (PE) unit (Bay 3). This growth project has brought the state-of-the-art Borstar third generation (3G) technology to the US in the most advanced Borstar plant ever built outside of Europe. With the completion of the USD 1.4 billion PE unit, Baystar has doubled its production capacity. As a fully integrated petrochemicals venture, it will supply value-added specialty polymers primarily to the booming energy, infrastructure and consumer product sectors in North America. In addition to the new Bay 3, the Baystar site comprises an ethane-based steam cracker (started up in 2022), two legacy PE production units and the TotalEnergies ethane cracker in adjacent Port Arthur.

A major European growth endeavor is the new, world-scale PDH plant at the existing Borealis production site in Kallo. Upon its expected start-up in 2025, the projected annual propylene production will be 740,000 metric tons. Up until late 2022, construction had been halted after misconduct on the part of one of the site's former contractors led Borealis to terminate all contracts and restart the tender process. Substantial progress has been made since work resumed in mid-summer 2023, and on-site mobilization has picked up speed. Borealis does not tolerate breaches of work ethics or contractual non-compliance in any aspects of its operations. The Kallo case has resulted in the implementation of in-depth monitoring measures to ensure full compliance in the future.

Acquisitions

In October, Borealis successfully closed its acquisition of Italy-based Rialti, a leading polypropylene (PP) compounder of recyclates used in injection molding and extrusion processes. In the same month, Borealis declared its intent to acquire Integra Plastics, an advanced mechanical recycling company based in Bulgaria. Once regulatory approvals have been obtained, this transaction will further boost recycling capacity for the Borealis portfolio. At the end of November, Borealis increased its share in Belgium-based recyclers Renasci from 50.01% to 98.56%.

Divestments

The divestment process of the Borealis nitrogen business unit (including fertilizers, technical nitrogen and melamine products) which commenced in February 2021 was completed as of July 5, 2023. Final regulatory approvals were obtained at the end of June 2023, after which Borealis divested its former asset to Czech-based AGROFERT, whose binding offer had been submitted in June 2022. The parties continue the process of customary closing accounts adjustments. Payment may be deferred in part subject to contractually stipulated conditions. The Borealis Executive Board has full confidence that AGROFERT, as a leading European fertilizer concern, will remain committed to maintaining supply security and the development of production facilities in the long term.

In September 2022, a binding agreement made by YILDIRIM for the acquisition of Borealis' shares in Rosier was first announced. On January 2, 2023, Borealis reported that it had divested all of its shares in Rosier after finalizing the agreement with the YILDIRIM Group.

Circular Economy

In the Borealis Strategy 2030, the strategic goal of geographical expansion is complemented by that of transformation: Borealis is cementing its position as a fully customer-centric supplier of sustainable material solutions which add value to society and accelerate the transition to a circular economy. Long an industry front-runner in circularity, Borealis aims to further increase the share of circular products in its overall production output in the coming years. These include recycled and renewable-based polymers in its Borcycle™ C, Borcycle™ M, and Bornewables™ grade portfolios, as well as the renewable hydrocarbons in the Borvida™ family of base chemicals.

Upon the certification of the Borealis polyolefin compounding site in Monza (Italy) in July 2023, all Borealis polyolefin and polyolefin compounding sites in Europe have now been certified ISCC PLUS (International Sustainability and Carbon Certification). This mark of quality ensures traceability by way of objective, third-party verification of critical points along the supply chain.

Recycling facilities operated by Renasci in Ostend (Belgium), mtm in Niedergebra (Germany) and Ecoplast in Wildon (Austria) have also been ISCC PLUS-certified. Borealis was the first virgin polyolefins player in Europe to have entered mechanical recycling by acquiring mtm plastics in 2016, and Austria-based Ecoplast in 2018. Now 100% owned by the Borealis Group, the combined mtm and Ecoplast output will be augmented by high-quality volumes from the recent acquisition Rialti and, at a later date to be determined, Integra Plastics.

In addition to ongoing collaboration with OMV centered on the patented OMV ReOil® technology, Borealis is working closely with its upstream partner Neste and its Neste RE™ technology to take the commercialization of chemically recycled plastics to the next level. The majority stake acquired in late 2023 in Renasci also gives Borealis access to chemically recycled feedstock for the grades in its ISCC PLUS-certified Borcycle™ C portfolio. Because the chemical recycling process valorizes residual waste streams which would otherwise be landfilled or incinerated, it is a valuable complement to mechanical recycling. The virgin-grade quality of monomers produced in chemical recycling processes makes them suitable for use in the production of high-end polyolefin applications in food-grade consumer packaging, infrastructure and healthcare.

Technological Innovation

As a pillar of the strong Borealis foundation, innovation drives transformation in all areas of business activity. Making good on the corporate purpose of "Reinventing Essentials for Sustainable Living" requires ongoing investment in research and development (R&D). Proprietary technologies such as Borstar® form the base for material solutions which help the industry address urgent societal and environmental issues such as decarbonization, the green-energy transition and waste reduction. Its suite of technologies enables Borealis to continually expand its offer of advanced specialty polyolefins in order to capitalize on promising market opportunities in lucrative niche applications in sectors like renewable energy, mobility, healthcare, consumer packaging and the circular sphere.

In May, Borealis launched a new class of engineering polymers produced from renewably-sourced feedstock: Stelora™ opens up an abundance of options for technically advanced applications requiring high heat resistance, such as in e-mobility and renewable energy generation. The introduction of the Bornewables line of Queo™, a portfolio of polymers and elastomers based on renewable feedstock, took place in the same month.

The EverMinds™ platform founded in 2018 is one way in which Borealis is spearheading the circular economy transition. By encouraging collaboration among value chain partners and other stakeholders in the name of circularity, Borealis is facilitating the development of a broad range of eco-efficient applications across diverse industry sectors. In 2023, highlights included the development of a new monomaterial pouch for dry foodstuffs containing over 95% PP and fully compatible for mechanical recycling. Bornewables grades were used to enhance the circularity of BOPP film used in flexible packaging, while Bornewables PP for absorbent hygiene products were able to help improve the ecological footprint of nonwovens.

Innovation at Borealis is global in scope. Nearly 600 are employed in one of three innovation hubs: the Innovation Headquarters in Linz (Austria) as well as the innovation centers in Porvoo (Finland) and Stenungsund (Sweden). Borealis also operates Borstar pilot plants for PE in Porvoo, and for PP in both Porvoo and Schwechat (Austria). Catalyst manufacturing plants in Linz and Porvoo are augmented by a pilot facility in Porvoo.

Borealis continues to head the list of patent filers in Austria. In 2023, Borealis filed 128 new priority patent applications at the European Patent Office, the same number filed as in 2022. As of December 2023, the Borealis Group holds around 12,000 individual patents or patent applications which are subsumed in approximately 1,500 patent families. The growing number of patents is proof positive of the Group's dedication to Value Creation through Innovation.

Energy and Climate

Borealis Strategy and Implementation

Increased greenhouse gas concentrations cause environmental and societal impacts and lead to global warming, extreme weather events, and rising sea levels. Global efforts, like the Paris Agreement, aim to limit temperature increases to well below 2°C, with a target of 1.5°C. To achieve this, industries like the chemical sector must reduce emissions throughout their operations and value chains.

Borealis adheres to and uses the Greenhouse Gas Protocol to calculate emissions across three scopes: direct emissions (Scope 1), emissions from purchased energy (Scope 2), and other indirect emissions (Scope 3). This framework guides efforts to mitigate climate change effectively.

The sustainability ambition at the heart of the Borealis Strategy 2030 calls for significant lower reported Scope 1 and Scope 2 emissions, from 5.1 million metric tons/year (baseline 2019) to 2 million metric tons/year by 2030 [1)]. Besides process improvements Borealis intends to reach this goal by using ever-increasing amounts of electricity from renewable sources to power its Polyolefins and Base Chemicals production operations in Europe. To this end, multiple long-term power purchase agreements (PPA) have been signed over the past several years. A crucial milepost was reached in 2023 as five new PPAs put Borealis over a 40% share of renewables in the total electricity supply to its European operations. Borealis achieved this intermediate goal two years earlier than originally projected. All PPAs will supply energy from wind farms to Borealis' operations in Finland, Sweden and Belgium as well as hydropower to Sweden. By 2030, 100% of the electricity sourced for the operation of the Polyolefins and Base Chemicals businesses will be of renewable origin.

Furthermore, Borealis sees improving energy efficiency as a cornerstone of its climate ambition. The group aims to implement 10% energy savings for the consumption of 2015 by 2030.

In July, Borealis reported the successful completion of a major revamp of its Stenungsund cracker furnace. Marked by excellent safety performance, the seven-year effort resulted in significantly higher energy efficiency and process safety standards for the cracker. As one of the most feedstock-flexible crackers in Europe, Stenungsund will continue to be a vital supplier of ethylene and propylene to the Borealis Group's international customers, particularly in Wire & Cable.

Using digitalization to drive Climate neutrality is key to the customer-centric approach taken by Borealis. Neoni, an innovative tool developed by the in-house Borealis Digital Studio, computes cradle-to-gate emissions data for commercially available Borealis polyolefins as well as base chemicals manufactured in Europe. Neoni allows Borealis customers to differentiate between virgin, renewably-sourced and mechanically recycled polyolefins offered by Borealis in order to determine which materials should be used to further their own sustainability goals.

Building Awareness

Borealis is actively involved in various initiatives aimed at raising awareness and fostering learning both internally and externally. This includes contributing to the development of science-based target methodologies for the chemicals sector through the SBTi's Expert Advisory Group.

Borealis are also participating in a CEFIC working group to understand the implications of different options for setting sector guidelines in the chemical industry.

Additionally, Borealis is part of the "Sustainable Plastics Industry Transformation" (SPIRIT) program in Finland, which focuses on activities like replacing fossil-based feedstocks with renewable ones, developing recycling technologies, decarbonizing production operations, and exploring enablers for the green transition. Borealis is co-funding a research project, FUTNERC, with the Swedish Energy Agency and Preem, aimed at achieving net-zero greenhouse gas emissions from refineries and chemical plants by 2050. Moreover, Borealis has launched a Sustainability Academy with OMV and OMV Petrom, focusing on climate change and ESG to engage and train their entire organization on the journey towards climate neutrality.

1) This includes the divestment of the Fertilizer division. Following Greenhouse gas protocol is seen as a base year emission shift

Outlook

Borealis' energy and climate objectives for 2024 include advancing their digitalization project to improve reporting on climate, energy, and environmental data.

To refine the current accounting model based on a CO_2 budget for Scopes 1, 2, and 3 to better understand our climate impact.

Additionally, Borealis plans to evaluate the feasibility of setting science-based targets, integrating climate criteria into key decision processes, and limiting ETS emissions to 1.477 million metric tons of CO_2e.

Borealis also aims to achieve specific energy performance targets for both hydrocarbons and polyolefins and has already approved implementation of 70,000 MWh in energy savings from 2024 onwards.

Management assessment of impact

In an accelerated decarbonization scenario ensuring reaching the climate goals according to the Paris Agreement, Borealis management would not see negative effects on the overall demand of polyolefin solutions. Pricing of polyolefin is driven by base chemical markets like naphtha, ethane, propane etc. An accelerated change of the worlds energy landscape might lead to different price movements in those relevant base chemicals, effecting the profitability of some assets in the polyolefin value chain. Driven by the expected strong demand of polyolefin solutions Borealis's management does not see substantial negative effects on the overall integrated value chain.

Useful lives

The pace of energy transition may have an impact on the remaining useful lives of assets. Borealis fixed assets will be fully depreciated over the next 5 to 15 years. It is, therefore, not expected that energy transition has a material impact on the expected useful lives of property, plant, and equipment.

Financial Performance

Borealis' net profit plunged from a record high of EUR 2,111 million in 2022 to EUR 168 million in 2023. This drop must be considered in the context of current market challenges which affect all petrochemical companies as well as the one-off positive effects specific to the Borealis Group that contributed to the outstanding results obtained in 2022. The former includes ongoing market volatility; stubborn inflation and high energy costs, particularly in Europe; weak margins; and record polyolefins overcapacity in the face of feeble demand. Factors specific to Borealis include profits enjoyed in 2022 due to the blockbuster Borouge IPO in June, as well as the re-measurement gain of EUR 266 million from the disposal group related to the divested Borealis nitrogen business unit.

In 2023, the contribution to net results from Borealis joint ventures declined from EUR 1,001 million in 2022 (supported by the Borouge IPO amounted to EUR 604 million) to EUR 160 million in 2023. The Borouge contribution, while still significant at EUR 317 million, was negatively impacted by market conditions, soft demand, reduced margins and the Borouge 2 turnaround in the first quarter of the year, which had a negative impact on production volumes.
As in 2022, the 2023 Baystar contribution, which at EUR -158 million, compared to EUR -58 million in the previous year, failed to fulfil expectations, due in the main to lower sales prices as well as the slow ramping up of production at both the new Borstar PE plant and the ethane-based steam cracker.

The after-tax return on capital employed (ROCE) of 2% in 2023 was significantly lower than the 19% reported in 2022. The marked drop reflects the one-off boost provided by the 2022 sale of the stake in Borouge, but is also due to adverse market conditions and lower sales volumes. The five-year average ROCE of 12% also remains well above the Group's target of 11% throughout the cycle.

In 2023, Borealis net debt decreased to EUR -152 million. This resulted in a gearing ratio of -2% at the end of 2023, compared to -1% at the end of 2022. This gearing reflects a very strong balance sheet. Liquidity reserves, composed of undrawn committed credit facilities and cash balances, amounted to EUR 3,478 million at year end 2023, compared to EUR 3,408 million at year end 2022. Borealis also benefits from a well-diversified financing portfolio and a balanced maturity profile. The solvency ratio was 70% at the end of 2023, compared to 66% at year end 2022.

Review of Results

Sales

In 2023, Borealis sold 3.50 million metric tons of polyolefins, slightly less than the 3.54 million sold in 2022. The decline is due primarily to imports into the European market. The macroeconomic situation was difficult throughout the year, with weak economic growth, high energy prices in Europe and ongoing supply chain bottlenecks. The industry situation was also bleak, with sluggish demand in the face of record-level polyolefins capacity additions and increased imports to Europe. In response, the Group has adopted initiatives to improve inventory and working capital management by lowering cracker utilization and protecting margins from oversupply.

In the first half of the year (prior to divestment of the Borealis nitrogen business unit as of the beginning of July 2023), Borealis Fertilizer sales were 1.35 million metric tons. This compares to the 1.63 million metric tons reported for the same period in 2022. Melamine sales also decreased, from 0.06 million metric tons in the first half of 2022, to 0.04 million metric tons in the same period in 2023 due to lower demand.

Cost Development

The lower feedstock price environment saw a sharp reduction in 2023 production costs compared to 2022. The negative macroeconomic scenario throughout the year, with weak economic growth and high inflation, resulted in sluggish demand and lower sales and distribution costs, which decreased from EUR 873 million in 2022 to EUR 755 million in 2023. Administration costs increased from EUR 278 million in 2022 to EUR 297 million in 2023. Guided by an unwavering commitment to Value Creation through Innovation, spending on research and development (comprising costs for the Borealis Innotech organization and depreciation of R&D assets) increased from EUR 112 million in 2022 to EUR 120 million in 2023.

At the end of 2023, the Borealis Group employee headcount was 5,943. This reduction of 1,706 versus the previous year was driven by the divestment of the Borealis nitrogen business unit.

Strong Foundation Performance Excellence (SFPE): Weathering the storm

The implementation-focused performance improvement program has been launched in 2022 as part of Borealis 2030 Strategy. The program is set up to deliver significant sustainable profit improvements and helps to protect margins short-term and mitigate the current downturn in the industry.

2023 marked an important year for SFPE as strong results could be reported from the profitability improvement measures across our value chain. This program supported the results by around EUR 140 million in 2023. The measures aim at optimizing product pricing, reducing variable costs through feedstock sourcing improvements, enhancing operational efficiency in energy consumption, uplifting the reliability of our assets and leveraging integrated margin opportunities. Given the prolonged and deeper downturn, a dedicated fixed costs program has been launched as part of SFPE in addition to other short-term measures to weather the storm. Focus points of the fixed costs program include optimizing inventories, enhancing maintenance processes and managing discretionary expenses.

Additionally, the program focuses on streamlining internal and external spend structures in line with our Borealis values. The targeted fixed costs reductions will achieve a mid-term run rate of 100 million in savings.

Operating Loss/Profit

Operating loss in 2023 was EUR -9 million versus operating profit of EUR 1,081 million in 2022. The Polyolefins operating profit declined from EUR 526 million in 2022 to EUR -79 million in 2023 due to lower demand and one-time impairments. Borealis Base Chemicals delivered an operating profit of EUR 162 million, down from the EUR 243 million reported in 2022. The operating result was lower due to lower demand and lower margins.

Operating profits were impacted by high inventory effects (EUR -233 million), due to a weaker environment in all business areas. The full-year Borouge contribution was solid (EUR 317 million), albeit below the previous year. The Baystar contribution fell short of expectations; its overall contribution was negative (EUR -158 million) despite an improved contribution from the already existing PE plants Bay 1 and Bay 2 in the second half of 2023. The operating profit from the Borealis nitrogen business unit was negative.

Financial Income and Expenses

The decrease in net financial income from EUR 104 million in 2022 to EUR 43 million in 2023 was mainly due to less favorable currency effects.

In 2023, the Borealis Group earned EUR 141 million in interest income from loans granted to its joint ventures and its cash deposits, compared to the EUR 56 million earned in the previous year.

Taxes

Income from taxes amounted to EUR 51 million in 2023, compared to tax charges of EUR -342 million in 2022. The lower overall tax charge in 2023 was to a large extent driven by weaker business performances and tax gains in connection with the Borealis nitrogen business divestment.

Net Income from Equity Accounted Investments

The contribution from Borealis joint ventures declined significantly, from EUR 1,001 million in 2022 to EUR 160 million in 2023. The Borouge 2 turnaround in the first half of 2023 as well as generally softer demand and lower sales prices reduced the overall Borouge contribution.

The Baystar contribution was also lower than projected due to the slower than expected ramping up of the new ethane-based cracker.

Capital Expenditure

Investments in property, plant and equipment amounted to EUR 729 million in 2023, compared to EUR 667 million in 2022. A major portion of the total is associated with the construction of the new world-scale PDH plant in Kallo; final debottlenecking efforts at the PP plant in Kallo; and the upgrade of semicon units in Antwerp. Health, Safety and Environment (HSE) capital expenditure amounted to EUR 153 million, compared to EUR 107 million in 2022. Investments in intangible assets amounted to EUR 79 million in 2023, compared to EUR 58 million in 2022.

Depreciation, amortization and impairment amounted to EUR 411 million in 2023 versus EUR 352 million in 2022.

Financial Position

At year end, total assets and capital employed stood at EUR 13,412 million and EUR 11,422 million, respectively, compared to EUR 14,685 million and EUR 11,952 million at the end of 2022.

Cash Flows and Liquidity Reserves

Cash flow from operating activities was EUR 552 million and supported primarily by a positive working capital development. In 2023, the Borealis Group benefited from the divestment of the nitrogen business unit and Rosier, which together generated a positive cash flow of EUR 691 million. These positive flows were, however, offset by capital contributions and financing throughout 2023 in the joint ventures Borouge (EUR 150 million) and Baystar (EUR 91 million); increased CAPEX investments of EUR 808 million (tangible and intangible); and payments related to the acquisition of Rialti in the latter part of the year.

Net interest-bearing debt decreased significantly to EUR -152 million at year end, down from EUR -70 million at the end of 2022 (see table below).

EUR million	2023	2022
Change of net interest-bearing debt		
Cash flows from operating activities	552	898
Capital expenditure (tangible and intangible)	-808	-725
Capital contributions to and financing and acquisition of associated companies, joint ventures and non-consolidated subsidiaries	-245	-668
Dividends of associated companies, joint ventures and non-consolidated subsidiaries	456	595
Proceeds from disposal of shares in joint ventures	0	745
Repayments of financing by joint ventures	0	602
Acquisitions of subsidiaries, net of cash	-54	0
Acquisition of non-controlling interest	-1	-1
Proceeds from disposal of subsidiaries, net of cash disposed	691	0
Other (mainly relating to foreign exchange differences)	30	48
Dividend paid to equity holders of the parent and non-controlling interests	-388	-699
Additions lease liabilities	-100	-503
Changes in the consolidation scope	-50	0
Total decrease (+)/increase(-) of net interest-bearing debt	**83**	**292**

Shareholders’ Equity

Shareholders’ equity at year end 2023 was EUR 9,219 million, compared to EUR 9,785 million in 2022. For further information on equity see note 13 in the consolidated financial statements.

EUR million	2023	2022
Equity development		
Net result attributable to the parent	206	2,108
Exchange and fair value adjustment (net)	-405	163
Gross increase/decrease	-199	2,271
Dividend distribution	-400	-698
Changes in consolidation scope and non-controlling interests	0	-10
Reclassification of cash flow hedges to balance sheet	33	46
Net increase/decrease	-566	1,609
Opening equity	9,785	8,176
Closing equity	**9,219**	**9,785**

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 which may materialize 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. In 2023, particular emphasis was placed on geopolitical and energy supply-related risks.

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 unfavorable 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 unfavorable 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 analyzed 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;
- Pandemic-related risks to business as well as Borealis employees.

Climate-related risks and mitigation actions are also specifically analyzed 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 the 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 renewable-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 Vice President and the General Counsel are responsible for reporting and coordinating the management of all financial risks.

Compliance risks involve legal and regulatory risks, codes 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 Vice President Digital Solutions 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 organization and reflected in the daily decision-making processes.

Changes to the Supervisory Board and Executive Board

In April 2023, Daniela Vlad, OMV Executive Vice President Chemicals & Materials and member of the OMV Executive Board, was appointed Chairperson of the Borealis Supervisory Board, replacing Alfred Stern, OMV CEO. Daniel Turnheim was appointed Borealis Chief Financial Officer for a three-year period taking effect as of June 1, 2023. He takes over from Mark Tonkens, who left the Borealis Executive Board by mutual agreement at the end of May 2023. As of February 1, 2024, Craig Arnold assumes the position of Executive Vice President Polyolefins, Circular Economy Solutions and Innovation & Technology held by Lucrèce Foufopoulos-De Ridder up until December 31, 2023.

Economic Development and Outlook

The year 2023 was a turbulent and challenging one for the entire industry. The Borealis Executive Board and its senior management anticipate a prolonged and deepening trough as increased global production capacity collides with lagging demand. These shorter-term factors are joined by long-term developments that are reshaping the petrochemicals industry, such as carbon reduction efforts; the transition to a circular economy; structural changes in key industries such as mobility and energy; and digitalization and technological disruption, to name only a few.

The Borealis Strategy 2030 is, however, a solid foundation which provides stability in turbulent times. Thanks to carefully managed growth and expansion efforts, and leadership in innovation and the circular economy sphere, Borealis is ideally positioned to capitalize on future market opportunities as they arise.

Making good on the commitment to “Zero Harm” will be the chief priority in 2024. While the Group posted excellent results in process and occupational safety in 2023, there is still work to be done on improving the TRI rate. The recently launched initiative “HSSE 2030” envisions Borealis as the industry leader in health, safety, security and the environment by 2030. We have full confidence that Borealis will make meaningful progress towards this goal in 2024 thanks to the dedication and commitment of its people.

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 2023, 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 KPIs.

		2023 excl. NITRO [1]	2023 incl. NITRO [1]	2022 excl. NITRO [2]	2022 incl. NITRO [2]	2021 incl. NITRO [2]	2020 incl. NITRO [2]	2019
Income and profitability								
Total sales and other income	EUR mn	7,282	8,043	9,613	12,225	10,153	6,937	8,103
Operating profit	EUR mn	18	-9	703	1,081	1,517	351	605
Operating profit as percentage of total sales and other income	%	0	0	7	9	15	5	7
Net profit	EUR mn	216	168	1,613	2,111	1,396	589	872
Return on capital employed, net after tax	%	–	2	–	19	19	8	11
Cash flow and investments								
Cash flow from operating activities	EUR mn	438	552	602	898	967	1,083	872
Investments in property, plant and equipment	EUR mn	659	729	544	667	660	614	376
Cash and cash equivalents	EUR mn	2,348	–	2,226	2,242	1,551	83	83
Financial position								
Balance sheet total	EUR mn	13,412	–	–	14,685	12,985	10,583	10,118
Net interest-bearing debt	EUR mn	-152	–	–	-70	223	1,833	1,569
Equity attributable to owners of the parent	EUR mn	9,219	–	–	9,785	8,176	6,417	6,445
Gearing	%	-2	–	–	-1	3	29	24
Health, Safety & Environment [3]								
Total Recordable Injuries (TRI) [4]	number/ mn work hours	4.0	4.0	2.6	2.9	2.3	3.9	3.4
EU ETS CO_2 emissions	mn metric tons	1.3	2.3	1.4	3.4	3.9	4.1	4.6
Primary energy consumption	GWh	14,824	17,294	14,923	21,364	21,730	22,340	25,831
Flaring performance	metric tons	32,239	32,239	39,955	39,955	38,538	42,543 [5]	27,619
Waste generation	metric tons	73,467	79,235	82,425	92,383	102,023	97,905	86,109
Water withdrawal	m^3 mn	334	449	407	657	735	755	750
Number of employees	full-time equivalents [6]	–	–	–	–	6,934	6,920	6,869
	headcount [7]	5,943	–	5,631	7,649	7,508	–	–

1) NITRO 2023: Borealis divested the Borealis Fertilizers, Melamine and Technical Nitrogen (TEN) Business at the beginning of July 2023; therefore only Fertilizers, Melamine and TEN data for first six months is included for NITRO. For further details please refer to note 8.1. Sale of Borealis NITRO in the Notes to the Consolidated Financial Statements // 2) NITRO 2020–2022: Borealis Fertilizers, Melamine and Technical Nitrogen Business excl. Rosier Group. See also footnote 1 // 3) 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. // 4) Rosier Group is excluded from TRI 2022 excl. NITRO. // 5) Severe upsets led to significant emergency flaring during shutdowns; further there was a lack of recycling capacity. // 6) Full-time equivalents considers part-time employed staff only as 0.5 // 7) Number of employees has been 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, February 22, 2024
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Daniel Turnheim 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

Craig Arnold m.p.
Executive Vice President
Polyolefins, Circular Economy Solutions
and Innovation & Technology

Consolidated Financial Statements

Consolidated Income Statement

EUR thousand	2023	2022	Note
Net sales	**7,082,152**	**9,332,809**	1, 2
Other operating income	200,197	279,791	29
Total sales and other income	**7,282,349**	**9,612,600**	
Production costs	-6,288,669	-7,938,488	6, 7, 14, 15
Gross profit	**993,680**	**1,674,112**	
Sales and distribution costs	-686,107	-722,828	6, 7, 14, 15
Administration costs	-276,980	-238,663	6, 7, 14, 15
R&D costs	-13,071	-9,449	3, 6, 7, 14, 15
Operating profit	**17,522**	**703,172**	
Net results of associated companies and joint ventures	160,456	397,113	9
Gain from disposal of equity accounted investments	0	604,171	9
Financial income	161,287	65,129	18
Financial expenses	-103,465	-49,902	18
Net foreign exchange gains/losses	-15,264	85,943	18
Profit before taxation	**220,536**	**1,805,626**	
Taxes on income	-4,862	-192,494	11
Net profit for the year from continuing operations	**215,674**	**1,613,132**	
Discontinued operation			
Loss (profit) from discontinued operation, net of tax	-47,652	497,502	8
Net profit for the year	**168,022**	**2,110,634**	
Attributable to:			
Non-controlling interests	-38,461	2,532	
Equity holders of the parent	206,483	2,108,102	

Consolidated Statement of Comprehensive Income

EUR thousand	2023	2022	Note
Net profit for the year	**168,022**	**2,110,634**	
Items that may be subsequently reclassified to the income statement			
Net gain/loss on translation of financial statements of foreign operations	-97,297	133,664	
Reclassifications to the income statement during the period	0	-42,744	
Tax effect recognized in other comprehensive income	0	0	
Net gain/loss on long-term loans to foreign operations	209	-7,645	19
Reclassifications to the income statement during the period	0	0	
Tax effect recognized in other comprehensive income	-48	1,428	
Net gain/loss on loans to hedge investments in foreign operations	5,510	-12,208	19, 22, 23
Reclassifications to the income statement during the period	0	3,009	
Tax effect recognized in other comprehensive income	-1,267	1,674	
Fair value adjustments of cash flow hedges	-323,022	348,464	19, 22, 23, 24, 25
Reclassifications to the income statement during the period	-60,732	-385,114	19, 22, 23, 24, 25
Tax effect recognized in other comprehensive income	88,263	14,483	
Share of other comprehensive income of joint ventures accounted for using the equity method	-4,818	-2,769	9
Items that will not be reclassified to the income statement			
Actuarial gains and losses	-17,713	139,325	15
Tax effect recognized in other comprehensive income	3,176	-35,543	
Share of other comprehensive income of joint ventures accounted for using the equity method	2,439	7,342	9
Net income/expense recognized in other comprehensive income	**-405,300**	**163,366**	
Total comprehensive income	**-237,278**	**2,274,000**	
Attributable to:			
Non-controlling interests	-38,027	3,335	
Equity holders of the parent	-199,251	2,270,665	

Consolidated Balance Sheet

EUR thousand	31.12.2023	31.12.2022	Note
Assets			
Non-current assets			
Intangible assets	720,792	633,950	3, 4, 7
Property, plant and equipment			5, 7
Production plants	2,130,363	1,854,194	
Machinery and equipment	33,429	28,192	
Construction in progress	1,516,882	1,277,834	
Total property, plant and equipment	3,680,674	3,160,220	
Right-of-use assets	662,204	599,136	6
Investments in associated companies and joint ventures	2,479,258	2,796,851	9
Other investments	23,621	18,459	10, 28
Loans granted	900,915	628,305	10, 27, 28, 30
Other receivables and other assets	88,012	193,363	2, 10, 27, 28
Deferred tax assets	112,307	23,794	11
Total non-current assets	**8,667,783**	**8,054,078**	
Current assets			
Inventories	1,303,306	1,479,516	12
Receivables			
Trade receivables	600,266	788,440	26, 27, 28, 30
Income taxes	7,380	2,965	
Loans granted	0	65,712	10, 27, 28, 30
Other receivables and other assets	485,331	545,243	10, 27, 28, 30
Total receivables and other assets	1,092,977	1,402,360	
Cash and cash equivalents	2,347,631	2,226,207	27, 28
Assets of the disposal group held for sale	0	1,523,215	8
Total current assets	**4,743,914**	**6,631,298**	
Total assets	**13,411,697**	**14,685,376**	

EUR thousand	31.12.2023	31.12.2022	Note
Equity and liabilities			
Equity			
Shareholders' equity			
Share capital and contributions by shareholders	1,599,397	1,599,397	13
Reserves	60,263	412,694	
Retained earnings	7,559,146	7,772,773	
Total shareholders' equity	9,218,806	9,784,864	
Non-controlling interests	7,529	7,122	
Total equity	**9,226,335**	**9,791,986**	
Liabilities			
Non-current liabilities			
Loans and borrowings	1,206,373	1,512,201	20, 21, 28
Lease liabilities	630,430	563,239	6, 20, 21
Deferred tax liabilities	192,933	264,714	11
Employee benefits	271,697	276,512	15
Provisions	69,334	61,585	16
Other liabilities	110,074	36,185	21, 28
Total non-current liabilities	**2,480,841**	**2,714,436**	
Current liabilities			
Loans and borrowings	310,045	41,929	20, 21, 28
Lease liabilities	48,420	42,635	6, 20, 21
Trade payables	849,547	862,826	21, 28, 30
Income taxes	29,066	45,761	
Provisions	52,546	48,214	16
Contract liabilities	42,868	50,182	2
Other liabilities	372,029	387,249	21, 28, 30
Liabilities directly related to the disposal group	0	700,158	8
Total current liabilities	**1,704,521**	**2,178,954**	
Total liabilities	**4,185,362**	**4,893,390**	
Total equity and liabilities	**13,411,697**	**14,685,376**	

Consolidated Statement of Changes in Equity [1)]

EUR thousand	Share capital and contributions by share-holders	Reserve for actuarial gains/losses recognized in equity	Hedging reserve	Reserve for unrealized exchange gains/losses	Retained earnings	Total attributable to the equity holders of the parent	Non-controlling interests	Total equity
Balance as of January 1, 2022	**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 distribution	0	0	0	0	-698,000	**-698,000**	-850	**-698,850**
Increase/(decrease) in non-controlling interests	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 December 31, 2022	**1,599,397**	**-144,199**	**250,966**	**305,927**	**7,772,773**	**9,784,864**	**7,122**	**9,791,986**
Net profit for the year	0	0	0	0	206,483	**206,483**	-38,461	**168,022**
Other comprehensive income	0	-12,098	-299,599	-94,037	0	**-405,734**	434	**-405,300**
Total comprehensive income	**0**	**-12,098**	**-299,599**	**-94,037**	**206,483**	**-199,251**	**-38,027**	**-237,278**
Dividend distribution	0	0	0	0	-400,000	**-400,000**	-1,073	**-401,073**
Changes in the consolidation scope	0	19,126	0	868	-19,124	**870**	39,494	**40,364**
Increase/(decrease) in non-controlling interests	0	0	0	0	-986	**-986**	13	**-973**
Reclassifications of cash flow hedges to balance sheet	0	0	33,309	0	0	**33,309**	0	**33,309**
Balance as of December 31, 2023	**1,599,397**	**-137,171**	**-15,324**	**212,758**	**7,559,146**	**9,218,806**	**7,529**	**9,226,335**

1) For further information see note 13.

Consolidated Cash Flow

EUR thousand	2023	2022	Note
Cash flows from operating activities			
Payments from customers	7,950,534	12,126,435	
Payments to employees and suppliers	-7,290,005	-10,833,990	
Interest received	119,063	31,265	18
Interest paid	-50,262	-39,828	18
Other financial expenses paid/income received	-20,462	3,114	18
Income taxes paid	-157,085	-389,231	11
	551,783	**897,765**	
thereof from discontinued operation	114,108	236,445	
Cash flows from investing activities			
Investments in property, plant and equipment	-728,721	-666,657	5
Investments in intangible assets	-79,242	-58,073	4
Acquisitions of subsidiaries, net of cash	-53,949	0	8
Dividends of associated companies and joint ventures and non-consolidated subsidiaries	456,215	595,379	9
Capital contributions to and financing and acquisition of associated companies and joint ventures and non-consolidated subsidiaries	-245,419	-668,026	9
Proceeds from disposal of subsidiaries, net of cash disposed	691,439	0	8
Proceeds from disposal of shares in joint ventures	0	745,068	9
Repayments of financing by joint ventures	0	601,685	30
	40,323	**549,376**	
thereof from discontinued operation	590,181	-122,462	

EUR thousand	2023	2022	Note
Cash flows from financing activities			
Non-current loans and borrowings obtained	0	420	20
Current loans and borrowings obtained	61	1,330	20
Current loans and borrowings repaid	-44,091	-76,612	20
Principal elements of lease payments	-54,103	-53,635	6
Acquisition of non-controlling interests	-972	-558	
Dividends paid to equity holders of the parent	-386,667	-698,000	
Dividends paid to non-controlling interests	-1,073	-850	
	-486,845	**-827,905**	
thereof from discontinued operation	-3,166	-7,336	
Net cash flow of the period	**105,261**	**619,236**	
Cash and cash equivalents as of January 1	2,242,405	1,551,487	
Effect of exchange rate fluctuations on cash held	-35	71,682	
Cash and cash equivalents as of December 31	**2,347,631**	**2,242,405**	
thereof reported under Cash and cash equivalents	2,347,631	2,226,207	
thereof reported under Assets of the disposal group held for sale	0	16,198	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 "Borealis NITRO" consisting of Fertilizers, Melamine and Technical Nitrogen Products was sold on July 5, 2023. The Company's share in fertilizer production sites in the Netherlands and Belgium ("Rosier") had not been part of this segment since 2022. The sale of Rosier was completed on January 2, 2023.

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 December 31, 2023 were authorized for publication by the Executive Board on February 22, 2024.

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). Recognized 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 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.
In case the acquisition is accounted for as a business combination, a re-measurement 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 capitalized as goodwill and subject to an annual impairment test. Any gain from a bargain purchase is recognized 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 recognized in other comprehensive income: conversion of the net assets of foreign subsidiaries and associated companies as of January 1 using the closing rate on December 31, 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 recognized 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 recognized 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 recognizes 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 recognizes 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 recognized as an intangible asset to the extent that such costs are expected to be recovered from future economic benefits. The expenditure capitalized includes the costs of materials, direct labor and an appropriate proportion of direct overheads.

Other development costs not meeting these criteria are recognized 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, realized and unrealized 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 recognized in other comprehensive income is recognized in other comprehensive income as well.

Balance Sheet

Intangible Assets

Intangible assets are stated at cost, less accumulated amortization 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 amortized but is subject to an annual impairment test.

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

Capitalized development costs are stated at cost, less accumulated amortization and impairment losses. Amortization 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 amortized are subject to an annual impairment test.

Costs to purchase and develop software for internal use are capitalized and amortized 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 recognized 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 recognized in the carrying amount of the property, plant and equipment.

Production plants include land, buildings, related immovable machinery and equipment. Machinery and equipment are recognized 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 capitalized 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 recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Leases

Leases are recognized 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 recognized 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.

Non-current Assets Held for Sale and Discontinued Operations
Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Prior to classification as held for sale, the assets (or components of a disposal group) are re-measured 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 re-measurement are recognized in the income statement. Gains are not recognized 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 coordinated 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.

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

Cash and Cash Equivalents
Cash and cash equivalents comprise cash in bank and liquid short-term deposits.

Inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Costs incurred are based on the first in, first out principle (FIFO method) and comprise direct materials, direct labor 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 realizable 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 recognized 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 recognized 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 recognized in the income statement as finance cost.

For decommissioning provisions, 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.

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 recognized only to the extent that it is probable that future taxable profits will be available, against which the temporary differences and unused tax loss carry forwards can be utilized within a period of five years, based on a five-year business plan.

Deferred tax assets are reviewed on each reporting date and are re-measured to the extent that it is probable they will be realized.

Since the 2021 financial year, selected Austrian Borealis entities have 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. 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. According to the tax group agreement, if the income derived by the respective entities during a financial year is positive, the entities have 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 compensation. Negative tax results are carried forward by the Group parent and will be deducted from positive tax results of the Group members in the future.

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 realize 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 unrealized 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 recognized 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 recognized 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 recognized as employee benefit expenses when they are due. Prepaid contributions are recognized 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 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 promise 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 January 1, 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 recognized in other comprehensive income. Actuarial gains and losses related to other long-term services are recognized in the income statement.

Past-service costs are recognized 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (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 recognized on the trade date, when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized 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 derecognized when it is extinguished, discharged, cancelled or expires.

Classification and Initial Measurement of Financial Assets

Financial assets are initially recognized 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:
– amortized 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 Amortized Cost

Financial assets are measured at amortized 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 amortized 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 program), 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 categorized 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 December 31, 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 debt instruments. 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 recognized 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 January 1, 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 recognized 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 amortized 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 amortized 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 reorganization.

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 recognized. 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 amortized cost are deducted from the gross carrying amount of the assets and recognized 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 Amortized Cost

The Group's debt investments at amortized cost are considered to have low credit risk and the loss allowance recognized 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 amortized cost using the effective interest method except for derivatives, which are carried at fair value with gains or losses recognized in the income statement (other than derivative financial instruments that are designated and effective as hedging instruments). Financial liabilities recognized 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 recognized less the cumulative income recognized according to IFRS 15.

All interest-related charges and, if applicable, changes in an instrument's fair value that are recognized 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, liabilities from financial guarantee contracts and parts of other liabilities and derivative financial instruments.

Derivatives and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative is entered into and are subsequently re-measured 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 recognized assets or liabilities or a firm commitment (fair value hedges),
- hedges of a particular risk associated with the cash flows of recognized 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 recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized 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 recognized 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 recognized.

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

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in OCI and accumulated in the reserve for unrealized exchange gains/losses. The gain or loss relating to the ineffective portion is recognized 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 recognized 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 recognized amounts and there is an intention to settle on a net basis or to realize 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 in the application areas Mobility, Energy, Consumer Products, Infrastructure, Advanced Products and Business Development. Since they have similar long-term growth rates and raw material economics, as well as demonstrate similarities in other aspects required by the Standard, they are accordingly reported as one segment to the Executive Board.

Base Chemicals – activities in this segment cover production and marketing of a wide range of base chemicals, such as phenol, acetone, ethylene, propylene and similar.

Borealis NITRO – until the sale of the Nitro segment on July 5, 2023, Borealis was also engaged in the production and marketing of fertilizers, technical nitrogen and melamine. These activities were carried out by two business units – Fertilizers and Melamine. Fertilizers and Melamine provided 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 had 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. The sale of Rosier was completed on January 2, 2023.

New Accounting Standards

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

In 2023, 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
New Standards and Interpretations			
IFRS 17	Insurance Contracts	January 1, 2023	January 1, 2023
Amended Standards			
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023	January 1, 2023
IAS 8	Definition of Accounting Estimates	January 1, 2023	January 1, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	January 1, 2023
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023	January 1, 2023

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.

Amendments to IAS 12: International Tax Reform Pillar Two Model Rules

In addition to the above-mentioned new and amended standards, the Borealis Group applies the mandatory temporary exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes as required by the amendment to IAS 12 effective for annual periods beginning on or after January 1, 2023.

The mandatory temporary exception applies retrospectively. The retrospective application does not have any impact on the Group's consolidated financial statements because no new legislation to implement the top-up tax was enacted or substantively enacted as of December 31, 2022, in any jurisdiction in which the Group operates and no related deferred tax was recognized at that date.

Amended Standards Not Yet Effective

A number of 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 amended standards on the consolidated financial statements.

Standards		IASB effective date	EU effective date
Amended Standards			
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024	January 1, 2024
IAS 1	Non-current Liabilities with covenants	January 1, 2024	January 1, 2024
IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024	January 1, 2024
IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements	January 1, 2024	
IAS 21	The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	January 1, 2025	

Amounts

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

1. Segment Reporting

EUR thousand	2023				
	Polyolefins	Base Chemicals	Borealis NITRO [1)]	Non-Allocated	Consolidated
Net sales by segment					
Total segment sales	5,687,200	4,339,017	688,404	193,604	10,908,225
Inter-segment sales		-3,137,600			-3,137,600
	5,687,200	**1,201,417**	**688,404**	**193,604**	**7,770,625**

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

	Polyolefins	Base Chemicals	Borealis NITRO [1)]	Non-Allocated	Consolidated
Segment result					
Operating profit	-78,781	162,223	-27,792	-65,017	-9,367
Measurement of discontinued operation and result from disposal			-76,785		-76,785
Net results of associated companies and joint ventures	-158,363	1,664	0	317,155	160,456
Gain from disposal of equity accounted investments					0
Financial result				42,893	42,893
Taxes on income				50,825	50,825
Non-controlling interests				38,461	38,461
Net profit for the year attributable to equity holders of the parent					**206,483**
Net sales by geographic segment (by delivery destination)					
EU countries	3,703,558	985,166	639,753	69,066	5,397,543
thereof Austria	125,334	0	119,145	58,457	302,936
Non-EU countries in Europe	760,551	175,955	40,888	28	977,422
US	254,934	35,844	3,795	11,747	306,320
Middle East and Asia	448,420	4,394	687	112,168	565,669
Other regions	519,737	58	3,281	595	523,671
	5,687,200	**1,201,417**	**688,404**	**193,604**	**7,770,625**

EUR thousand	31.12.2023				
Other information					
Segment assets	4,776,344	3,677,420	0	4,957,933	13,411,697
thereof Austria	2,158,394	1,450,631	0	4,839,841	8,448,866
Segment liabilities	0	0	0	4,185,362	4,185,362
Investments in property, plant and equipment	271,198	171,894	71,038	214,591	728,721
Depreciation, amortization and impairment	214,697	131,585	0	64,833	411,115

1) Borealis NITRO: Borealis Fertilizers, Melamine and Technical Nitrogen Products business unit.

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

EUR thousand	2022				
	Polyolefins	Base Chemicals	Borealis NITRO [1]	Non-Allocated	Consolidated
Net sales by segment					
Total segment sales	7,040,820	5,967,369	2,351,335	445,582	15,805,106
Inter-segment sales	0	-4,121,826	0	0	-4,121,826
	7,040,820	**1,845,543**	**2,351,335**	**445,582**	**11,683,280**

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

	Polyolefins	Base Chemicals	Borealis NITRO [1]	Non-Allocated	Consolidated
Segment result					
Operating profit	525,852	243,125	339,440	-27,251	1,081,166
Measurement of discontinued operation			266,344		266,344
Net results of associated companies and joint ventures	-58,246	401	0	454,958	397,113
Gain from disposal of equity accounted investments				604,171	604,171
Financial result				103,978	103,978
Taxes on income				-342,138	-342,138
Non-controlling interests				-2,532	-2,532
Net profit for the year attributable to equity holders of the parent					**2,108,102**
Net sales by geographic segment (by delivery destination)					
EU countries	4,667,610	1,327,787	2,161,658	257,179	8,414,234
thereof Austria	196,376	174	381,362	71,934	649,846
Non-EU countries in Europe	929,462	479,464	136,747	9,664	1,555,337
US	307,937	31,644	25,950	8,490	374,021
Middle East and Asia	560,295	6,436	3,359	133,023	703,113
Other regions	575,516	212	23,621	37,226	636,575
	7,040,820	**1,845,543**	**2,351,335**	**445,582**	**11,683,280**

EUR thousand	31.12.2022				
Other information					
Segment assets	4,788,230	3,549,352	848,815	5,498,979	14,685,376
thereof Austria	2,413,308	1,652,827	590,376	4,890,720	9,547,231
Segment liabilities	0	0	0	4,893,390	4,893,390
Investments in property, plant and equipment	149,720	158,394	126,396	232,147	666,657
Depreciation, amortization and impairment	172,838	131,303	0	48,150	352,291

1) Borealis NITRO: Borealis Fertilizers, Melamine and Technical Nitrogen Products business unit.

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

Reconciliation of reportable segments to the consolidated income statement EUR thousand	2023	2022
Total revenue for reportable segments	7,770,625	11,683,280
Elimination of discontinued operation	-688,473	-2,350,471
Net sales	**7,082,152**	**9,332,809**
Total profit for reportable segments	206,483	2,108,102
Non-controlling interests	-38,461	2,532
Elimination of discontinued operation	47,652	-497,502
Net profit for the year from continuing operations	**215,674**	**1,613,132**

2. Revenue from Contracts with Customers

EUR thousand	2023	2022
Revenue from contracts with customers	7,754,706	11,700,536
Revenue from other sources	15,919	-17,256
Net sales	**7,770,625**	**11,683,280**
Elimination of discontinued operation	-688,473	-2,350,471
Net sales from continuing operations	**7,082,152**	**9,332,809**

Borealis generates revenue primarily from the sale of Polyolefins and Base Chemicals to its customers. Revenue from other sources mainly includes gains/losses for realized cash flow hedges on net sales from foreign exchange forwards (see also note 19). Revenue from other sources relating to the discontinued operation amounted to EUR 1,108 thousand (EUR 2,505 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	2023				
	Polyolefins	Base Chemicals	Borealis NITRO [1]	Non-Allocated	Consolidated
EU countries	3,696,251	985,166	638,645	1,277	5,321,339
Non-EU countries in Europe	760,551	175,955	40,888	28	977,422
US	253,135	35,844	3,795	11,747	304,521
Middle East and Asia	443,933	4,394	687	112,168	561,182
Other regions	518,543	58	3,281	68,360	590,242
Revenue from contracts with customers	**5,672,413**	**1,201,417**	**687,296**	**193,580**	**7,754,706**
Revenue from other sources	14,787	0	1,108	24	15,919
Net sales (as reported in note 1)	**5,687,200**	**1,201,417**	**688,404**	**193,604**	**7,770,625**

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**

1) Borealis NITRO: Borealis Fertilizers, Melamine and Technical Nitrogen Products business unit.

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

EUR thousand	31.12.2023	31.12.2022
Receivables	600,266	788,440
Contract assets	7,856	8,139
Contract liabilities	42,868	50,182

Contract assets are included in other receivables and other assets, thereof EUR 0 thousand (EUR 0 thousand) current and EUR 7,856 thousand (EUR 8,139 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 recognized 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 realized during 2023.

3. Research and Development

At the end of the year, 579 employees (headcount) were engaged in research and development relating entirely to continuing operations (554 employees in 2022). The total cost of these activities including impairment costs, amounted to EUR 13,071 thousand compared to EUR 9,449 thousand in 2022 (see note 7). Internal development costs amounting to EUR 37,128 thousand (EUR 34,249 thousand) were capitalized as intangible assets.

4. Intangible Assets

EUR thousand	2023				
	Goodwill	Development costs	Capitalized software	Others	Total
Cost					
As of January 1	134,186	520,231	131,569	452,325	**1,238,311**
Exchange adjustments	-1,217	-1	16	-2,067	**-3,269**
Additions	0	59,850	4,422	169,946	**234,218**
Changes in consolidation scope	20,687	0	4	28,097	**48,788**
Disposals	-1,400	-563	-11,226	-133,714	**-146,903**
Transfers	0	-20,881	21,025	-37	**107**
As of December 31	**152,256**	**558,636**	**145,810**	**514,550**	**1,371,252**
Accumulated amortization					
As of January 1	1,400	319,036	102,382	181,543	**604,361**
Exchange adjustments	0	0	11	-294	**-283**
Disposals	-1,400	-563	-9,282	-2,291	**-13,536**
Amortization	0	19,425	14,115	15,786	**49,326**
Impairment	0	68	0	10,589	**10,657**
Transfers	0	0	0	-65	**-65**
As of December 31	**0**	**337,966**	**107,226**	**205,268**	**650,460**
Carrying amount as of January 1	132,786	201,195	29,187	270,782	**633,950**
Carrying amount as of December 31	**152,256**	**220,670**	**38,584**	**309,282**	**720,792**

EUR thousand	2022				
	Goodwill	Development costs	Capitalized software	Others	Total
Cost					
As of January 1	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 December 31	**134,186**	**520,231**	**131,569**	**452,325**	**1,238,311**
Accumulated amortization					
As of January 1	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**
Amortization	0	18,567	15,727	16,895	**51,189**
Impairment	0	2,969	0	0	**2,969**
As of December 31	**1,400**	**319,036**	**102,382**	**181,543**	**604,361**
Carrying amount as of January 1	132,248	190,832	33,851	301,712	**658,643**
Carrying amount as of December 31	**132,786**	**201,195**	**29,187**	**270,782**	**633,950**

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

Additions arising from internal development amounted to EUR 37,128 thousand (EUR 34,249 thousand). Intangible assets received by way of government grants as allowances for emissions (EU Emissions Trading System) amounted to EUR 120,369 thousand for the year 2023. Additionally, pending allowances for the year 2022 amounting to EUR 367 thousand (EUR 85,680 thousand in 2022 for 2021) were received during 2023. This was in addition to the previous year's free allocation of EUR 179,076 thousand. The emissions of the year 2022 were settled in April 2023. Emission rights purchased from external parties amounted to EUR 74 thousand (EUR 0 thousand) and returned certificates which were borrowed by external parties amounted to EUR 34,879 thousand (EUR 2,170 thousand). An equivalent of EUR 270,076 thousand (EUR 208,165 thousand) was returned to the respective EU ETS regulatory authorities for the emissions in 2022. For details on line transfers see note 5.

5. Property, Plant and Equipment

EUR thousand	2023			
	Production plants	Machinery and equipment	Construction in progress	Total
Cost				
As of January 1	5,911,890	123,702	1,277,834	**7,313,426**
Exchange adjustments	6,710	-237	-1,448	**5,025**
Additions	261,343	1,860	488,896	**752,099**
Changes in consolidation scope	40,506	1,585	8,031	**50,122**
Disposals	-97,248	-5,180	-9,508	**-111,936**
Transfers	238,638	8,404	-246,923	**119**
As of December 31	**6,361,839**	**130,134**	**1,516,882**	**8,008,855**
Accumulated depreciation				
As of January 1	4,057,696	95,510	0	**4,153,206**
Exchange adjustments	5,028	-151	0	**4,877**
Disposals	-94,378	-5,096	-8,686	**-108,160**
Depreciation	248,895	6,442	0	**255,337**
Impairment	14,170	0	8,686	**22,856**
Transfers	65	0	0	**65**
As of December 31	**4,231,476**	**96,705**	**0**	**4,328,181**
Carrying amount as of January 1	1,854,194	28,192	1,277,834	**3,160,220**
Carrying amount as of December 31	**2,130,363**	**33,429**	**1,516,882**	**3,680,674**

EUR thousand	2022			
	Production plants	Machinery and equipment	Construction in progress	Total
Cost				
As of January 1	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 December 31	**5,911,890**	**123,702**	**1,277,834**	**7,313,426**
Accumulated depreciation				
As of January 1	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 December 31	**4,057,696**	**95,510**	**0**	**4,153,206**
Carrying amount as of January 1	1,977,253	30,392	936,278	**2,943,923**
Carrying amount as of December 31	**1,854,194**	**28,192**	**1,277,834**	**3,160,220**

Production plants include the following carrying amounts: land amounting to EUR 36,962 thousand (EUR 34,811 thousand), buildings amounting to EUR 325,957 thousand (EUR 296,391 thousand), immovable machinery amounting to EUR 1,572,637 thousand (EUR 1,326,884 thousand) and immovable equipment amounting to EUR 194,807 thousand (EUR 196,108 thousand).

In 2023, borrowing costs amounting to EUR 15,973 thousand (EUR 13,978 thousand) have been capitalized, using an average interest rate of 1.5% (1.6%). Additions to property, plant and equipment that were not paid at the end of the reporting period amounted to EUR 24,736 thousand (EUR 1,174 thousand).

Additions comprise major projects advanced in 2023, 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 Energy segment by creating continuous production chains and improving quality control, and the debottlenecking project of the Kallo PP3 plant project to increase PP production capacity.

The line transfers show transfers of EUR 20,988 thousand (EUR 5,733 thousand) between property, plant and equipment and intangible assets and transfers of EUR 226 thousand (EUR 86 thousand) to right-of-use assets according to IFRS 16.

As of December 31, 2023, Borealis' contractual commitments amounted to EUR 205,977 thousand (EUR 165,294 thousand) for the acquisition of property, plant and equipment (see note 21). The main increase results from the new automotive compounding capacity in Schwechat, Austria, with capital commitments of EUR 46,668 thousand (EUR 0 thousand).

Assets Pledged

Assets pledged amounted to EUR 57,427 thousand (EUR 11,419 thousand) and relate to property, plant and equipment. The commitments covered by the above assets amounted to EUR 22,617 thousand (EUR 1,439 thousand) at the end of the year.

6. Leases

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

EUR thousand	31.12.2023	31.12.2022
Production plants	594,703	553,118
Machinery and equipment	67,501	46,018
Carrying amount	**662,204**	**599,136**

Additions to the right-of-use assets, including the effect of reassessed contracts, amounted to EUR 100,853 thousand (EUR 494,801 thousand) in 2023.

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 relate 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	31.12.2023	31.12.2022
Current lease liabilities	48,420	42,635
Non-current lease liabilities	630,430	563,239
Carrying amount	**678,850**	**605,874**

The lease liabilities are mainly driven by two material contracts, which together represent 66% (71%) 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	2023	2022
Included in production costs, sales and distribution costs, administration costs and R&D costs		
Depreciation charge of right-of-use assets	54,648	47,157
Production plants	35,282	31,358
Machinery and equipment	19,366	15,799
Impairment of right-of-use assets	11,816	0
Expense relating to short-term leases	5,961	4,349
Expense relating to leases of low value assets that are not shown above as short-term leases	1,095	684
Expense relating to variable lease payments not included in lease liabilities	1,620	1,294
Included in financial expenses		
Interest expense	11,732	8,310

The total cash outflow for leases was EUR 72,688 thousand (EUR 68,272 thousand) in 2023. For details on impairment of right-of-use assets, see note 7.

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 maximize 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 197,017 thousand (EUR 175,312 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 vessels 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 2023, the effect of reassessed contracts was EUR 0 thousand (EUR 3,410 thousand in 2022).

As of the reporting date, the Group has lease commitments in the amount of EUR 90,990 thousand (EUR 32,785 thousand) mainly within the scope of the long-term charter and gas storage contracts.

7. Depreciation, Amortization and Impairment

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

EUR thousand	2023	2022
Production costs [1]		
Depreciation and amortization	306,487	306,640
Impairment	35,108	3,900
Impairment reversal	0	-20,000
Sales and distribution costs		
Depreciation and amortization	36,817	35,609
Administration costs		
Depreciation and amortization	22,482	23,183
Impairment	1,762	0
Research & development costs [1]		
Impairment	8,459	2,887
Total	**411,115**	**352,219**

1) Reclassification for 2022 figures between Production costs and Research & development costs, total amount is unchanged.

On November 30, 2023, Borealis acquired an additional stake of 48.55% in Renasci N.V. (Renasci). The agreed purchase price per share was below the purchase price of the acquisition in January 2023 which qualifies as an impairment trigger. The purchase price was considered as the basis for the determination of the fair value less cost of disposal as recoverable amount. The re-assessment of the investment led to an impairment in the amount of EUR 34,377 thousand, which was allocated to intangible assets in the amount of EUR 8,391 thousand, production plants in the amount of EUR 14,170 thousand and right-of-use assets in the amount of EUR 11,816 thousand. Please refer also to notes 4, 5, 6, 9 and 18. Against the background of a delayed ramp-up of the production capacities, the new ownership structure enables Renasci to focus on its core business and leverage synergies across the Borealis Group.

Borealis has planned a project for a mechanical recycling plant based on our Borcycle™ M technology in Schwechat. Since 2022, external planning costs for this project in the define phase have been capitalized. The business case for this project was re-evaluated in 2023. The results showed that the balance between risks and returns was not sustainable. Hence, the decision was taken to stop all activities for this mechanical recycling plant at Borealis' production site in Schwechat, which led to an impairment of property, plant and equipment in the amount of EUR 6,978 thousand.

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.

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 impairment test for goodwill and fixed assets is prepared with the valuation date of November 30, 2023. The impairment test for at-equity consolidated entities is prepared with the valuation date of December 31, 2023.

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 2023

Segment	**Polyolefins**				
Cash-generating unit	Polyethylene	Polypropylene	Recyclates	Brazil [1)]	South Korea [1)]
Allocated goodwill in EUR thousand	50,687	42,387	33,695	4,348	21,027
Post-tax discount rate	7.5%	7.5%	7.3%	9.8%	7.5%
Growth rate	1.0%	1.3%	2.7%	2.7%	2.6%

1) The change in the allocated goodwill of the CGU compared to December 31, 2022, results entirely from foreign currency revaluation, since this unit is based on a functional currency.

Impairment test parameters 2022

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

In addition to the parameters above, sensitivities regarding discount rates are taken into consideration. An increase of 1% in the discount rate for the CGU Recyclates will result in an impairment of EUR 1,842 thousand. Additionally, a stress case test was performed for the CGUs Polyethylene and Polypropylene with regards to adverse development of oil price.

In an accelerated decarbonization scenario ensuring the reaching of the climate goals according to the Paris Agreement, Borealis' management would not see any negative effects on the overall demand for polyolefin solutions. Pricing of polyolefin is mainly driven by base chemical markets like naphtha, ethane and propane etc. An accelerated change in the world's energy landscape might lead to different price movements in those relevant base chemicals, temporarily affecting the profitability of some assets in the polyolefin value chain. Driven by the expected strong demand for polyolefin solutions, Borealis' management does not see any substantial negative effects on the overall integrated value chain.

8. Changes in consolidation scope

8.1. Sale of Borealis NITRO

The divestment process of the Borealis nitrogen business unit including fertilizers, technical nitrogen and melamine products (Borealis NITRO) commenced in the first quarter of 2021. This led to the reclassification of the Borealis NITRO disposal group to assets and liabilities held for sale as of March 31, 2021, without having an impact on the income statement at that time. The Group analyzed the component held for sale and determined that this represents a separate major line of business, which is why it is reported as a discontinued operation. The Company's share in fertilizer production sites in the Netherlands and Belgium ("Rosier") was not considered part of the potential sales process at that time and its assets and related liabilities did 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 June 2, 2022 Borealis received a new binding offer from AGROFERT, a.s. (Agrofert), for which the business was valued on an enterprise value basis at EUR 810,000 thousand. Borealis accepted this offer on July 28, 2022, after the mandatory information and consultation procedures with employee representatives had been finalized. 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. During June 2023, Borealis and Agrofert entered into three amendment agreements related to the transaction. As of June 30, 2023, all necessary regulatory approval had been obtained and the final preparatory steps for the closing of the transaction were started.

The sale of Borealis NITRO was completed on July 5, 2023. Following the completion of the sale, Borealis no longer holds any shares in Borealis NITRO. For further information on the companies included in this disposal group, please refer to note 9 and note 33.

As of December 31, 2023, the process of agreeing on the final closing accounts (and in consequence the final purchase price) is still ongoing between Borealis and Agrofert. The transaction led to a net cash inflow of EUR 660,691 thousand in 2023, consisting of EUR 849,010 thousand net consideration received less EUR 188,319 thousand cash disposed. The transaction-related agreements stipulate additional payments between buyer and seller during future periods, including deferred instalments of the purchase price. As of December 31, 2023, related assets amounted to EUR 60,520 thousand and are included under other receivables and other assets (thereof EUR 1,777 thousand non-current). Related liabilities amounted to EUR 28,226 thousand and are included under non-current other liabilities.

Losses of EUR 76,785 thousand on the disposal of Borealis NITRO's assets and liabilities were recognized in 2023. This included impairment losses of EUR 69,960 thousand from the re-measurement of the NITRO disposal group at fair value less cost to sell, recognized prior to completion and applied to reduce the carrying amount of property, plant and equipment within the Borealis NITRO disposal group. The remaining losses largely arose from the work on the closing accounts and determination of the final purchase price and from the fair-value re-measurement of receivables related to certain pass-through elements under the Share Purchase Agreement.

Furthermore, tax income of EUR 55,041 thousand (tax expense of EUR 78,899 thousand) has been recognized in the profit from discontinued operation. This includes deferred tax income related to a re-measurement of the expected liquidation loss of Borealis France S.A.S., which owns the French companies in the Borealis NITRO disposal group. It also includes tax income arising from the re-measurement of tax liabilities for the sale of Austrian companies in the Borealis NITRO disposal group.

The results of the discontinued operation are shown in the table below, whereas 2023 relates to the period until disposal:

EUR thousand	2023	2022
Total sales	688,473	2,374,822
Elimination of inter-segment revenue	0	-24,351
Net sales	**688,473**	**2,350,471**
Other operating income	71,764	261,990
Total sales and other income	**760,237**	**2,612,461**
Total expenses	-787,126	-2,258,818
Elimination of inter-segment expenses	0	24,351
Expenses	**-787,126**	**-2,234,467**
Operating (loss) profit	**-26,889**	**377,994**
Financial result	335	2,808
Measurement of discontinued operation and result from disposal	-76,785	266,344
Profit (loss) before taxation	**-103,339**	**647,146**
Taxes on income	646	-70,745
Taxes on measurement of discontinued operation	55,041	-78,899
Profit (loss) from discontinued operation, net of tax	**-47,652**	**497,502**
Attributable to:		
Non-controlling interests	0	0
Equity holders of the parent	-47,652	497,502

The following table shows the effect of the Borealis NITRO disposal on the Group's financial position.

EUR thousand	2023
Intangible assets	-125,950
Property, plant and equipment	-628,177
Right-of-use assets	-25,168
Investments in associated companies and joint ventures	-3,266
Other investments	-16,103
Other receivables and other assets (non-current)	-9,133
Deferred tax assets	-1,461
Inventories	-139,079
Trade receivables	-118,053
Income tax receivables	-11,159
Other current receivables and other current assets	-122,847
Cash and cash equivalents	-188,319
Non-current lease liabilities	6,139
Non-current deferred tax liabilities	27,559
Non-current employee benefits	46,626
Non-current provisions	24,961
Other non-current liabilities	3,987
Current lease liabilities	3,685
Trade payables	164,099
Current income taxes	58,587
Current provisions	13,924
Other current liabilities	145,701
Net assets and liabilities	**-893,447**
Consideration received, satisfied in cash	849,010
Cash and cash equivalents disposed of	-188,319
Net cash inflows	**660,691**

8.2. Sale of Rosier

On September 26, 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. (Rosier). 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 for the year 2022. 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 a geographical area of operations for Borealis. The Group therefore concluded not to report Rosier as a discontinued operation.

The sale of Borealis' 98.09% participation in Rosier S.A. (Rosier) to YILDIRIM Group was completed on January 2, 2023. Following the completion of the sale, Borealis no longer holds any shares in Rosier. Related to the preparation of the closing accounts and the determination of the final purchase price, losses of EUR 2,716 thousand on the disposal of Rosier's assets and liabilities were recognized as part of production costs during the first six months of 2023.

The following table shows the effect of the Rosier disposal on the Group's financial position. The deconsolidated assets and liabilities relate to Rosier and its fully owned subsidiaries, Rosier France S.A.S. and Rosier Nederland B.V.

EUR thousand	**2023**
Intangible assets	-47
Property, plant and equipment	-3,217
Right-of-use assets	-1,049
Deferred tax assets	-852
Inventories	-32,562
Trade receivables	-8,396
Other current receivables and other current assets	-1,520
Cash and cash equivalents	-4,194
Non-current lease liabilities	749
Provisions	635
Other non-current liabilities	29
Current lease liabilities	375
Trade payables	9,204
Other current liabilities	2,432
Net assets and liabilities	**-38,413**
Consideration received, satisfied in cash	34,942
Cash and cash equivalents disposed of	-4,194
Net cash inflows	**30,748**

8.3. Business Combination Renasci

On January 11, 2023, Borealis via Borealis Circular Solutions Holding GmbH, Vienna, Austria, acquired an additional stake of 22.59% of the shares in Renasci N.V. (Renasci). The increased shareholding was achieved by means of a capital contribution for newly issued shares and through the purchase of shares from the sellers, Ouroboros Invest N.V. and Carlo Vermeersch, both based in Belgium.

Together with a shareholding of 27.42% already owned before the acquisition in January 2023, Borealis became the majority owner of Renasci, holding 50.01% of the share capital in total.

Following the step acquisition, Borealis holds a majority of shares, which all have the same rights. Borealis obtained power and control of Renasci, as the relevant activities are firstly directed by voting rights and veto rights are protective rights according to IFRS 10 only. Hence, Borealis obtained control of Renasci in line with IFRS 10, which led to the discontinuation of the use of the equity method according to IAS 28 and the application of the rules for business combinations according to IFRS 3.

Renasci introduces an innovative process that combines multiple compatible waste treatment technologies, allowing for maximum material and energy recovery. The process offers a totally new approach to waste processing by converting plastic containing waste streams such as demolition waste and specific household waste streams into usable end products, instead of sending them to landfill.

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

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

EUR thousand	Fair value recognized on acquisition
Assets	
Non-current assets	
Intangible assets	19,343
Property, plant and equipment	34,961
Right-of-use assets	28,340
Investments in associated companies and joint ventures	52,500
Current assets	
Inventories	416
Trade receivables	2,222
Other receivables and other assets	183
Cash and cash equivalents	7,037
Total assets acquired	**145,002**
Liabilities	
Non-current liabilities	
Loans and borrowings	14,998
Lease liabilities	23,285
Deferred tax liabilities	4,357
Other liabilities	9,823
Current liabilities	
Loans and borrowings	5,279
Lease liabilities	2,519
Trade payables	4,000
Other liabilities	224
Total liabilities	**64,485**
Total identifiable assets fair value	**80,517**
Attributable to Borealis	40,266
Fair value of interests previously held	24,766
Consideration transferred	15,500
Percentage acquired	22.59%

The recognized assets and liabilities relate to Renasci and its fully owned subsidiaries Renasci Oostende Holding N.V., Renasci Oostende Recycling N.V. and Renasci Oostende SCP N.V. The consideration transferred for 22.59% of the share capital of Renasci comprised a cash payment of EUR 10,500 thousand for the purchase of 35,719 shares and a capital contribution for newly issued shares of EUR 5,000 thousand, both in January 2023. The cash acquired with this acquisition amounted to EUR 7,037 thousand, resulting in a net cash outflow on the acquisition of EUR 8,463 thousand. The transaction costs amounted to EUR 212 thousand in total, of which EUR 107 thousand were expensed in 2023 and are included in administrative costs in the income statement. They are also part of operating cash flows in the statement of cash flows for the year 2023.

The fair value of the trade receivables acquired through the business combination amounted to EUR 2,222 thousand and have been collected in full. From the date of the acquisition until the reporting date, Renasci contributed EUR 1,187 thousand in revenue and EUR -79,854 thousand to the net result of the Group.

The fair value re-measurement of the interests previously held led to an expense of EUR 20,433 thousand which has been considered in the line item “Financial expenses” in the consolidated income statement. For more details see note 18.

Following the acquisition of the majority stake in the first half of the year 2023, Borealis via Borealis Circular Solutions Holding GmbH, Vienna, Austria, acquired an additional stake of 48.55% of the shares in Renasci on November 30, 2023. The additional shareholding was acquired from the previous shareholders Ouroboros Invest NV, Vlaamse Energieholding BV, Carlo Vermeersch, VCA Invest BV and VNI Invest BV, all based in Belgium. Together with this acquisition, Borealis has a total shareholding of 98.56% as per year end. As the agreed price per share was below the purchase price of the acquisition back in January 2023, an impairment trigger was identified. For more details, see note 7.

8.4. Business Combination Rialti

On October 31, 2023, Borealis via Borealis AG, Vienna, Austria, acquired 100% of the shares of Rialti S.p.A., Taino, Italy (Rialti) from the Sagittarius Holding S.r.l. (the seller).

Rialti is one of the European market leaders specializing in the production of sustainable polypropylene (PP) compounds with a focus on mechanically recycled PP feedstock from post-industrial and post-consumer waste. With over thirty years’ experience, Rialti utilizes its annual capacity of 50,000 metric tons to make injection molding and extrusion PP compounds with applications in different industries, including automotive, appliances and construction.

The acquisition will bring significant expertise and capacity to Borealis, expanding its PP compounding business and, in particular, increasing its volume of PP compounds based on mechanical recyclates. The improved capacity will strengthen Borealis' specialty and circular portfolios, enabling the company to meet customer demand for an ever-wider range of sustainable, high-performance solutions.

The acquisition has been accounted for using the acquisition method. The acquisition date fair value of the acquired assets and liabilities is preliminary in the items tangible and intangible assets as well as loans and borrowings, linked to that also deferred tax assets, and may be adjusted as additional information is obtained. The consolidated financial statements include the results of Rialti for the two-month period from the acquisition date.

Assets acquired and liabilities assumed

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

EUR thousand	Fair value recognized on acquisition
Assets	
Non-current assets	
Tangible assets	15,161
Intangible assets	8,759
Right-of-use assets	843
Other receivables and other assets	122
Deferred tax assets	52
Current assets	
Inventories	7,296
Trade receivables	13,765
Other receivables and other assets	491
Cash and cash equivalents	10,963
Total assets acquired	**57,452**
Liabilities	
Non-current liabilities	
Loans and borrowings	1,792
Lease liabilities	852
Employee benefits	1,143
Current liabilities	
Loans and borrowings	1,528
Trade payables	5,845
Income taxes	1,104
Other liabilities	1,212
Total liabilities	**13,476**
Total identifiable assets fair value	**43,976**
Total purchase price consideration	64,663
Goodwill arising on acquisition	20,687
Percentage acquired	100%

The total acquisition costs of 100% of the share capital of Rialti comprised an initial cash payment in October 2023 of EUR 56,663 thousand, contingent considerations of EUR 8,000 thousand and costs of EUR 1,194 thousand directly attributable to the acquisition (thereof EUR 813 thousand in 2023). The cash acquired with this acquisition amounted to EUR 10,963 thousand, resulting in net cash outflow on the acquisition of EUR 45,485 thousand in 2023. The transaction costs have been expensed and are included in administrative expenses in the income statement and are part of operating cash flows in the statement of cash flows.

Borealis agreed with the seller to transfer two additional considerations up to a total maximum amount of EUR 8,000 thousand to the seller if the agreed requirements are met. Borealis has recognized the full amount as part of the purchase price at closing, since the management was certain that the requirements will be met. As of December 31, 2023, the aforementioned assumption remained unchanged.

As of December 31, 2023, EUR 8,146 thousand has been collected from the trade receivables acquired through the business combination, which had a fair value of EUR 13,765 thousand. From the date of the acquisition until the year end, Rialti contributed EUR 4,662 thousand in revenue and EUR 5 thousand to the net result of the Group. If the combination had taken place at the beginning of the year, the revenue contribution from Rialti would have been EUR 54,711 thousand and the contribution to the net result would have been EUR 5,117 thousand.

The goodwill of EUR 20,687 thousand comprises the value of the expected synergies and other benefits from combining the assets and activities of Rialti with those of Borealis and has been allocated to the cash generating unit Polypropylene. None of the recognized goodwill is deductible for income tax purposes.

8.5. Other Changes

Residual changes of subsidiaries in 2023 are summarized below.

Following the acquisition of 0.25% of the shares in DYM SOLUTION CO., in 2023, Borealis has a 100% shareholding at the reporting date.

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

9. Investments in Associated Companies and Joint Ventures

	Shares in associated companies and joint ventures	
EUR thousand	**2023**	**2022**
Carrying amount as of January 1	2,796,851	2,526,406
Exchange adjustments	-97,499	165,067
Changes in consolidation scope - additions	52,500	0
Changes in consolidation scope - disposal	-24,766	0
Investments and aquisitions	93,956	433,044
Disposals	-1,250	-166,229
Dividends received	-454,887	-565,892
Impairments	-43,724	0
Net results of associated companies and joint ventures	160,456	397,113
Changes in equity reserves	-2,379	7,342
Carrying amount as of December 31	**2,479,258**	**2,796,851**

Borealis acquired additional stakes in Renasci N.V. (Renasci) in 2023. Borealis now has control and Renasci is no longer classified as an associated company. Part of the identified assets of Renasci are shares in associated companies: 21.25% share in BlueAlp Holding B.V., based in Groot-Ammers (the Netherlands) and a 25% share in Petrogas International B.V. based in Eindhoven (the Netherlands). For further information on the business combination for Renasci, please refer to note 8.3.

The impairments have been considered in the line item "Financial expenses" in the consolidated income statement. For further information, please refer to notes 7, 8.3 and 18.

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

EUR thousand	2023	2022
Non-material associated companies	33,506	48,407
Material joint ventures		
Borouge PLC	1,475,432	1,651,574
Bayport Polymers LLC (Baystar)	585,641	673,916
Non-material joint ventures	384,679	422,954
Carrying amount as of December 31	**2,479,258**	**2,796,851**

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" from 2022 onwards. Borouge 4 LLC (Borouge 4) with a carrying amount of EUR 360,759 thousand is considered as a non-material joint venture as Borouge 4 is a growth project and does not contribute any material results to the Group yet.

The investment in Kilpilahden Voimalaitos Oy is part of the Base Chemicals segment. The shares in Bayport Polymers LLC (Baystar) and BlueAlp Holding B.V. are 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:

		Ownership in %	
Associated companies	**Country**	**2023**	**2022**
AZOLOR S.A.S. [1) 2)]	France	–	34.00
BlueAlp Holding B.V.	The Netherlands	21.25	–
Chemiepark Linz Betriebsfeuerwehr GmbH [1) 2)]	Austria	–	47.50
Franciade Agrifluides S.A.S. (FASA) [1) 2)]	France	–	49.98
Industrins Räddningstjänst i Stenungsund AB [1)]	Sweden	25.00	25.00
Kilpilahden Voimalaitos Oy	Finland	20.00	20.00
Neochim AD [2)]	Bulgaria	–	20.30
Petrogas International B.V.	The Netherlands	25.00	–
Renasci N.V. [3)]	Belgium	–	27.42
Société d'Intérêt Collectif Agricole Laignes Agrifluides (SICA Laignes Agrifluides) [1) 2)]	France	–	49.90
Société d'Intérêt Collectif Agricole par Actions Simplifiée de Gouaix (SICA de Gouaix) [1) 2)]	France	–	25.00

1) Excluded from consolidation at equity due to immateriality // 2) Divestment of Borealis NITRO companies in 2023 // 3) Subsidiary since January 11, 2023

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

EUR thousand	2023	2022
Net profit for the year	1,088	-2,763
Other comprehensive income	0	0
Total comprehensive income	**1,088**	**-2,763**

Joint Ventures

The Group has the following investments in joint ventures:

		Ownership in %	
Joint ventures	**Country**	**2023**	**2022**
Borouge Pte. Ltd.	Singapore	45.76	45.76
Borouge PLC	United Arab Emirates	36.00	36.00
Borouge 4 LLC	United Arab Emirates	40.00	40.00
Bayport Polymers LLC (Baystar)	US	50.00	50.00
BTF Industriepark Schwechat GmbH [1)]	Austria	50.00	50.00
Recelerate GmbH [1)]	Germany	50.00	50.00
C2PAT GmbH [1)]	Austria	25.00	25.00
C2PAT GmbH & Co KG [1) 2)]	Austria	–	25.00
PetroPort Holding AB	Sweden	50.00	50.00

1) Excluded from consolidation at equity due to immateriality // 2) C2PAT GmbH & Co KG has been merged into C2PAT GmbH as of December 31, 2023.

Material Joint Venture Borouge PLC

Borouge investments 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.

Shares of Abu Dhabi Polymers Company Limited, United Arab Emirates were transferred into Borouge PLC before the ADX listing of Borouge PLC in 2022. The following tables illustrate the full summarized financial information for Borouge PLC in 2023, for 2022, the table illustrates the required financial information for Abu Dhabi Polymers Company Limited until May 31, 2022, and for Borouge PLC starting from June 1, 2022:

	Abu Dhabi Polymers Company Limited	
EUR thousand	**2023**	**2022**
Net sales	0	2,141,639
Depreciation, amortization, impairments and write-ups	0	-193,554
Interest income	0	295
Interest expenses	0	-19,980
Taxes on income and profit	0	-250,003
Net profit for the year	0	489,098
Other comprehensive income	0	0
Total comprehensive income	**0**	**489,098**
Dividends received by Borealis from Borouge	0	411,397

	Borouge PLC	
EUR thousand	**2023**	**2022**
Non-current assets	6,270,961	6,842,022
Current assets	1,823,062	2,757,735
thereof cash and cash equivalents	320,290	1,072,417
Non-current liabilities	-3,165,188	-4,069,809
thereof non-current financial liabilties (excl. other liabilities and provisions)	-2,988,327	-3,884,196
Current liabilities	-814,956	-964,413
thereof current financial liabilities (excl. trade payables, other liabilities and provisions)	-7,535	-4,213
Equity	**4,113,879**	**4,565,535**
Borealis share	36%	36%
Share of net assets	1,480,997	1,643,593
Adjustments	-5,565	7,981
Carrying amount as of December 31	**1,475,432**	**1,651,574**
Net sales	5,355,909	3,795,965
Depreciation, amortization, impairments and write-ups	-529,150	-324,168
Interest income	24,799	18,750
Interest expenses	-204,299	-91,017
Taxes on income and profit	-370,233	-270,499
Net profit for the year	918,343	707,922
Other comprehensive income	-6,075	19,618
Total comprehensive income	**912,268**	**727,541**
Dividends received by Borealis from Borouge	438,610	118,346
Market capitalization as of December 31	18,294,835	19,413,842

Material Joint Venture Baystar

Baystar passed a most significant milestone in October 2023 with the start-up of the new 625,000 metric ton/year Borstar® polyethylene (PE) 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 also started its operation of the new one million metric ton/year ethane cracker at Port Arthur, Texas, US in 2022. This cracker is processing ethane, which is abundantly available and competitively priced in the US and will supply our Baystar PE units.

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

EUR thousand	2023	2022 1)
Non-current assets	3,893,727	4,002,027
Current assets	351,703	188,084
thereof cash and cash equivalents	41,273	30,326
Non-current liabilities	-2,683,318	-2,442,668
thereof non-current financial liabilties (excl. other liabilities and provisions)	-2,681,093	-2,441,217
Current liabilities	-342,711	-351,791
thereof current financial liabilities (excl. trade payables, other liabilities and provisions)	-194,597	-205,523
Equity	**1,219,401**	**1,395,652**
Borealis share	50%	50%
Share of net assets	609,700	697,826
Adjustments	-24,059	-23,910
Carrying amount as of December 31	**585,641**	**673,916**
Net sales	576,947	600,718
Depreciation, amortization, impairments and write-ups	-134,585	-62,217
Interest income	2,405	991
Interest expenses	-107,024	-22,824
Taxes on income and profit	-176	-1,070
Net profit for the year	-316,654	-116,492
Other comprehensive income	0	0
Total comprehensive income	**-316,654**	**-116,492**
Dividends received by Borealis from Baystar	0	0

1) The 2022 balance sheet figures for Baystar have been updated as the figures reported in 2022 were preliminary.

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

EUR thousand	2023	2022
Net profit for the year	-12,908	7,631
Other comprehensive income	-191	280
Total comprehensive income	**-13,099**	**7,910**

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 include interests in infrastructure companies in Germany and the participation in Bockatech Limited, a UK-based company. Bockatech Limited commercializes Bockatech EcoCore, which is a patented manufacturing technology for foamed articles, using Borealis HMS (high melt strength) polypropylene. Other investments also include subsidiaries that are not consolidated on a materiality basis and which are mainly distribution and blending entities (see note 28).

The non-current other receivables and other assets mainly consist of 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 Bayport Polymers LLC amounting to EUR 697,633 thousand (EUR 653,994 thousand), with Borouge 4 LLC amounting to EUR 150,790 thousand (EUR 0 thousand) and with Kilpilahden Voimalaitos Oy amounting to EUR 52,470 thousand (EUR 40,022 thousand). For further details, please refer to note 30.

As part of its chemical recycling strategy, Borealis has made payments of EUR 11,500 thousand to its associated company BlueAlp Holding B.V. (BlueAlp) as pre-payment for license fees in connection with future plants. Borealis initiated a project to develop a plant based on BlueAlp technology at its site in Stenungsund, Sweden. The project was not transitioned into the next engineering phase, as the feasibility study revealed insufficient project economics and high risks at this stage. As a consequence, the timeline for building of future plants envisaged by the agreement will not be met. Therefore the payments of EUR 11,500 thousand to BlueAlp have been written off.

Other current receivables also include receivables related to the sale of Borealis NITRO amounting to EUR 58,743 thousand (see note 8.1).

11. Taxation

EUR thousand	2023	2022
Taxes		
Income tax payable	-22,078	-186,171
Change in deferred tax	14,342	-3,281
Adjustment to prior year’s tax charge	2,874	-3,042
Taxes on income	**-4,862**	**-192,494**

Out of the total income tax payable of EUR 22,078 thousand (EUR 186,171 thousand), an amount of EUR 1,141 thousand (EUR 166,454 thousand) relates to income tax payable accrued by members of the Austrian tax group headed by OMV Aktiengesellschaft.

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

EUR thousand	2023		2022	
Tax expenses at statutory rates (weighted average tax rate of the Group)	**24%**	**53,823**	**25%**	**452,151**
Tax effect of result in associated companies	-33%	-72,059	-7%	-117,530
Tax effect of gain from disposal of equity accounted investments	0%	0	-8%	-151,043
Tax effect of permanent differences	-2%	-3,531	0%	6,440
Adjustment of valuation allowance/reassessment of unrecognized tax assets	17%	37,392	0%	2,944
Prior year's adjustments and other effects	-5%	-10,763	0%	-468
Taxes on income	**2%**	**4,862**	**11%**	**192,494**

The effective tax rate for 2023 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 recognized.

	Balance sheet		Income statement	
EUR thousand	**2023**	**2022**	**2023**	**2022**
Deferred tax assets				
Property, plant and equipment	6,819	4,182	2,643	-175
Intangible assets	1,479	318	1,173	-692
Adjusted depreciation for tax purposes	**8,298**	**4,500**		
Revaluation of cash flow hedges	4,295	0	945	-2,168
Net gain on hedge of a net investment	11,033	12,348	0	0
Valuation of inventories for tax purposes	9,970	8,456	1,587	15,260
Fair values compared to tax values	**25,298**	**20,804**		
Interest-bearing liabilities	150,765	140,915	9,846	99,764
Employee benefits	47,199	51,142	-7,633	2,485
Other provisions	7,639	5,548	2,058	-3,199
Financial assets	3,445	3,677	-232	-290
Tax impairments according to Section 12 (3)(2) of the Austrian Corporate Income Tax Act (KStG)	13,218	882	12,336	-329
Other assets and liabilities	16,072	4,491	11,647	2,272
Other timing differences	**225,770**	**206,655**		
Losses available for offsetting against future taxable income	**324,673**	**313,548**	-8,294	198,522
Netting with deferred tax liabilities	**-484,300**	**-521,713**		
Deferred tax assets	**112,307**	**23,794**	**26,076**	**311,450**

	Balance sheet		Income statement	
EUR thousand	**2023**	**2022**	**2023**	**2022**
Deferred tax liabilities				
Property, plant and equipment	-370,340	-342,061	-28,078	-98,710
Intangible assets	-71,279	-54,618	-16,661	1,653
Accelerated/adjusted depreciation for tax purposes	**-441,619**	**-396,679**		
Revaluation of cash flow hedges	0	-74,964	13,968	2,185
Valuation of inventories for tax purposes	-16,030	-14,224	-1,806	-3,644
Fair values compared to tax values	**-16,030**	**-89,188**		
Interest-bearing liabilities	-11,160	-12,348	1,188	-3,105
Employee benefits	-9,950	-11,559	1,609	-5,983
Other provisions	0	-71	71	464
Financial assets	-168,316	-187,984	13,432	-187,816
Other assets and liabilities	-30,158	-38,618	4,543	-19,775
Other timing differences	**-219,584**	**-250,580**		
Tax effect on outside basis difference	**0**	**-49,980**	0	0
Netting with deferred tax assets	**484,300**	**521,713**		
Deferred tax liabilities	**-192,933**	**-264,714**	**-11,734**	**-314,731**
Net tax asset/liability	**-80,626**	**-240,920**	**14,342**	**-3,281**

Out of the deferred tax assets recognized for losses available for offsetting against future taxable income, an amount of EUR 5,942 thousand (EUR 0 thousand) relates to a carry forward of negative tax results of a member of the Austrian tax group headed by OMV Aktiengesellschaft.

Deferred tax assets of EUR 129,965 thousand (EUR 110,546 thousand) on the expected liquidation loss of a French entity which owned the French companies have been recognized as losses available for offsetting against future taxable income. As this liquidation loss is related to the Borealis NITRO disposal, the resulting gain has been recognized in the Consolidated Income Statement in the line item Profit (loss) from discontinued operation, net of tax.

In 2022, deferred tax liabilities on outside basis differences of EUR 49,980 thousand arising from the sale of Austrian companies in the course of the Borealis NITRO disposal have been recognized. As the sale materialized in 2023, this deferred tax liability has been reverted. The resulting tax burden from the sale of those companies has been expensed via the line item “Income tax payable” in the Consolidated Income Statement in 2023.

In addition to capitalized tax assets, the Group has unrecognized tax losses amounting to EUR 771,373 thousand (EUR 496,458 thousand) and unrecognized temporary differences of EUR 29,292 thousand (EUR 0 thousand), where current forecasts indicate insufficient future profits in the foreseeable future, thus resulting in unrecognized tax assets of EUR 199,329 thousand (EUR 137,295 thousand). The losses carried forward have no expiry date.

EUR thousand	2023	2022
Deductible temporary differences	7,323	0
Tax losses carried forward	192,006	137,295
Total unrecognized net tax assets	**199,329**	**137,295**

The recognized deferred tax assets are expected to be utilized 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 17,325 thousand (EUR 257 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 recognized in accordance with IAS 12.39 Income Taxes.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which Borealis operates. Under the legislation, the parent company will be required to pay a top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. The legislation will be effective for Borealis' financial year beginning on January 1, 2024. The Group is within the scope of the enacted or substantively enacted legislation and has performed an assessment of the potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements of the constituent entities as well as on the mid-term planning data. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15% and no material exposure to Pillar Two income taxes is expected.

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	2023	2022
Finished products	887,421	1,008,200
Raw materials and consumables	415,885	471,316
Total	**1,303,306**	**1,479,516**

The costs for the consumption of inventories recognized during the period in the income statement amounted to EUR 5,769,929 thousand (EUR 8,715,664 thousand), including impairment costs of EUR 30,969 thousand (EUR 67,986 thousand).

13. Equity

Share Capital and Contributions by Shareholders

EUR thousand	Share capital 2023	Share capital 2022	Contributions by shareholders 2023	Contributions by shareholders 2022
Balance as of January 1	300	300	1,599,097	1,599,097
Capital increase (decrease)	0	0	0	0
Balance as of December 31	**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, and
– 25.00% by MPP Holdings GmbH, Trabrennstrasse 6–8, 1020 Vienna, Austria.

A 3.33% share in Borealis AG was transferred from Abu Dhabi National Oil Company (ADNOC) P.J.S.C., P.O. Box 898, Abu Dhabi, United Arab Emirates to MPP Holdings GmbH, Trabrennstrasse 6-8, 1020 Vienna, Austria on December 26, 2023.

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 -2% (-1%), significantly below the target range. This gearing reflects a very strong balance sheet.

Other

The effect from changes in the consolidation scope for 2023 in the Consolidated Statement of Changes in Equity relates to the sale of Rosier S.A., the sale of Borealis NITRO and the acquisition of Renasci N.V. For further details, please refer to note 8.

A resolution was passed to distribute EUR 400,000 thousand in 2023 from the 2022 result; EUR 13,333 thousand thereof has not yet been paid to the shareholders (ADNOC) and is included in the balance sheet item Other liabilities.

As of December 31, 2022, the cumulative amount recognized in other comprehensive income from the disposal group was EUR -20,636 thousand, thereof EUR -877 thousand related to items that may be reclassified subsequently to the income statement. In 2023, the disposals are included in the line Changes in the consolidation scope.

14. Personnel and Share Based Payments

EUR thousand	2023	2022
Personnel expenses		
Salaries and wages	504,998	475,818
Costs of defined contribution plans	29,618	28,859
Costs of defined benefit plans and other long-term employee benefits	30,899	26,828
Social security costs	116,083	110,594
Other personnel expenses	28,484	28,073
Total	**710,082**	**670,172**

Costs of defined benefit plans and other long-term employee benefits are recognized in the production costs at EUR 26,747 thousand (EUR 23,904 thousand), sales and distribution costs at EUR 2,918 thousand (EUR 2,177 thousand), administration costs at EUR 1,178 thousand (EUR 719 thousand) and research and development costs at EUR 56 thousand (EUR 28 thousand).

Number of employees (headcount) by country as of December 31	2023	2022 continuing operations	2022 Total
Austria	1,492	1,432	2,274
Belgium	1,311	1,235	1,343
Finland	953	938	938
France	0	0	876
Sweden	1,002	979	979
Other Europe	698	607	799
Non-Europe	487	440	440
Total	**5,943**	**5,631**	**7,649**

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

EUR thousand	2023	2022
Salaries management (Executive Board)	8,194	6,461
Pension and severance costs management (Executive Board)	613	580
Salaries other key management	2,412	1,951
Pension and severance costs other key management	126	131
Total	**11,345**	**9,123**

From the salaries of the Executive Board of EUR 8,194 thousand (EUR 6,461 thousand), EUR 1,696 thousand (EUR 265 thousand) were paid to former members of the Executive Board.

From the pension and severance costs of the Executive Board of EUR 613 thousand (EUR 580 thousand), EUR 42 thousand (EUR 0 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. All LTI plans are classified as cash-settled share-based payment transactions. At vesting date, shares of the ultimate parent (OMV Aktiengesellschaft) 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 Performance Criteria and their corresponding weightings for the Executive Board Members and selected Senior Managers are defined in the Remuneration Policy and are as follows: Relative Total Shareholder Return (30%), Organic Free Cash Flow (35%) and company specific targets including ESG (35%); and are updated for the yearly plan ahead. Based on predefined criteria (e.g., fatalities, TRIR, process safety – also in comparison to industry benchmarks), a Health & Safety Malus of between 0.8 and 1.0 is applied to the overall target achievement for Executive Board Members. In case of severe incidents, the Remuneration Committee may reduce the payout to zero. The defined performance criteria may not be amended during the performance period of the LTI plans. However, in order to maintain the incentivizing character of the program, 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 of the ultimate parent.

Executive Board members as active participants of the plans are required to build up an appropriate volume of shares of the ultimate 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 fulfillment 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 Aktiengesellschaft.

The fair value of the liability for the LTI plans is measured at each reporting date and at the settlement date and is recognized over the vesting period. Total expenses relating to share-based payment transactions amounted to EUR 3,178 thousand (EUR 7,874 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	2023	2022
Pensions and other post-employment benefit plans		
Present value of funded defined benefit pension plans	283,276	270,801
Fair value of plan assets	-214,293	-184,528
Deficit of funded defined benefit pension	68,983	86,273
Present value of unfunded defined benefit pension plans	141,214	130,617
Total deficit of defined benefit pension plans	210,197	216,890
Severance and medical plans	36,104	35,080
Pensions and other post-employment benefit plans	**246,301**	**251,970**
Other long-term employee benefits	25,396	24,542
Net liability recognized in the balance sheet	**271,697**	**276,512**

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	2023	2022
Defined benefit obligation as of January 1	**401,418**	**521,861**
Net current service cost	17,711	20,782
Interest cost on defined benefit obligation	15,816	6,644
Total amount recognized in the income statement	33,527	27,426
Gains (-)/losses (+) due to changes in demographic assumptions	4	-415
Gains (-)/losses (+) due to changes in financial assumptions	5,200	-146,843
Experience gains (-)/losses (+)	8,159	33,969
Exchange rate gains (-)/losses (+)	530	-3,294
Total amount recognized in other comprehensive income (actuarial gains and losses)	13,893	-116,583
Actual benefits (and taxes) paid directly from the plan assets	-20,000	-18,237
Actual benefits paid directly by employer	-5,760	-7,966
Actual plan participants' contributions	1,577	1,437
Exchange rate gains (-)/losses (+)	-165	-6,520
Defined benefit obligation as of December 31	**424,490**	**401,418**
Fair value of plan assets as of January 1	**184,528**	**180,312**
Interest income on plan assets less administrative expenses	7,309	1,558
Total amount recognized in the income statement	7,309	1,558
Return on plan assets excluding amounts included in interest income	-5,286	1,573
Total amount recognized in other comprehensive income (actuarial gains and losses)	-5,286	1,573
Actual benefits (and taxes) paid directly from the plan assets	-20,000	-18,237
Actual plan participants' contributions	1,577	1,437
Actual employer contributions	46,362	17,988
Exchange rate gains (-)/losses (+)	-197	-103
Fair value of plan assets as of December 31	**214,293**	**184,528**

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, Towers Watson Lifesight 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 2023 and 2022 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 January 1, 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	2023	2022
Defined benefit obligation as of January 1	**35,080**	**47,075**
Net current service cost	539	1,139
Interest cost on defined benefit obligation	1,266	464
Past service cost	0	23
Total amount recognized in the income statement	1,805	1,626
Gains (-)/losses (+) due to changes in demographic assumptions	0	692
Gains (-)/losses (+) due to changes in financial assumptions	-2,226	-7,083
Experience gains (-)/losses (+)	2,874	-4,347
Total amount recognized in other comprehensive income (actuarial gains and losses)	648	-10,738
Actual benefits paid directly by employer	-2,742	-2,932
Changes in the consolidation scope and other changes	1,333	0
Exchange rate gains (-)/losses (+)	-20	49
Defined benefit obligation as of December 31	**36,104**	**35,080**

Other Long-term Employee Benefits

Other long-term employee benefits provided by the Group companies include mainly 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	2023	2022
Defined benefit obligation as of January 1	**24,542**	**27,215**
Net current service cost	1,435	1,726
Past service cost	1,200	0
Interest cost on defined benefit obligation	846	233
Gains (-)/losses (+) due to changes in demographic assumptions	140	24
Gains (-)/losses (+) due to changes in financial assumptions	-1,403	-3,986
Experience gains (-)/losses (+)	658	1,338
Total amount recognized in the income statement	2,876	-665
Actual benefits paid directly by employer	-2,110	-2,008
Other changes	88	0
Defined benefit obligation as of December 31	**25,396**	**24,542**

Additional disclosures for post-employment benefit plans

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	2023		2022	
	Pensions	Severance and medical plans	Pensions	Severance and medical plans
Discount rate	3.4%	3.8%	4.1%	3.7%
Projected future salary growth	3.1%	3.1%	3.6%	4.0%
Expected pension increase	0.7%	–	0.8%	–

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	1.0%	Decrease by 10.5%	Increase by 13.0%	Decrease by 9.2%	Increase by 10.8%
Projected future salary growth	0.5%	Increase by 4.2%	Decrease by 4.0%	Increase by 3.2%	Decrease by 3.0%
Expected pension increase	0.5%	Increase by 7.1%	Decrease by 6.9%	–	–

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 recognized in the balance sheet.

Expected contributions to post-employment benefit plans for the year 2024 are EUR 30,247 thousand (EUR 25,752 thousand). The weighted average duration of the defined benefit obligation is 11.0 years (11.4 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	2023					
	Restructuring	**Decommissioning**	**Legal**	**Environmental**	**Other**	**Total**
As of January 1	70	24,481	3,726	1,220	80,302	**109,799**
Additions	3,049	9,108	1,530	22,885	42,437	**79,009**
Reclassification	0	0	-1,633	0	1,633	**0**
Utilized	-65	0	-467	-45	-55,152	**-55,729**
Reversed	369	-1	-290	-50	-11,901	**-11,873**
Interest expense (+)/income (-)	0	656	0	0	0	**656**
Exchange adjustments	-3	-10	70	0	-39	**18**
Balance as of December 31	**3,420**	**34,234**	**2,936**	**24,010**	**57,280**	**121,880**
Other provisions current	3,420	0	1,592	0	47,534	**52,546**
Other provisions non-current	0	34,234	1,344	24,010	9,746	**69,334**
Balance as of December 31	**3,420**	**34,234**	**2,936**	**24,010**	**57,280**	**121,880**

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 programs.

Decommissioning

Provisions for decommissioning cover mainly the expected clean-up and dismantling costs for plants situated on rented land in Germany, Austria and Belgium. It is expected that EUR 5,245 thousand will be used by 2027, EUR 21,800 thousand by 2052 and EUR 7,189 thousand by 2072.

Legal

Legal provisions represent litigation provisions in various business areas.

Environmental

Environmental provisions cover several environmental exposures in the Group. In 2023, an environmental provision was recognized to cover future transport and removal costs of contaminated soil on the Kallo site in the amount of EUR 22,435 thousand. It is estimated that the provision will be used in 2031.

Other

Other provisions cover numerous types of obligations, including short-term and long-term incentive plans. EUR 13,597 thousand (EUR 12,271 thousand) of these provisions relates to the new LTI plan implemented in 2021, which is 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:

– Liquidity risk (note 21)
– Foreign currency risk (note 23)
– Interest rate risk (note 24)
– 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 centralized 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 minimize 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	2023	2022
Interest income from		
Cash and loans granted	140,556	51,785
Derivatives	6,618	3,164
Interest expenses to		
Finance institutions	-38,703	-32,038
Derivatives	-5,325	-3,962
Capitalized interest	15,973	13,978
Net foreign exchange gains/losses	-15,264	85,943
Interest expenses for lease liabilities	-11,732	-8,310
Other financial income	14,113	10,180
Other financial expenses	-63,678	-19,570
Financial income/expenses	**42,558**	**101,170**

The other financial expenses include the effect of fair value re-measurement of previously held interest in the equity investment Renasci N.V. (Renasci) which led to an expense of EUR 20,433 thousand. On November 30, 2023, Borealis acquired an additional stake of 48.55% in Renasci which has led to an impairment of the assets in Renasci and a re-measurement of the shares in BlueAlp Holding B.V. (BlueAlp) which led to an expense of EUR 23,291 thousand for the shares in BlueAlp. For further details, see note 7, 8.3 and 9.

19. Gains and Losses from Financial Instruments

EUR thousand	2023	2022
Recognized in the income statement		
Change in fair value of commodity derivative contracts	2,418	4,412
Change in fair value of cross-currency interest rate swaps	-1,666	-5,017
Change in fair value of foreign exchange swaps	4,832	2,982
Change in fair value of other investments and marketable securities and bonds	4,574	-3,819
Realized result on commodity derivative contracts	-6,584	6,495
Realized result on cross-currency interest rate swaps	-2,722	-1,256
Realized result on foreign exchange swaps	-2,982	-1,615
Realized result on other investments and marketable securities and bonds	1,387	1,641
Financial assets and liabilities at fair value through profit or loss	**-743**	**3,823**
Amounts recognized in the income statement for realized cash flow hedges		
Commodity derivative contracts	57,688	412,302
Interest rate swaps	4,015	458
Foreign exchange forwards	-971	-27,646
Foreign exchange effects on loans designated as hedge of investments in foreign operations	0	-3,009
Hedging instruments	**60,732**	**382,105**
Interest income on cash and loans granted	142,703	54,978
Expenses for factoring of trade receivables	-12,709	-4,095
Impairment losses on trade receivables	-1,758	-3,420
Impairment losses on loans granted	-1,458	-3,311
Impairment losses on deposits and other receivables	-1,111	-943
Financial assets at amortized cost	**125,666**	**43,210**
Interest expenses and other expenses on financial liabilities	-41,448	-37,879
Interest expenses for lease liabilities	-11,732	-8,310
Financial liabilities at amortized cost	**-53,180**	**-46,189**
Net gain on financial guarantee receivables/liabilities	4,539	3,785
Financial guarantee	**4,539**	**3,785**

The amounts recognized in the income statement for commodity derivatives and foreign exchange forwards are booked as a correction to the net sales or to production costs that are being hedged. The amounts that are recognized 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	2023	2022
Recognized in other comprehensive income		
Commodity derivative contracts designated as cash flow hedge	-329,503	357,590
Interest rate swaps outstanding designated as cash flow hedge	985	7,191
Foreign exchange forwards designated as cash flow hedge	5,496	-16,317
Foreign exchange effects on long-term loans part of net investments in foreign operations	209	-7,645
Foreign exchange effects on loans designated as hedge of investments in foreign operations	5,510	-12,208
Amounts reclassified to the income statement		
Commodity derivative contracts	-57,688	-412,302
Interest rate swaps	-4,015	-458
Foreign exchange forwards	971	27,646
Foreign exchange effects on loans designated as hedge of investments in foreign operations	0	3,009
Total recognized in other comprehensive income	**-378,035**	**-53,494**

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

EUR thousand	2023	2022
Foreign exchange gains from operating acitivities included in other operating income	50,276	98,077
Foreign exchange losses from operating acitivities included in production costs	-43,229	-98,819
Net foreign exchange gains/losses included in financial income/expenses	-15,264	85,943
Total	**-8,217**	**85,201**

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 December 31, 2023, was as follows:

EUR thousand		2023						
Due		Term loans	Bond	Utilized uncommitted facilities	Export credits	**Total loans and borrowings**	Unutilized committed facilities	**Lease liabilities**
After	5 years	206,178	0	0	0	**206,178**	0	**480,255**
Within	5 years	156,023	0	0	0	**156,023**	0	**25,501**
	4 years	124,098	0	0	0	**124,098**	0	**34,644**
	3 years	87,627	0	0	0	**87,627**	1,000,000	**43,261**
	2 years	333,474	298,973	0	0	**632,447**	0	**46,769**
Total non-current debt		**907,400**	**298,973**	**0**	**0**	**1,206,373**	**1,000,000**	**630,430**
Total current debt		310,041	0	4	0	**310,045**	130,811 [1]	**48,420**
Total debt		**1,217,441**	**298,973**	**4**	**0**	**1,516,418**	**1,130,811**	**678,850**

1) Borealis maintains EUR 130,811 thousand in export credit facilities (these were undrawn on December 31, 2023). 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 December 31, 2022, was as follows:

EUR thousand		2022						
Due		Term loans	Bond	Utilized uncommitted facilities	Export credits	**Total loans and borrowings**	Unutilized committed facilities	**Lease liabilities**
After	5 years	360,166	0	0	0	**360,166**	0	**436,299**
Within	5 years	121,328	0	0	0	**121,328**	0	**22,650**
	4 years	84,748	0	0	0	**84,748**	1,000,000	**30,599**
	3 years	330,492	298,460	0	0	**628,952**	0	**35,343**
	2 years	317,007	0	0	0	**317,007**	0	**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) In 2022, Borealis maintained EUR 166,011 thousand in export credit facilities (these were undrawn on December 31, 2022). The EUR 166,011 thousand figure includes a EUR 35,200 thousand export credit line that was terminated following the Borealis NITRO divestment in 2023. These facilities are economically evergreen in nature but include one year's notice for cancellation.

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

EUR thousand	2023					
	Term loans	Bond	Utilized uncommitted facilities	Export credits	**Total loans and borrowings**	**Lease liabilities**
As of January 1	1,254,340	298,460	1,330	0	**1,554,130**	**605,874**
Proceeds from loans and borrowings	57	0	4	0	**61**	**0**
Repayment of loans and borrowings	-42,761	0	-1,330	0	**-44,091**	**0**
New lease liabilities	0	0	0	0	**0**	**99,903**
Changes in consolidation scope	23,597	0	0	0	**23,597**	**26,656**
Principal elements of lease payments	0	0	0	0	**0**	**-50,938**
Exchange adjustments non-cash	-18,490	0	0	0	**-18,490**	**-1,131**
Other	698	513	0	0	**1,211**	**-1,514**
Balance as of December 31	**1,217,441**	**298,973**	**4**	**0**	**1,516,418**	**678,850**

EUR thousand	2022					
	Term loans	Bond	Utilized uncommitted facilities	Export credits	**Total loans and borrowings**	**Lease liabilities**
As of January 1	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 December 31	**1,254,340**	**298,460**	**1,330**	**0**	**1,554,130**	**605,874**

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 amortized 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 utilized in December 2021 and the new maturity date is now December 19, 2026.

As of December 31, 2023, the Group had total committed credit facilities of EUR 1,130,811 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 130,811 thousand (EUR 166,011 thousand). The reduction in the Export Credit Facilities by EUR 35,200 thousand compared to 2022 relates to the Borealis NITRO divestment in July 2023. The committed credit lines were undrawn at year end.

In 2023, Borealis increased its debt position by EUR 35,264 thousand, mainly driven by an increase in long-term lease liabilities, partially offset with loan repayments. The net debt position, which decreased by EUR 86,160 thousand, resulted in a gearing ratio of -2%.

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 February 16, 2024, 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.

The total outstanding amount of interest-bearing loans and borrowings as of December 31, 2023, was EUR 1,516,418 thousand. The vast majority of the underlying loan agreements have financial covenants. Borealis uses two types of covenants, which are based on maintaining gearing and solvency ratios. As of December 31, 2023, Borealis was in compliance with all financial covenants and had significant headroom compared to the thresholds stipulated by the loan agreements.

Currency Mix **EUR thousand**	**2023**	**%**	**2022**	**%**
EUR	1,686,954	77%	1,615,184	75%
USD	472,925	22%	505,362	23%
JPY	31,949	2%	35,466	2%
GBP	212	0%	359	0%
Other	3,228	0%	3,633	0%
Interest bearing total	**2,195,268**	**100%**	**2,160,004**	**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 Group has short-term deposits in order to fulfill the collateral requirements for the derivatives contracts amounting to EUR 19,548 thousand (EUR 41,815 thousand) and paid EUR 9,000 thousand (EUR 0 thousand) margin calls to cover the negative value of the outstanding swaps. The counterparties have an obligation to return the securities to the Group. The Group does not hold a deposit in respect of derivative contracts (EUR 7,460 thousand).

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	**2023**						
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	-50,422	**-53,540**	-24,692	-588	-857	-27,403	0
EUR fixed rate loans	-1,018,472	**-1,084,309**	-63,492	-18,540	-625,668	-315,091	-61,518
USD floating rate loans	-183,125	**-195,599**	-16,587	-163,484	-711	-14,817	0
USD fixed rate loans	-232,449	**-289,872**	-39,314	-4,090	-35,489	-41,997	-168,982
JPY floating rate loans	-31,949	**-32,165**	-72	-32,093	0	0	0
Lease liabilities	-678,851	**-847,666**	-36,830	-29,969	-65,017	-135,469	-580,381
Trade payables	-849,548	**-849,548**	-849,548	0	0	0	0
Financial guarantee liabilities	-24,304	**-1,234,400**	-1,234,400	0	0	0	0
Total	**-3,069,120**	**-4,587,099**	**-2,264,935**	**-248,764**	**-727,742**	**-534,777**	**-810,881**

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	2023					
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	-10,499	**-44,973**	-1,484	-43,489	0	0
Foreign exchange contracts	-185	**-70,357**	-64,022	-6,335	0	0
Feedstock derivatives	-4,694	**-33,353**	-23,443	-2,937	-112	-6,861
Electricity derivatives	-58,804	**-89,429**	-27,097	-26,928	-26,234	-9,170
Total	**-74,182**	**-238,112**	**-116,046**	**-79,689**	**-26,346**	**-16,031**

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	2023					
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	**-2,208**	-1,124	-923	-124	-37	0
Capital commitments – property, plant and equipment	**-205,977**	-139,288	-22,289	-38,296	-6,104	0
Commitments in associated companies	**0**	0	0	0	0	0
Commitments in joint ventures	**-818,100**	0	-818,100	0	0	0

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

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 recognize 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	2023	2022
Current assets		
Foreign exchange swaps – FVPL	4,949	2,994
Foreign exchange forwards – cash flow hedges	9,917	7,405
Interest rate swaps – cash flow hedges	2,911	0
Feedstock derivatives – FVPL	1,260	0
Feedstock derivatives – cash flow hedges	23,641	25,137
Electricity derivatives – FVPL	5,435	0
Electricity derivatives – cash flow hedges	10,008	210,475
Total current derivative financial instrument assets (Other receivables and other assets)	**58,121**	**246,011**

EUR thousand	2023	2022
Non-current assets		
Interest rate swaps – cash flow hedges	0	5,941
Electricity derivatives – cash flow hedges	2,523	105,335
Total non-current derivative financial instrument assets (Other receivables and other assets)	**2,523**	**111,276**

EUR thousand	2023	2022
Current liabilities		
Cross-currency interest rate swaps – FVPL	10,499	0
Foreign exchange swaps – FVPL	116	12
Foreign exchange forwards – cash flow hedges	68	4,025
Feedstock derivatives – FVPL	0	1,158
Feedstock derivatives – cash flow hedges	4,583	18,484
Electricity derivatives – cash flow hedges	24,503	2,267
Natural gas derivatives – cash flow hedges	0	3,385
Total current derivative financial instrument liabilities (Other liabilities)	**39,769**	**29,331**

EUR thousand	2023	2022
Non-current liabilities		
Cross-currency interest rate swaps – FVPL	0	8,834
Interest rate swaps – cash flow hedges	112	0
Electricity derivatives – cash flow hedges	34,302	205
Total non-current derivative financial instrument liabilities (Other liabilities)	**34,414**	**9,039**

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	2023					
	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 January 1	2,603	4,575	5,125	241,269	-2,606	**250,966**
Change in fair value of hedging instrument recognized in OCI	5,496	985	-30,965	-297,222	-1,316	**-323,022**
Reclassifications from OCI to the income statement	971	-4,015	0	-62,389	4,701	**-60,732**
Reclassifications to the cost of non-financial items	0	0	43,258	0	0	**43,258**
Deferred tax	-1,487	697	-2,827	82,710	-779	**78,314**
Share of other comprehensive income of joint ventures accounted for using the equity method	0	-4,109	0	0	0	**-4,109**
As of December 31	**7,583**	**-1,867**	**14,591**	**-35,632**	**0**	**-15,324**

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 January 1	-5,961	-593	5,682	272,286	-44,391	**227,023**
Change in fair value of hedging instrument recognized 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 December 31	**2,603**	**4,575**	**5,125**	**241,269**	**-2,606**	**250,966**

Reserve for unrealized exchange gains/losses EUR thousand	2023	2022
As of January 1	305,927	232,321
Foreign currency revaluation of USD loans, designated as net investment hedge	5,510	-12,208
Reclassifications to the income statement during the period	0	3,009
Foreign currency revaluation of financial statements of foreign operations	-97,297	133,664
Reclassifications to the income statement during the period	0	-42,744
Foreign currency revaluation of long-term loans to foreign operations	209	-7,645
Share of other comprehensive income of joint venturees accounted for using the equity method	-710	-2,769
Changes in consolidation scope	868	0
Foreign currency revaluation of financial statements of foreign operations – Non-controlling interests	-434	-803
Deferred tax	-1,315	3,102
As of December 31	**212,758**	**305,927**

As of December 31, 2023, and December 31, 2022, 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.

	2023									
	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	**282,109**	69,104	53,773	159,232	0	0	0	0	0
USD loans, designated as net investment hedge	USD thousand	**120,000**	0	0	49,000	30,000	21,000	20,000	0	0
Interest rate swaps	EUR thousand	**99,548**	0	0	99,548	0	0	0	0	0
Feedstock derivatives	metric tons	**596,323**	75,448	318,505	198,770	3,600	0	0	0	0
Electricity derivatives	GWh	**4,027**	503	494	981	1,340	710	0	0	0

	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	metric tons	**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

As of December 31, 2023, and December 31, 2022, 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 recognized amounts and when there is an intention to settle on a net basis or realize 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 recognized 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	2023				
	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	115,374	-54,730	60,644	-185	60,459
Financial liabilities					
Derivative financial instruments	128,915	-54,730	74,185	-185	74,000

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

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 recognized 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 recognized 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 recognize 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 recognized 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 recognized 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**	**2023**	**2022**
Carrying amount (asset – current)	9,917	7,405
Carrying amount (liability – current)	68	4,025
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 282,109	kEUR 423,357
Hedge ratio	1:1	1:1
Hedged rate for the year	EUR/USD 1.06–1.13 EUR/SEK 11.35–12.01	EUR/USD 1.01–1.10 EUR/SEK 10.67–11.11
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	5,496	-16,317
Change in value of the hedged item used for measuring ineffectiveness for the period	-5,496	16,317
Hedging reserve (net of deferred taxes)	7,583	2,603
Total hedging gain (+) or loss (-) recognized in OCI	5,496	-16,317
Hedge ineffectiveness recognized in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	971	27,646
Line item in the income statement affected by the reclassification	Net sales and production costs	Net sales and production costs

Net investment hedges in foreign operations

EUR thousand	2023	2022
Carrying amount (liability)	108,597	150,009
Line item in the balance sheet where the hedging instrument is included	Loans and borrowings	Loans and borrowings
Total nominal amount	kUSD 120,000	kUSD 160,000
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	5,510	-12,208
Change in value of the hedged item used for measuring ineffectiveness for the period	-5,510	12,208
Reserve for unrealized exchange gains/losses (net of deferred taxes)	-18,727	-22,970
Balances remaining in the reserve for unrealized exchange gains/losses from hedging relationships for which hedge accounting is no longer applied	-21,453	-15,358
Total hedging gain (+) or loss (-) recognized in OCI	5,510	-12,208
Hedge ineffectiveness recognized in the income statement	0	0
Amount reclassified from reserve for unrealized exchange gains/losses to the income statement	0	3,009

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 December 31, 2023. The Group assumes that the prevailing polyolefin market pricing mechanisms reduce the foreign exchange risk in practice. As of December 31, 2023, the Group showed a net payable (prior year: net payable) position in USD and a net receivable (prior year: net payable) position in SEK.

Effect in EUR thousand	Profit before taxation		Other comprehensive income	
	Strengthening +10%	Weakening -10%	Strengthening +10%	Weakening -10%
December 31, 2023				
USD	-4,280	3,502	-29,573	24,196
SEK	2,553	-2,089	14,430	-11,806
USD – including net investment	-4,280	3,502	259,524	-212,338
SEK – including net investment	2,553	-2,089	70,280	-57,502
December 31, 2022				
USD	-12,363	10,115	-35,190	28,792
SEK	-143	117	14,856	-12,155
USD – including net investment	-12,363	10,115	284,930	-233,124
SEK – including net investment	-143	117	72,280	-59,138

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

	2023		2022	
	Closing rate	Average rate	Closing rate	Average rate
USD	1.1050	1.0813	1.0666	1.0530
SEK	11.0960	11.4788	11.1218	10.6296

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 December 31, 2023, 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 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 SOFR).

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**	**2023**	**2022**
Carrying amount (asset – current)	2,911	0
Carrying amount (asset – non-current)	0	5,941
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 99,548	kEUR 103,131
Hedge ratio	1:1	1:1
Weighted average hedged rate for the year	2.36%	2.36%
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	985	7,191
Change in value of the hedged item used for measuring ineffectiveness for the period	-985	-7,191
Hedging reserve (net of deferred taxes)	2,242	4,575
Total hedging gain (+) or loss (-) recognized in OCI	985	7,191
Hedge ineffectiveness recognized in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	-4,015	-458
Line item in the income statement affected by the reclassification	Financial expenses	Financial expenses

Interest Rate Benchmark Reform

All transitions from interest rate benchmarks affected by IBOR reform to alternative benchmark rates have been completed at the reporting date.

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 December 31, 2023.

Effect in EUR thousand	Profit before taxation		Other comprehensive income	
	Strengthening +1%	Weakening -1%	Strengthening +1%	Weakening -1%
December 31, 2023				
Interest rate	-437	442	705	-708
December 31, 2022				
Interest rate	-1,907	1,919	757	-761

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 realizable 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 analyzed 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.

Additionally, Borealis has contracted several long-term power purchase agreements which were entered into and continue to be held for own use. Therefore, they are accounted for as executory contracts.

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**	**2023**	**2022**
Carrying amount (asset – current)	23,641	25,137
Carrying amount (liability – current)	4,583	18,484
Carrying amount (liability – non-current)	112	0
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	596,323 metric tons	1,102,121 metric tons
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	-30,965	-60,804
Change in value of the hedged item used for measuring ineffectiveness for the period	30,965	60,804
Hedging reserve (net of deferred taxes)	14,591	5,125
Balances remaining in the hedging reserve for hedging instruments that have expired but forecast transaction still has to occur	0	0
Total hedging gain (+) or loss (-) recognized in OCI	-30,965	-60,804
Hedge ineffectiveness recognized in the income statement	0	0
Amount reclassified from hedging reserve to the cost of non-financial items	43,258	59,883

Electricity derivatives EUR thousand	2023	2022
Carrying amount (asset – current)	10,008	210,475
Carrying amount (asset – non-current)	2,523	105,335
Carrying amount (liability – current)	24,503	2,267
Carrying amount (liability – non-current)	34,302	205
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	4,027 GWh	3,956 GWh
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	-297,231	356,324
Change in value of the hedged item used for measuring ineffectiveness for the period	297,231	-356,324
Hedging reserve (net of deferred taxes)	-35,631	241,269
Total hedging gain (+) or loss (-) recognized in OCI	-297,231	356,324
Hedge ineffectiveness recognized in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	-62,380	-406,036
Line item in the income statement affected by the reclassification	Production costs	Production costs

Natural gas derivatives EUR thousand	2023	2022
Carrying amount (liability – current)	0	3,385
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	0 GWh	86 GWh
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	-1,316	62,070
Change in value of the hedged item used for measuring ineffectiveness for the period	1,316	-62,070
Hedging reserve (net of deferred taxes)	0	-2,606
Total hedging gain (+) or loss (-) recognized in OCI	-1,316	62,070
Hedge ineffectiveness recognized in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	4,701	-6,266
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 December 31, 2023. 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%
December 31, 2023				
Feedstock – Naphtha	-45	45	-2,068	2,068
Feedstock – Other	-37	37	-636	636
Electricity	0	0	3,624	-3,624
Natural gas	0	0	240	-240
December 31, 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

26. Factoring

Borealis has a factoring program 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 derecognizes the receivables sold accordingly. Several reserves are deducted from the nominal value of the sold receivables and will be released upon transfer of the respective collected receivables to Aurora Asset Purchaser DAC (Purchaser), a special purpose entity established in Ireland. The Purchaser is not consolidated under IFRS 10, since Borealis has neither decision-making power nor has any influence on how the special purpose entity finances the program and there is no link between decision-making power and the variability of returns from the Purchaser. Borealis continues to administer the relationship with debtors and has to transfer all receivables collected and previously sold to the Purchaser under this program.

The total nominal value sold to the Purchaser under the factoring program in the current year amounted to EUR 4,287,494 thousand (EUR 3,683,635 thousand). As of December 31, 2023, receivables worth EUR 432,522 thousand (EUR 382,258 thousand) were sold to the Purchaser under the factoring program. The reserves deducted from the nominal value of the sold receivables amounted to EUR 93,054 thousand (EUR 33,861 thousand) as of December 31, 2023, and are included in other current receivables. During the year, expenses amounting to EUR 1,545 thousand (EUR 4,095 thousand) were recognized in the income statement for the factoring program.

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 amortized cost.

On each reporting date, the Group assesses whether financial assets carried at amortized 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 authorize 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 program (note 26).

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

EUR thousand	2023	2022
EU countries	270,209	357,809
Non-EU in Europe	86,719	128,510
US	37,485	51,580
Middle East and Asia	116,127	164,762
Other regions	89,726	85,779
Total	**600,266**	**788,440**

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	2023	2022
Polyolefins	405,228	580,023
Base Chemicals	7,767	17,034
Non-Allocated	187,271	191,383
Total	**600,266**	**788,440**

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	December 31, 2023				
	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%	34,088	-1	No
Risk category 2	BBB+, BBB, BBB-	0.44%	116,194	-28	No
Risk category 3	BB+, BB, BB-	1.18%	201,390	-123	No
Risk category 4	B+, B, B-	8.52%	140,422	-655	No
Risk category 5	CCC/CC	29.54%	91,646	-965	No
Risk category 6	SD/D	100.00%	12,173	-12,173	Yes
Total			**595,913**	**-13,946**	

EUR thousand	December 31, 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**	

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	2023		2022	
	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired
Balance as of January 1	2,709	9,721	3,756	9,938
Impairment loss recognized		4,154		4,557
Written off		-233		
Reversal of impairment	-937	-1,459	-1,047	-90
Reclassification to assets directly related to the disposal group		0		-4,597
Exchange adjustments		-10		-86
Balance as of December 31	**1,772**	**12,173**	**2,709**	**9,721**

In 2023, the Group did not renegotiate the terms of trade receivables. Generally, trade receivables written off during 2023 are not subject to enforcement activity.

The total guarantees received (bank guarantees and parental guarantees) in respect of the trade receivables amounted to EUR 295,976 thousand (EUR 233,765 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 recognized 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 amortized cost and subject to a 12-month expected credit loss.

	Credit risk (Gross carrying amount)		Loss allowance recognized	
EUR thousand	**2023**	**2022**	**2023**	**2022**
Cash and cash equivalents	2,347,631	2,226,207	0	0
Debt investments carried at amortized cost				
Loans granted	905,683	697,327	-4,768	-3,310
Deposits and other receivables	171,942	158,362	-2,054	-943

Borealis' cash balances are deposited with relationship banks or are invested in liquid securities with counterparties that fulfill 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 amortized cost are considered in general to have low credit risk and the loss allowance recognized during the period is therefore limited to 12-month expected losses.

For the financial guarantee liability, no loss allowance was recognized in the reporting period as the fair value less the cumulative amount of income recognized 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	31.12.2023			31.12.2022		
Assets	**Carrying amount**	**Fair value**	**Fair value hierachy level**	**Carrying amount**	**Fair value**	**Fair value hierachy level**
Other investments						
Other investments	23,621	23,621	3	18,459	18,459	3
thereof at fair value through profit or loss	**18,250**			**15,391**		
thereof at fair value through other comprehensive income	**5,371**			**3,068**		
Trade receivables						
Trade receivables	600,266			788,440		
thereof at amortized cost	**581,967**			**662,767**		
thereof at fair value through profit or loss	**18,299**			**125,673**		
Cash and cash equivalents						
Cash	403,163			221,260		
Other current deposits	1,944,468			2,004,947		
at amortized cost	**2,347,631**			**2,226,207**		
Loans granted (current and non-currrent)						
Loans granted	900,915	910,336	2	694,016	691,607	2
at amortized cost	**900,915**			**694,016**		
Other receivables and other assets (current and non-current)						
Marketable securities and bonds	28,012	28,012	1	26,431	26,431	1
at fair value through profit or loss	**28,012**			**26,431**		
Derivative financial instruments for which hedge accounting is applied	49,001	49,001	2	354,293	354,293	2
Hedging instruments	**49,001**			**354,293**		
Derivative financial instruments for which hedge accounting is not applied	11,643	11,643	2	2,994	2,994	2
at fair value through profit or loss	**11,643**			**2,994**		
Deposits and other receivables	169,888			157,419		
thereof at amortized cost	**168,111**			**157,419**		
thereof at fair value through profit or loss	**1,777**			**0**		
Other non-financial assets	314,798	n/a	n/a	197,469	n/a	n/a
Total other receivables and other assets (current and non-current)	**573,343**			**738,606**		

EUR thousand	31.12.2023			31.12.2022		
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	298,973	290,505	1	298,460	289,884	1
Floating rate loans and borrowings	265,496	266,779	2	275,414	274,738	2
Fixed rate loans and borrowings	951,949	877,763	2	980,256	872,649	2
at amortized cost	**1,516,418**			**1,554,130**		
Trade payables						
Trade payables	849,547			862,826		
at amortized cost	**849,547**			**862,826**		
Other liabilities (current and non-current)						
Derivative financial instruments for which hedge accounting is applied	63,568	63,568	2	28,364	28,364	2
Hedging instruments	**63,568**			**28,364**		
Derivative financial instruments for which hedge accounting is not applied	10,615	10,615	2	10,004	10,004	2
at fair value through profit or loss	**10,615**			**10,004**		
Contingent consideration	8,000	8,000	3	0		
Interest accruals on loans and borrowings	6,690			7,021		
Other financial liabilities	151,955			97,414		
at amortized cost	**166,645**			**104,435**		
Financial guarantee liabilities	24,305	24,305	2	27,799	27,799	2
Other non-financial liabilities	216,970	n/a	n/a	252,832	n/a	n/a
Total other liabilities (current and non-current)	**482,103**			**423,434**		

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 2023 and 2022, 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	**2023**	**2022**
Balance as of January 1	18,459	18,355
Investments and acquisitions	2,303	56
Fair value changes recognized in income statement (financial income/expenses)	2,857	115
Exchange adjustments	2	-67
Balance as of the reporting date	**23,621**	**18,459**

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 in 2020, 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. As a result, the contingent consideration was derecognized.

For the acquisition of the additional 48.55% stake in Renasci on November 30, 2023, a contingent consideration up to EUR 1,693 thousand was agreed based on an earnings target for 2024, 2025 and 2026. According to Borealis' assessment, the earnings target will not be met. Thus, the contingent consideration has been valued at a fair value of EUR 0 thousand.

The fair value of the contingent consideration for the acquisition of Rialti amounts to EUR 8,000 thousand as of December 31, 2023. It has been estimated at the maximum amount based on the management forecast, considering two key factors. Firstly, the net financial position from the closing statement is finalized and the operating working capital falls within the target band. Secondly, there are no anticipated future claims-related warranties. An underrun of the net financial position from the closing statement and of the operating working capital would result in a lower fair value of the contingent consideration liability. Conversely, an overrun would lead to an increase in the fair value of the liability. Furthermore, the forecasted claims in relation to warranties are another significant valuation input for determining the contingent consideration liability.

29. Other Operating Income

In 2023, other operating income consisted mainly of intangible assets received by way of government grants as allowances for emissions (EU Emissions Trading System) of EUR 117,375 thousand (EUR 150,530 thousand). Furthermore, gains from foreign currency translation effects related to working capital amount to EUR 50,276 thousand (EUR 98,077 thousand). Moreover, insurance compensation of EUR 6,699 thousand (EUR 4,000 thousand) is recognized 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	**2023**	**2022**	**31.12.2023**	**31.12.2022**
Sales of goods and services to				
Associated companies	7,991	51,450	11,288	21,801
Joint ventures	530,666	646,400	119,181	161,834
Companies with significant influence	0	13,181	0	0
Other related parties	70,014	119,013	9,095	15,532
Purchases of goods and services from				
Associated companies	105,913	133,964	194	150
Joint ventures	380,636	411,273	91,289	88,745
Companies with significant influence	4	45,033	0	0
Other related parties	1,275,613	2,111,463	117,198	182,788
Others				
Loans granted and related interest – Associated companies	2,500	1,009	52,492	40,022
Loans granted and related interest – Joint ventures	59,095	19,188	856,122	656,973
Financial guarantee receivables – Joint ventures	1,303	1,057	24,191	28,712
Financial guarantee liabilities – Joint ventures	3,236	2,728	24,304	27,799
Other financial liabilities – Joint ventures	0	0	67,873	0
Lease liability and related interest – Parent company	20	23	6,430	8,556
Lease liabilities and related interest – Other related parties	223	265	10,164	12,348
Income taxes receivable and related expense – Parent company	13,217	0	41,912	0
Income taxes liability and related expense – Parent company	0	221,981	0	111,127

Due to the sale of Borealis NITRO at the beginning of July 2023, only transaction values for the first six months from discontinued operation are included in 2023. For 2022, the amounts include transaction values and the balance outstanding from discontinued operation.

Due to the ownership change in Borealis on November 8, 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) and its group entities are shown under "Companies with significant influence".

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 licenses for the use of Group technologies. Contract assets with Borouge PLC amounting to EUR 7,856 thousand (EUR 8,139 thousand with Abu Dhabi Polymers Company Limited) 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 10,585 thousand (EUR 11,465 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. Other financial liabilities towards joint ventures relate to the outstanding payment of USD 75,000 thousand from the total of USD 100,000 thousand capital contribution in Bayport Polymers LLC (Baystar) which was settled on January 10, 2024.

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 Deutschland Operations GmbH & Co KG and OMV Deutschland GmbH. Loans granted, including interest receivables, to joint ventures amounting to EUR 856,122 thousand (EUR 656,973 thousand) were outstanding from Baystar and Borouge 4 LLC (Borouge 4). For further details on loans granted, see note 10.

All transactions with related parties were conducted on an arm's length basis.

As of December 31, 2023, undrawn commitments to Borouge 4 totaling EUR 818,100 thousand originated from a shareholder loan agreement (SHL) entered into on February 3, 2023, with Borealis AG as the lender and Borouge 4 as the borrower to part finance the Borouge 4 CAPEX requirements to Borouge 4. EUR 148,416 thousand out of the total EUR 966,516 thousand commitment has been drawn to date. 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 into Borouge PLC. Furthermore, Borealis AG granted a guarantee for the funding of Borouge 4 under the Italian Export Credit Agency agreement. The total guarantee amounts to EUR 1,154,751 thousand plus interest. On December 31, 2023, the financing agreement had been drawn in the amount of EUR 1,399,636 thousand by Borouge 4 (of which EUR 535,747 plus interest was guaranteed by Borealis).

Borealis granted a guarantee for a Revolving Credit Facility (RCF) used by Baystar as a liquidity instrument to conduct its ordinary course of business. The maximum amount of the credit facility is USD 200,000 thousand, of which 50% (USD 100,000 thousand) is guaranteed by Borealis, while the remaining USD 100,000 thousand is guaranteed by joint venture partner TotalEnergies. At year end, Baystar's RCF was fully utilized at USD 200,000 thousand (of which USD 100,000 thousand was guaranteed by Borealis).

On April 19, 2022, a loan in the amount of EUR 601,685 thousand was repaid by Baystar to Borealis. 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 recognized as a financial liability of EUR 21,690 thousand (EUR 26,371 thousand). Additionally, in 2022 Borealis provided a parental guarantee for a lease of railcars with maximum exposure of USD 22,010 thousand (USD 16,619 thousand) and recognized a financial liability of EUR 1,626 thousand (EUR 1,452 thousand).

Due to additional loan drawings, no undrawn funding commitment to Baystar was reported as of December 31, 2023 (EUR 46,050 thousand). Also, on the reporting date, the Group had no financing commitments to KPP (EUR 10,000 thousand).

As of January 1, 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.

Austria has an indirect relationship with Borealis via OMV and Österreichische Beteiligungs AG (ÖBAG) and is therefore, together with companies under the control of the Republic of Austria, considered a related party. Borealis has transactions at arm's length in the normal course of business mainly with OMV AG and its subsidiaries (shown under "Other related parties") and VERBUND AG and its subsidiaries.

Via Mubadala Petroleum and Petrochemicals Holding Company L.L.C. (MPPH) Abu Dhabi and OMV, Borealis has an indirect relationship with the Emirate of Abu Dhabi, which is, together with the companies under control of Abu Dhabi also considered a related party. In 2023, there were transactions at arm's length in the normal course of business mainly with Compañía Española Distribuidora de Petróleos, S.A. (CEPSA), NOVA Chemicals Corporation and Abu Dhabi National Oil Company (ADNOC) and their subsidiaries.

For further information in respect of dividends received from associated companies and joint ventures, please refer to note 9. For further information in respect of dividends outstanding to shareholders, please refer to note 13. 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 to 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 damage 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), contractual obligations for additional capital contributions (see note 9 and note 30) and financial guarantee contracts (see note 30), no further significant risks and uncertainties have been identified compared to year end 2022.

32. Subsequent Events

Borealis has had no significant events after the reporting date.

33. Subsidiaries Included in the Consolidated Accounts

	Company name	Country	City	Percentage of shares owned	
				2023	2022
	Borealis AG				
■	Borealis Agrolinz Melamine GmbH [2]	Austria	Linz	0.00	100.00
■	Borealis Agrolinz Melamine Deutschland GmbH [2]	Germany	Wittenberg	0.00	100.00
■	Borealis Antwerpen N.V.	Belgium	Zwijndrecht	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. [2]	France	Courbevoie	0.00	100.00
■■■	AGRIPRODUITS S.A.S. [1,2]	France	Courbevoie	0.00	100.00
■■■	STOCKAM G.I.E. [1,2]	France	Grand-Quevilly	0.00	100.00
■■	Borealis L.A.T France S.A.S. [2]	France	Courbevoie	0.00	100.00
■■	Borealis Produits et Engrais Chimiques du Rhin S.A.S. [2]	France	Ottmarsheim	0.00	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 Kallo N.V.	Belgium	Kallo	100.00	100.00
■	Borealis L.A.T GmbH [2]	Austria	Linz	0.00	100.00
■■	Borealis L.A.T Belgium B.V. [1,2]	Belgium	Beringen	0.00	100.00
■■	Borealis L.A.T Bulgaria EOOD [1,2]	Bulgaria	Sofia	0.00	100.00
■■	Borealis L.A.T Czech Republic s.r.o. [1,2]	Czech Republic	Budweis	0.00	100.00
■■	Borealis L.A.T doo, Beograd [2]	Serbia	Belgrade	0.00	100.00
■■	Borealis L.A.T Greece Single Member P.C. [1,2]	Greece	Athens	0.00	100.00
■■	Borealis L.A.T Hrvatska d.o.o. [1,2]	Croatia	Klisa	0.00	100.00
■■	Borealis L.A.T Hungary Kft. [1,2]	Hungary	Budapest	0.00	100.00

1) Excluded from the consolidation due to immateriality (individual and in total) // 2) Divestment of Borealis NITRO companies in 2023 // ■ Subsidiary of Borealis AG //
■■ Second-tier subsidiary of Borealis AG // ■■■ Third-tier subsidiary of Borealis AG

	Company name	Country	City	Percentage of shares owned	
				2023	2022
■■	Borealis L.A.T Polska sp. z o.o. [1) 2)]	Poland	Warsaw	0.00	100.00
■■	Borealis L.A.T Romania s.r.l. [1) 2)]	Romania	Bucharest	0.00	100.00
■■	Borealis L.A.T Slovakia s.r.o. [1) 2)]	Slovakia	Chotin	0.00	100.00
■	Borealis L.A.T Italia s.r.l. [1) 2)]	Italy	Milan	0.00	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	100.00
■	Borealis Plasticos, S.A. de C.V. [1)]	Mexico	Mexico City	100.00	100.00
■	Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Sirketi [1)]	Türkiye	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	100.00
■	Borealis Polyolefins S.R.L. [1)]	Romania	Bucharest	100.00	100.00
■	Borealis Polyolefins s.r.o. [1)]	Slovakia	Bratislava	100.00	100.00
■	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 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	Houston	100.00	100.00
■■	Borealis BoNo Holdings LLC	US	Houston	100.00	100.00

1) Excluded from the consolidation due to immateriality (individual and in total) // 2) Divestment of Borealis NITRO companies in 2023 // ■ Subsidiary of Borealis AG //
■■ Second-tier subsidiary of Borealis AG // ■■■ Third-tier subsidiary of Borealis AG

	Company name	Country	City	Percentage of shares owned	
				2023	2022
■■	Borealis Compounds Inc.	US	Port Murray	100.00	100.00
■■	Star Bridge Holdings LLC	US	Houston	100.00	100.00
■■■	Novealis Holdings LLC	US	Houston	100.00	100.00
■	DYM SOLUTION CO., LTD	South Korea	Cheonan	100.00	99.75
■	Ecoplast Kunststoffrecycling GmbH	Austria	Wildon	100.00	100.00
■	Feboran EOOD 2)	Bulgaria	Sofia	0.00	100.00
■	mtm compact GmbH	Germany	Niedergebra	100.00	100.00
■	mtm plastics GmbH	Germany	Niedergebra	100.00	100.00
■	Renasci N.V.	Belgium	Ostend	98.56	27.42
■■	Renasci Oostende Holding N.V.	Belgium	Ostend	98.56	0.00
■■	Renasci Oostende SCP N.V.	Belgium	Ostend	98.56	0.00
■■	Renasci Oostende Recycling N.V.	Belgium	Ostend	98.56	0.00
■	Rialti S.p.A.	Italy	Taino	100.00	0.00
■	Rosier S.A.	Belgium	Moustier	0.00	98.09
■■	Rosier France S.A.S.	France	Arras	0.00	98.09
■■	Rosier Nederland B.V.	The Netherlands	Sas Van Gent	0.00	98.09

1) Excluded from the consolidation due to immateriality (individual and in total) // 2) Divestment of Borealis NITRO companies in 2023 // ■ 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 2023, 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	2023	2022
Audit of Borealis AG's subsidiaries	911	1,273
Audit of consolidated and standalone financial statements of Borealis AG	404	415
Other assurance services	206	578
Tax consulting services	702	106
Other services	506	595
Total	**2,729**	**2,967**

The following fees for 2023 relate to the Group auditor, KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, Austria: audit of Borealis AG's subsidiaries amounting to EUR 154 thousand (EUR 239 thousand), audit of consolidated and standalone financial statements of Borealis AG amounting to EUR 404 thousand (EUR 415 thousand), and other assurance services amounting to EUR 193 thousand (EUR 441 thousand) and other services amounting to EUR 1 thousand (EUR 0 thousand). Last year's audit fees related to PwC Wirtschaftsprüfungs GmbH, Vienna, Austria.

35. Executive Board and Supervisory Board

Executive Board

Thomas Gangl (Chairperson), Mark Tonkens (Member until May 31, 2023), Daniel Turnheim (Member since June 1, 2023) Wolfram Krenn, Philippe Roodhooft, Lucrèce De Ridder (Member until December 31, 2023), Craig Arnold (Member since February 1, 2024)

Supervisory Board

Alfred Stern (Chairperson until April 18, 2023), Daniela Vlad (Chairperson since April 19, 2023), Khaled Salmeen (Vice Chairperson), Reinhard Florey, Martijn Arjen van Koten, Khaled Al Zaabi

Vienna, February 22, 2024
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Daniel Turnheim 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

Craig Arnold 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, February 22, 2024
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Daniel Turnheim 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

Craig Arnold m.p.
Executive Vice President
Polyolefins, Circular Economy Solutions
and Innovation & Technology

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of Borealis AG, Vienna, Austria, and its subsidiaries ("the Group"), which comprise the consolidated Balance Sheet as at December 31, 2023, the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements comply with the legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as other legal or regulatory requirements.

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on 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. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Recoverability of assets – PPE, Intangible assets and Goodwill

Refer to notes "Significant Accounting Judgements, Estimates and Assumptions", 7 "Depreciation, amortization and impairment", 5 "Property, plant and equipment", 6 "Leases" and 18 "Financial Income/Expenses".

Risk for the Consolidated Financial Statements

In the consolidated financial statements of Borealis AG, as of December 31, 2023, an amount of EUR 3,681 million is presented under "property, plant and equipment", an amount of EUR 662 million under "right-of-use assets" and an amount of EUR 721 million is presented under "intangible assets" which includes goodwill in the amount of EUR 152 million. These amounts are then allocated to cash generating units ('CGUs') as described in Note 7 "Depreciation, Amortization and Impairment".

Goodwill is tested for impairment at least annually. The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets have been tested for impairment triggers on November 30, 2023. In addition assets are tested for impairment whenever triggering events occur that indicate that assets may be impaired. For this purpose, Borealis AG, Vienna, estimates the recoverable amount using the discounted cash flow method.

The key judgmental areas considered by Borealis AG in assessing the value in use include forecasted volumes sold, industry margins, discount rates as well as long term growth rates. As described in Note 7 "Depreciation, Amortization and Impairment", these significant assumptions are forward-looking and can be affected by future economic and market conditions.

Borealis AG recorded an impairment loss of EUR 34 million on "property, plant and equipment", "right-of-use assets" as well as and other assets as of December 31, 2023 due to impairments recognized in relation to the Renasci cash generating unit. Please refer to Note 7 "Depreciation, Amortization and Impairment" for the underlying disclosure notes. In addition, financial expenses include an amount of EUR 44 million relating to the investment in Renasci before acquiring control as well as the valuation of shares in associated companies owned by Renasci. Please refer to Note 18 “Financial Income/Expenses”.

There is a risk for the consolidated financial statements that the valuation of property, plant and equipment, right-of-use assets and intangible assets is misstated.

Our Response

The procedures we performed to evaluate the impairment assessments:

– We examined an understanding over Borealis AG’s process for evaluating the recoverable amount of relevant CGUs, as well as over the identification of triggering events and the determination of key management assumptions underlying the recoverable amount of the assets tested.
– We assessed whether the methodology adopted in the discounted cash flow models was consistent with accepted valuation approaches in IAS 36 - Impairment of Assets.
– We assessed the determination of cash generating units based on how cash flows are generated and industry practice.
– We compared the key assumptions for volumes sold and industry margins used within the future cash flow models to those included in the mid-term planning presented to the supervisory board.
– We challenged the discounted cash flow models assumptions and judgements by performing a sensitivity analysis, considering a range of likely outcomes based on various scenarios.
– With the assistance of our valuation specialists we assessed a range of reasonable input assumptions for determining discount rates as well as long term growth rates by comparing them with market and industry-specific benchmarks.
– We verified the mathematical accuracy of the discounted cash flow models.
– We assessed the adequacy of Borealis AG’s disclosures in the consolidated financial statements and its compliance with the relevant IFRS standards.

Recoverability of equity-accounted investments

Refer to notes “Significant Accounting Judgements, Estimates and Assumptions”, 7 “Depreciation, amortization and impairment” and 9 “Investments in Associates Companies and Joint Ventures”.

Risk for the Consolidated Financial Statements

The carrying value of equity-accounted investments amounts to EUR 2,479 million as of December 31, 2023, including mainly Borouge PLC, Borouge 4 LLC and Bayport Polymers LLC (‘Baystar’) joint ventures.

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. The assessment of the recoverable amount of equity-accounted investments requires judgement in:

– determining whether there is an indication that the investment should be impaired and
– measuring any such impairment loss.

The key judgmental areas considered by Borealis AG in assessing the value in use for the at equity accounted investment Baystar include forecasted volumes sold, industry margins, discount rates as well as long term growth rates.

Despite the operational launch of the cracker in 2022 there is still a risk remaining in relation to cashflow projections due to equipment calibration of the cracker and the operational launch of the polymerization plant “Bay 3”.

In order to address this risk, Borealis AG estimates the recoverable amount using the discounted cash flow method. Given the complexity of the impairment model, the estimation uncertainty over input data and parameters used and the immanent discretionary decisions, the recoverability of the equity accounted investment Baystar is considered as a key audit matter.

For the investment Borouge PLC, which is listed on the Abu Dhabi stock exchange, there is a risk that the market value will fall below the carrying amount of the investment. For the investment Borouge 4 LLC, which is in the process of constructing a chemical plant in Abu Dhabi, there is a risk of significant delays in the construction of the plant.

There is a risk for the consolidated financial statements that the valuation of equity-accounted investments is misstated.

Our response

We assessed the recoverability of equity-accounted investments as follows:

- We obtained an understanding over Borealis AG's process regarding the identification of indicators for impairment and and the determination of key assumptions underlying the recoverable amount of the equity-accounted investments tested.
- We assessed the adequacy of Borealis AG's disclosures in the consolidated financial statements and its compliance with the relevant IFRS standards.
- We compared the carrying amount for Borouge PLC with the proportionate market capitalization.
- We used the Company's documentation for Borouge 4 LLC to assess whether significant delays had occurred in the construction process and discussed the respective project with the Company's Management Board.

For Baystar we performed the following procedures:

- We compared the main assumptions used within the future cash flow models for volumes sold and industry margins to those included in budget presented to the supervisory board.
- We analyzed margin forecasts with external market data and other publicly available information.
- We challenged the discounted cash flow models assumptions and judgements by performing a sensitivity analysis, considering a range of likely outcomes based on various scenarios.
- With the assistance of our valuation specialists we assessed a range of reasonable input assumptions for determining discount rates or perpetual growth rates.
- We verified the mathematical accuracy of the valuation models.

Other Matter

The audit of the financial statements of Borealis AG as of December 31, 2022 was performed by another auditor, who expressed an unqualified audit opinion on the financial statements dated February 22, 2023.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as other legal or regulatory requirements and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also 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 intents 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

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 audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in 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 AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We 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 audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit 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.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law and other legal or regulatory requirements.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on February 28, 2023 and were appointed by the supervisory board on June 1, 2023 to audit the financial statements of Company for the financial year ending on December 31, 2023. We have been auditors of the Company since the consolidated financial statements at December 31, 2023.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr Karl Braun.

Vienna, February 22, 2024
KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Karl Braun m.p.
Austrian Chartered Accountant

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

Report of the Supervisory Board 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 six 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 December 31, 2023, including the management report, and the consolidated financial statements as of December 31, 2023, 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 KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft issued the unqualified audit opinion ("uneingeschränkter Bestätigungsvermerk") on the financial statements.

Furthermore, the consolidated financial statements of Borealis AG have been prepared in accordance with the International Financial Reporting Standards (IFRS), and KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft 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. Following a thorough examination and discussion by the Audit Committee and 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 retained earnings, the proposal for the appointment of the auditor for the financial year 2024, the consolidated financial statements, the Group management report, and the consolidated non-financial report were approved/ acknowledged.

Vienna, February 28, 2024

Daniela Vlad m.p.
Chairperson 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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