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# Borealis Group

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Company Presentation | 2015



# Borealis at a Glance

## *Keep discovering ...*

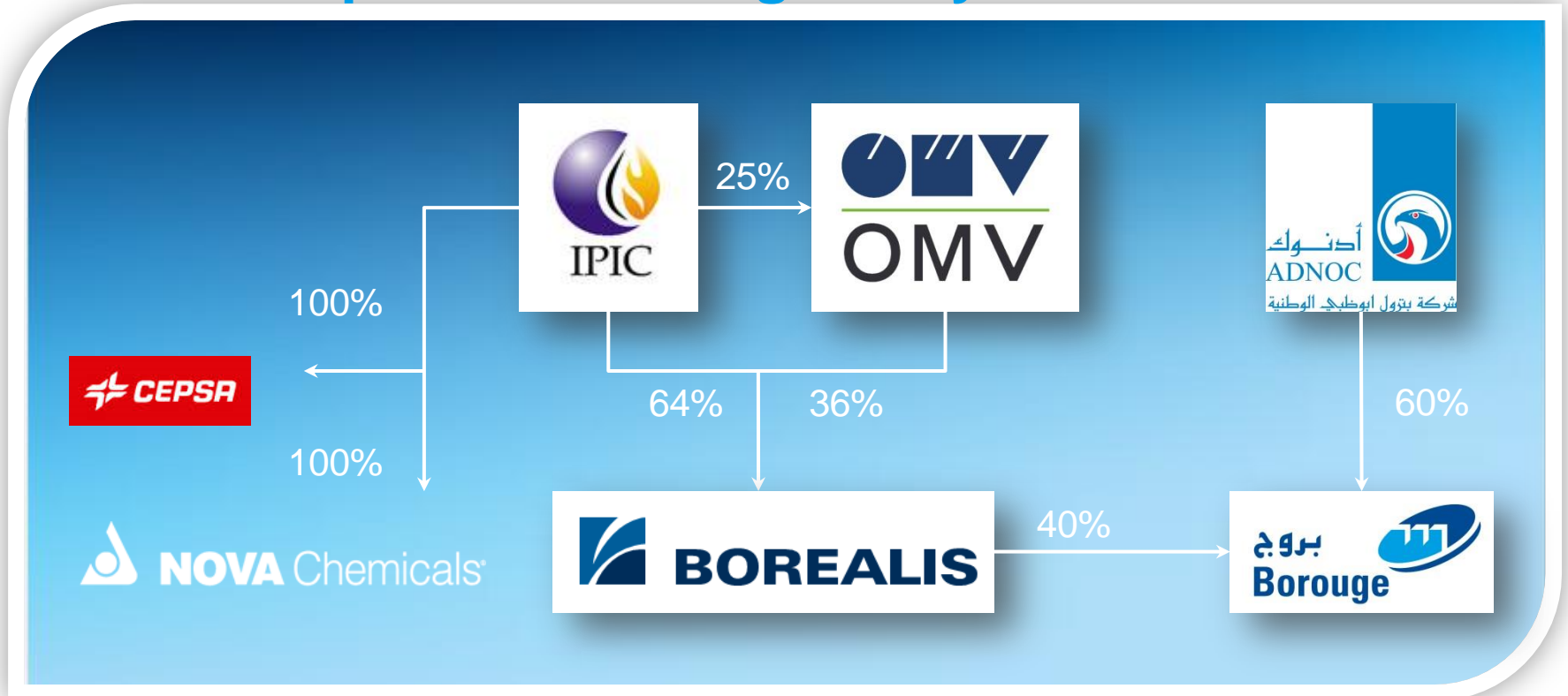
- **Leading provider of chemical and innovative plastics solutions that create value for society**
- **Top 2 in Polyolefins & Top 4 in Fertilizer in Europe**
- **More than 50 years of experience, 20 years under the name of Borealis**
- **Unique Borstar® technology to develop polyolefin solutions that are tailored to customers' needs**
- **Around 6,500 employees worldwide and customers in over 120 countries**
- **Ownership 64% IPIC / 36% OMV**
- **Strategic development of Borouge (Abu Dhabi) in the Middle East and Asia**
- **FY 2014 Sales 8.3 BEUR & net profit of MEUR 571**



Keep Discovering



# Borealis – part of a strong family



## IPIC (Aa2/AA\*)

- Energy investment arm of the Government of Abu Dhabi, UAE
- Responsible for investments in refining & marketing of petrochemicals and other hydrocarbons related sectors, outside the UAE

## OMV (A3/A-\*)

- Integrated international oil & gas company
- Upstream: Exploration & Production
- Downstream: Gas & Power, Refining & Marketing

## ADNOC: Abu Dhabi National Oil Co.

- Oil production of more than 2.7 million barrels a day
- Ranks among the top ten oil and gas companies in the world.
- Upstream & downstream activities, including transportation, shipping, marketing and distribution.

Note: (\*) Credit ratings as of 31/12/2014 : Moody's and Fitch

# Borealis and Borouge locations



# Clear strategic focus

## We target to

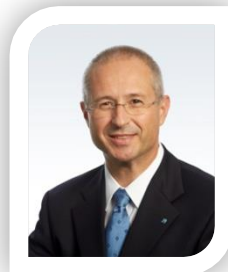
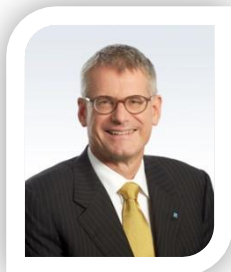
- **Grow** our business in Infrastructure, Automotive and Advanced Packaging
- **Strengthen** our European base, ensuring cost competitiveness
- **Expand** Borouge to supply growth in the Middle East and Asia and leverage into Europe
- **Drive** productivity in Base Chemicals with a focus on growth in Fertilizer and strengthening the cracker asset base and business
- **Pursue operational excellence**, considering safety at all times
- **Achieve** a step change in innovation
- **Exceed** in serving our customers with a focus on quality and reliable execution
- **Develop** a cross-cultural capability and learning organisation

## We target to outperform financially

- **11%+** average Return on Capital Employed post tax
- **40-60%** debt to equity ratio at Borealis







# Our Executive Board: longstanding industry experience



CEO Mark Garrett	CFO Mark Tonkens	EVP Polyolefins Alfred Stern	EVP Base Chemicals Markku Korvenranta	EVP Operations Martijn Van Koten
Strategy	Group Controlling	New Business Development	New Business Development	Operations Polyolefins
Group Development	IT	Advanced Packaging & Fibre	Hydrocarbons & Energy	Operations Base Chemicals
Human Resources	Business Finance	Energy & Infrastructure	Phenol	OPEX Programme
Communications	Treasury & Funding	Engineering Applications	Melamine	Plant Availability & Turnaround
Legal	Risk & Internal Audit	Innovation & Technology	Fertilizer	Group HSE
Commercial Excellence	Group Tax	Business Center	Optimisation Planning	Projects & Technical Support
Middle East & Asia	Group Quality & Programmes	Supply Chain	Supply Chain	Technical Development & Engineering

# Borealis Group Strategy: Three strong pillars

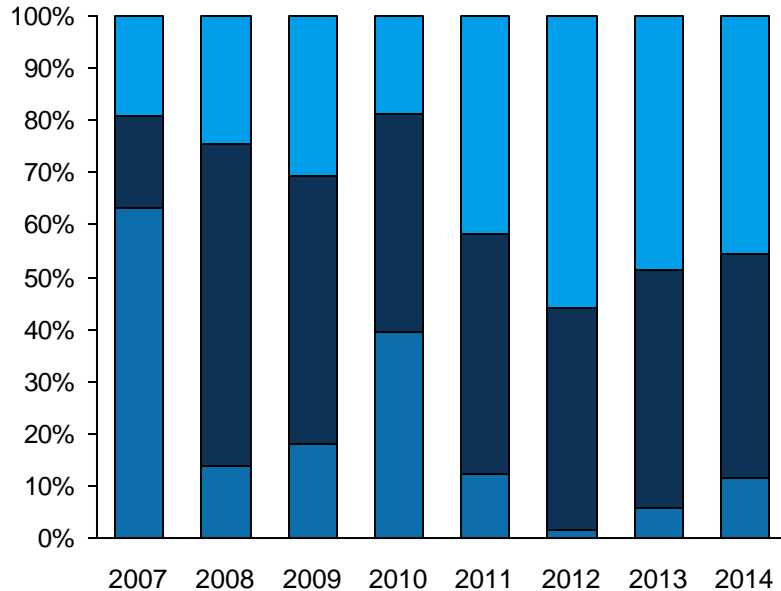
## Borealis Group Strategy

Base Chemicals	Polyolefins	Borouge	Growth options
			
<ul style="list-style-type: none"> <li>– Feedstock, Olefins &amp; Energy</li> <li>– Fertilizer</li> <li>– Melamine</li> <li>– Phenol</li> </ul>	<ul style="list-style-type: none"> <li>– Advanced Packaging &amp; Fibre</li> <li>– Energy &amp; Infrastructure</li> <li>– Engineering Apps</li> </ul>	<ul style="list-style-type: none"> <li>– Borouge ADP (1, 2, 3)</li> <li>– Borouge Pte</li> </ul>	<ul style="list-style-type: none"> <li>– Future Borealis positions</li> </ul>
<b>Technology</b>			
<b>Organisational Capabilities</b>			
<b>Sustainability</b>			

# Borealis Group Strategy: Three strong pillars

- Polyolefins, Borouge, Base Chemicals provide good diversification

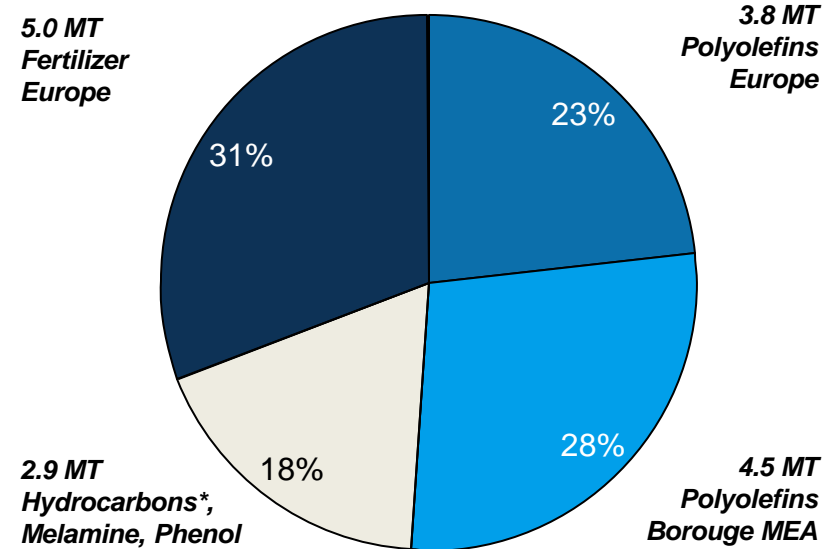
Contribution to net profit result in MEUR



■ Polyolefins Borouge 
 ■ Base Chemicals 
 ■ Polyolefins Europe

Note: Business Group contributions relate to operating profit, Borouge to the equity associate contribution line

Diversification in KT capacity

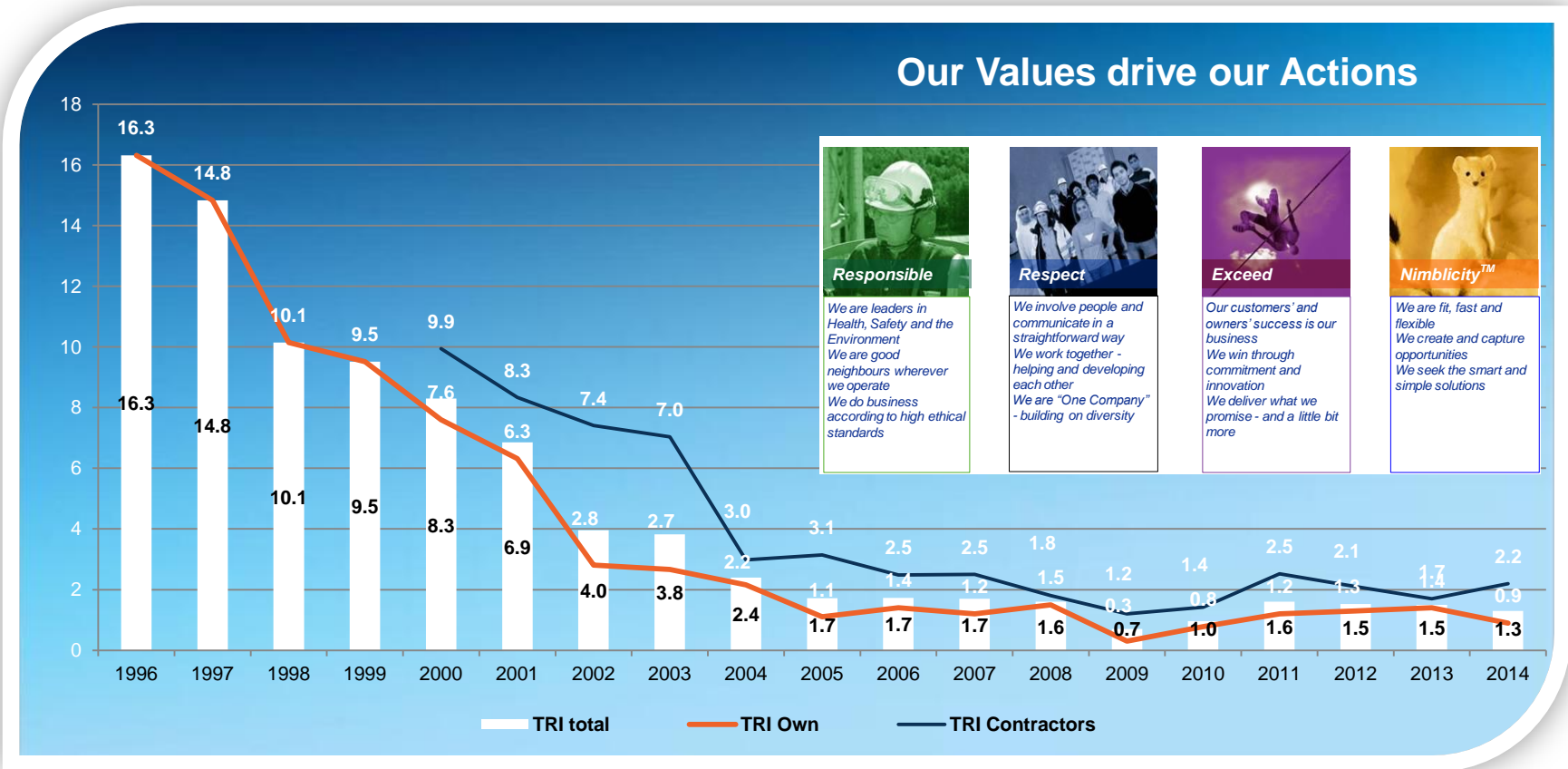


Note: Total nameplate capacity at YE 2014, (\*) excluding internal sales



# Safety performance – among the best in the industry

## TRI frequency - Own vs. Contractors 1996 - 2014



Note: TRI being defined as total recordable incidents per million hours worked

Life Saving Rules



# Borealis addresses global challenges



# Borealis innovation drive

- **February 2015 - the BMW i8 front bumper and instrument panel (IP) carrier project was highlighted at VDI Mannheim:**

A new Daplen™ grade, with recycled content, developed in cooperation with BMW for the front bumper of the electric sports car BMW i8 is a specific example in facilitating systematic lightweight construction in the automotive industry.

- **November 2014 - the N-Pilot® Innovative new diagnostic tool optimising application management for better nitrogen uptake and lower environmental impact was launched.**

A hand-held device used in the field, Borealis L.A.T's N-Pilot® allows farmers to identify the current nitrogen requirements of crops quickly and conveniently.

- **August 2014 - a step-change HVDC innovation based on the Borlink™ technology platform was announced.**

Developed in partnership with ABB, this innovation will support the further integration of renewable energies into the grid and the establishment of more interconnections among countries in major infrastructure projects around the world. The new grade has successfully completed tests up to 525 kV, a step change from the 325 kV-400 kV currently on offer in the market.



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# Business Group Polyolefins

# Borealis Polyolefins solutions



## Global Infrastructure Solutions

- Wire & Cable, Pipe, Capacitors



## Advanced Packaging Solutions in Europe

- Film & Fibre
- Moulding & Healthcare



## Global Mobility Solutions

- Automotive Industry, Appliances



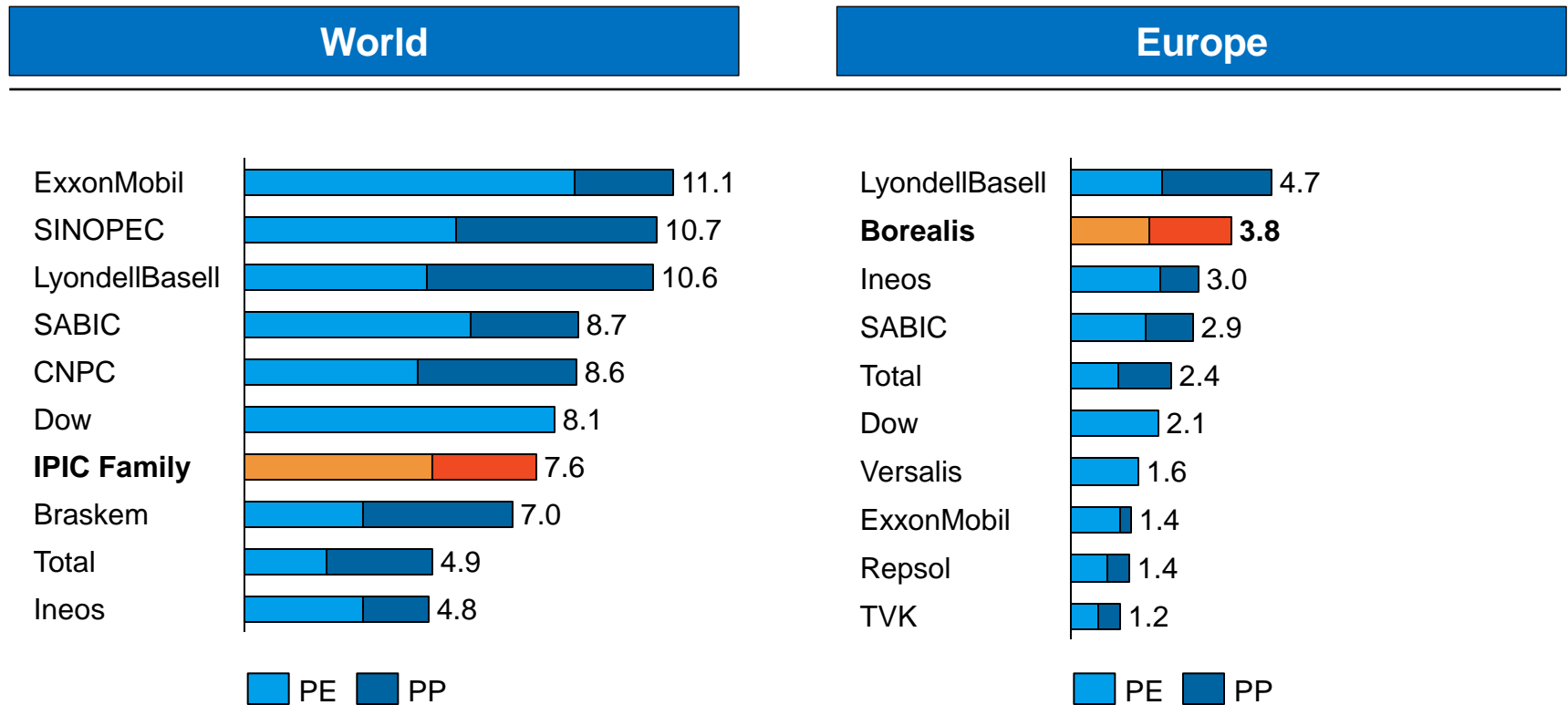
## Strategic development of Borouge

- Borouge since 1998
- Borouge I went on-stream 2001
- Borouge II went on-stream 2010
- Borouge III on track for completion 2014

# Polyolefin Producers: top positions

## IPIC family top 7 globally, Borealis top 2 in Europe

Capacities 2013 based on ownership share in MT



Legend: IPIC Family = Borealis, Borouge & Nova

Source: Borealis, IHS, ICIS

# Polyolefins - Engineering Applications - Automotive



## Exterior body panels

- 15% weight reduction
- Excellent paint adhesion
- Making cars more energy efficient



## VW air intake manifold

- 15% weight reduction
- Able to withstand engine temperatures
- Excellent Acoustic Behavior



## BMW X5 - Fender

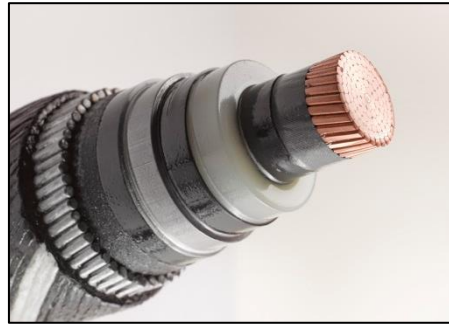
- 50% weight reduction
- Enhanced efficiency through single piece design
- Fulfills requirements regarding pedestrian safety
- Offline painted class A surface
- Produced in South Carolina

# Polyolefins - Energy & Infrastructure – Cables



## The challenge

- Transmitting high voltage energy over long distances efficiently



## The solution

- Borealis specialty Polyethylene
- For high purity insulation and strong support



## The benefits

- Good processing characteristics
- Less product waste during cable extrusion
- Insulates up to 500 kV
- Ultra high purity for high voltage insulation



# Polyolefins - Energy & Infrastructure - Pipes



## The challenge

- Upgrade and expansion of existing drinking water and sewage networks
- Cost constraints and tough laying conditions



## The solution

- Multilayer Polyethylene pressure pipes based on Borealis' material
- Cost efficient and customer tailored solutions



## The benefits

- Very high resistance to point loading and slow crack growth
- Low notch sensitivity, service life exceeding many decades
- Fast and cost-efficient installation

# Polyolefins - Advanced Packaging - BorShape™



For the same amount of yoghurt, 1 truck less is needed (2 vs. 3):  
reduction of 1/3

## The challenge

- Making packaging thinner and stronger
- Replacing more costly materials

## The solution

- BorShape, a new generation of film materials based on Borealis' Borstar® bimodal technology

## The benefits

- High toughness even at low temperatures in combination with very high stiffness
- Low energy consumption & scrap rates
- Excellent processing higher packaging speeds and increased output for our customers

# Polyolefins - Advanced Packaging – Health Care



## The challenge

- Development of flexible, single-use ampoules for self-administered medications not requiring post steam sterilisation



## The solution

- Boremed low density polyethylene (LDPE)
- Good transparency



## The benefits

- Trouble-free conversion on standard blow moulding machines as well as blow, fill and seal (BFS) machines
- Easy to control wall thickness & ampoule weight
- Balanced properties make it suitable for use in dip-tubes in pharmaceutical sprays

# Investing to Strengthen Polyolefins

## Catalyst plant Linz – Linz, Austria

- Brings our future proprietary catalyst production in-house
- For research as well as commercial production
- Completed in 2012.



## Acquisition of DEX – Geleen, Netherlands

- A natural compliment to Borealis' existing technology
- Two production lines for a nameplate capacity of 120 KT
- Exact™ metallocene plastomers (C8) & Stamylex™ LLDPE



## Acquisition of SPA – Antwerp, Belgium

- Strategy to grow our polyolefin business in specific market areas.
- Acrylate copolymers are an important building block for value-added products
- Sold into our core Energy & Infrastructure market



## Borstar 3G investment – Porvoo, Finland

- Addition of a new reactor
- Extension of Borstar Borealis' PP product range
- Special PP impact copolymers for production of tailored PP



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# Borouge

# Borouge continues to grow rapidly

## Borouge I (2001) – Ruwais, UAE

- Joint Venture was set up in 1998 between Borealis AG and ADNOC
- Fully integrated olefins and polyolefins site
- Ethane cracker producing 600 KT tonnes of ethylene per year
- Two world scale Borstar® units focussing on Pipe products



## Borouge II (2010) – Ruwais, UAE

- Total annual capacity raised to 2 MT
- 1.50 MT Ethane cracker
- The world's largest olefins conversion unit 752 KT
- 1.14 MT Borstar® enhanced PE and 0.8MT Borstar® enhanced PP
- Benchmark for HSE and Operational Excellence in the Middle East



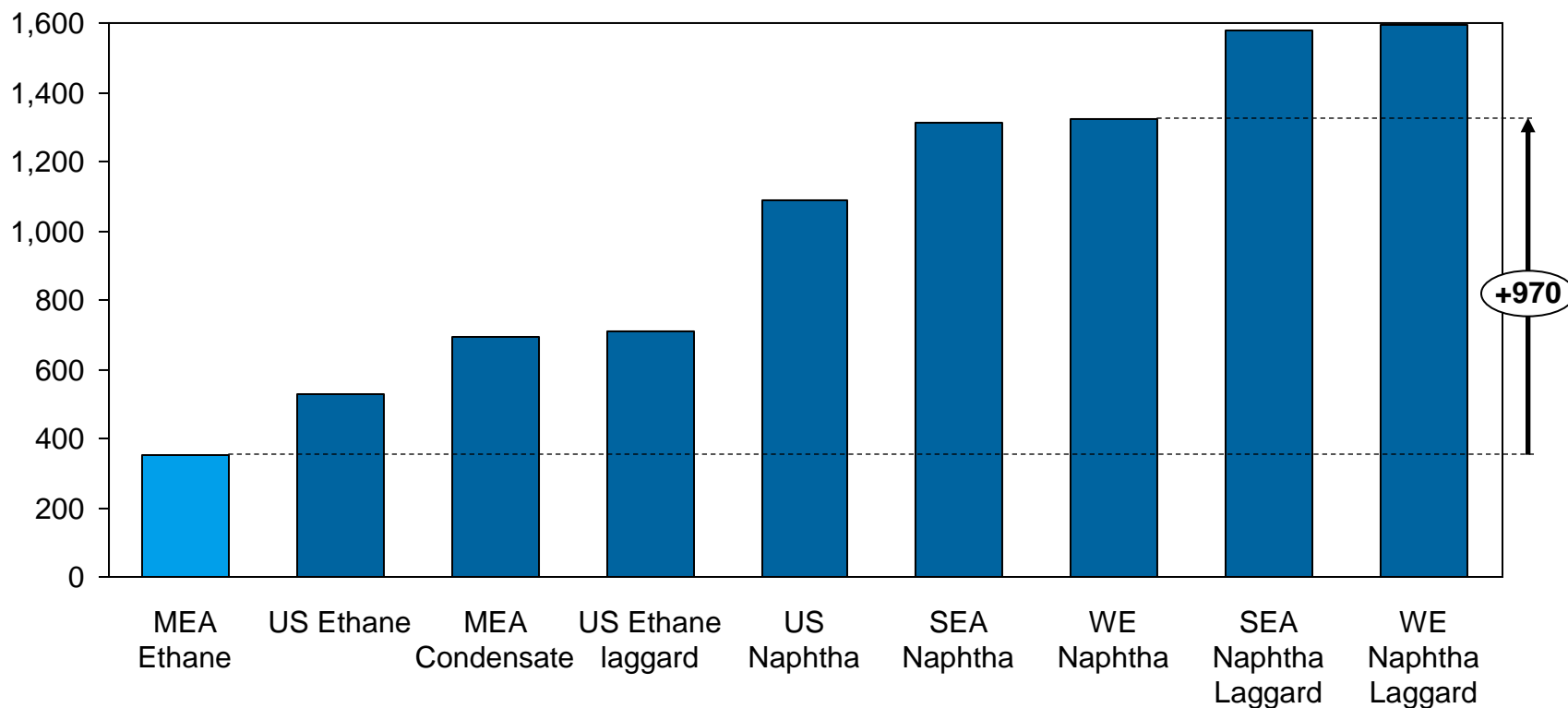
## Borouge III (2014) – Ruwais, UAE

- Ethane cracker producing 1.5 MT per year
- Enhanced Borstar® polyethylene plants:
  - PE4: 540 KT & PE5: 540 KT
  - PP3: 480 KT & PP4: 480 KT
- LDPE & XLPE plants with focus on high value Wire & Cable products:
  - LD1: 350 KT
  - XLPE1: 80 KT soaking line



# Cash production cost around the world

## LLD cash cost in USD/ton – Status 2013



Source: Nexant Chemsystems, Borealis

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# Business Group Base Chemicals



# Base Chemicals has become a strong third pillar in our strategy



## Fertilizer

- Expansion of production footprint in Europe
- Danube highway via Linz
- Rhine highway via Ottmarsheim
- Expansion of distribution footprint
- GPN and Rosier complement Western European footprint



## Feedstock and Olefins

- Feedstock sourcing: increase advantaged feedstock sourcing in coastal locations (North Sea, Russia and LPG imports)
- Capacity increase: debottlenecking opportunities (butadiene capacity and Porvoo cracker)
- Energy efficiency and asset upgrades: Porvoo power plant and Stenungsund furnace revamp



## Melamine

- Strong position in European market: Tableware, laminate flooring table tops, concrete plasticiser amongst others
- Number 2 position in this segment
- Successful monetisation of high pressure technology



## Phenol and Acetone

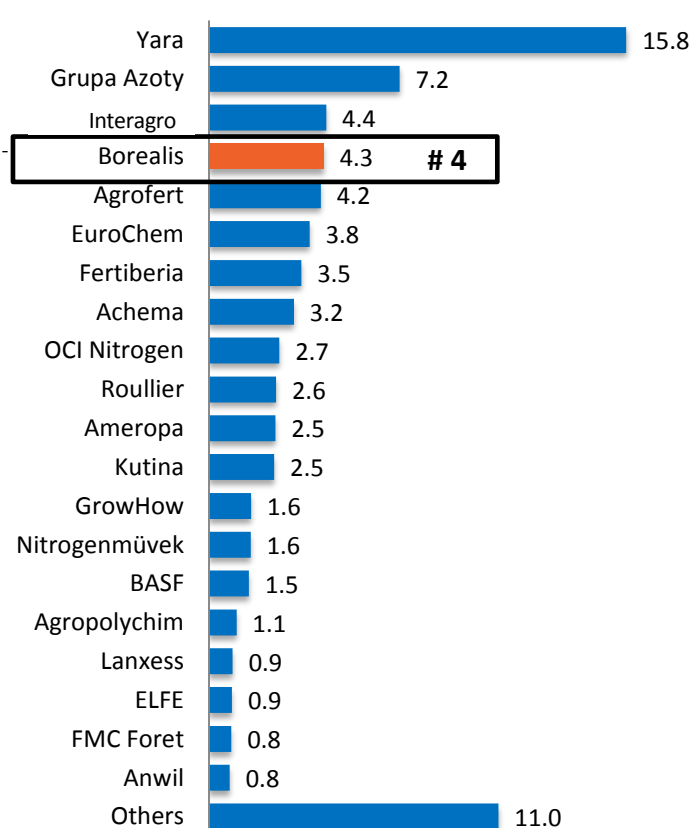
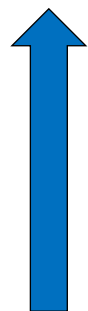
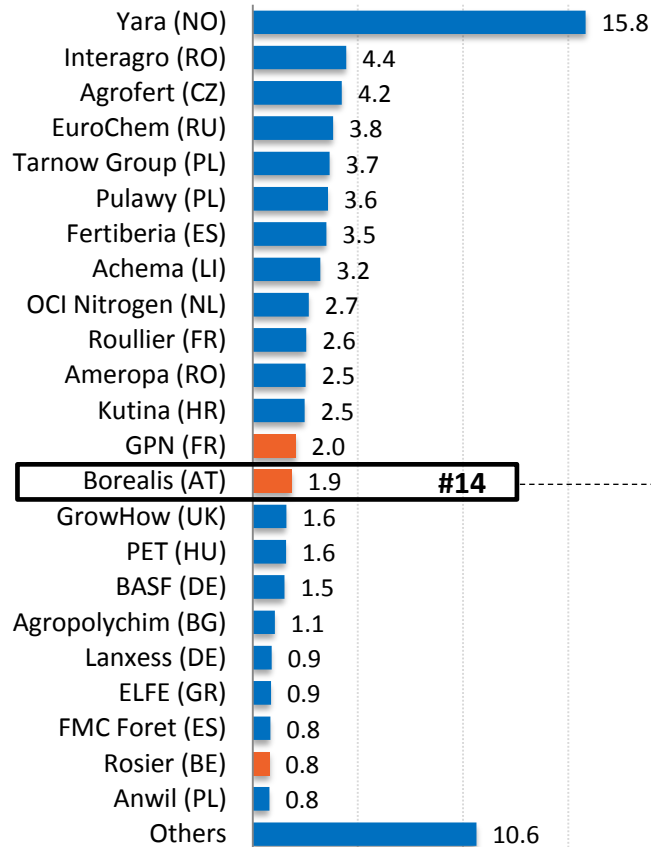
- Wind power, automotive, construction, electronic and appliances

# European Fertilizer Market

Borealis is moving towards top positioning in Europe

European Fertilizer Market 2012 in MT

European Fertilizer Market 2014 in MT



Source: Borealis, CRU, Euronext

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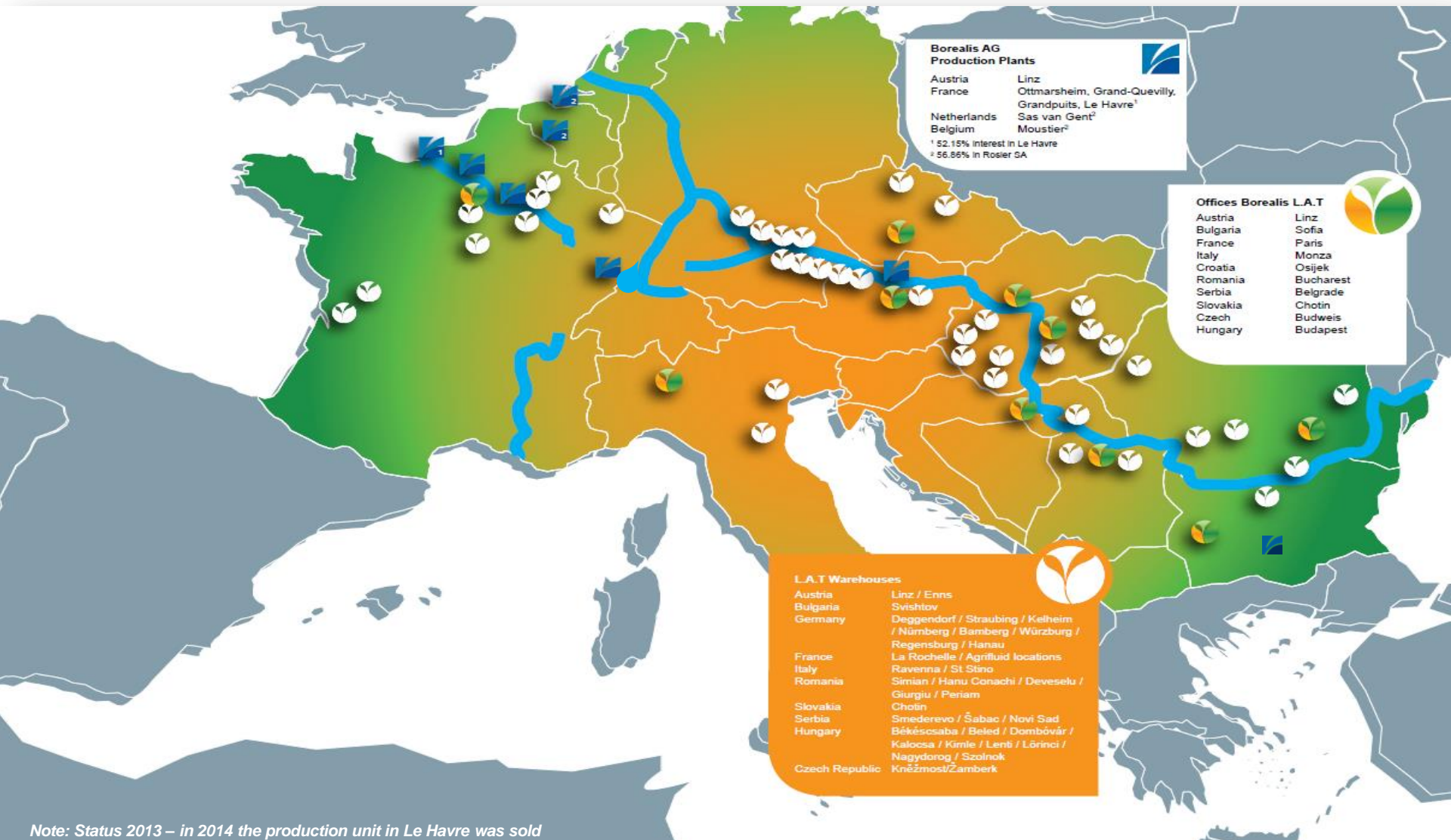
# We aspire to continue the growth in Fertilizer

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We aspire to

- Develop further our strategic Fertilizer business:
  - Become #2 in Europe
  - Increase to 10 million tons by 2020 through increased capacity, acquisition and trading development
- Pursue operational excellence, considering safety at all times
- Exceed in serving our customers with a focus on quality and reliable execution
- Ensure cost competitiveness from feedstock to customers

# Borealis L.A.T – the leading fertilizer distributor



Note: Status 2013 – in 2014 the production unit in Le Havre was sold

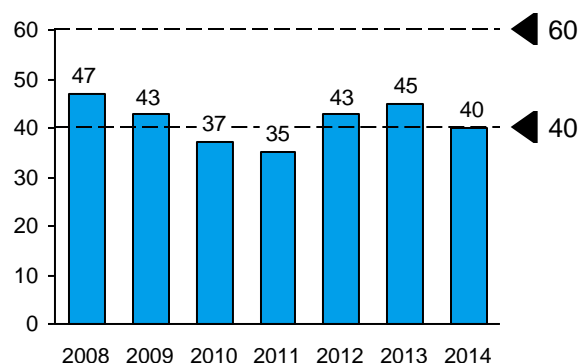
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# Financials

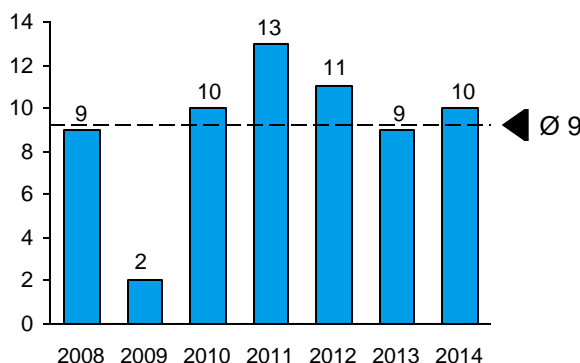
# Solid financials 2007- 2014

MEUR	2007	2008	2009	2010	2011	2012	2013	2014
Net sales	6,350	6,697	4,714	6,269	7,096	7,545	8,144	8,330
EBITDA	666	426	260	610	569	432	517	641
Net profit from associates	133	144	44	120	333	391	351	408
<b>Net profit</b>	<b>533</b>	<b>239</b>	<b>38</b>	<b>333</b>	<b>507</b>	<b>480</b>	<b>423</b>	<b>571</b>

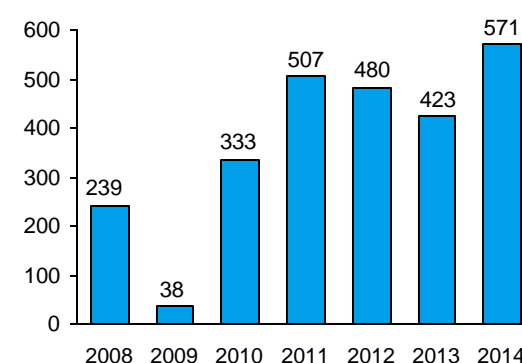
**Gearing (%)**  
target range 40-60%



**ROCE (%)**  
target level 11% TTC

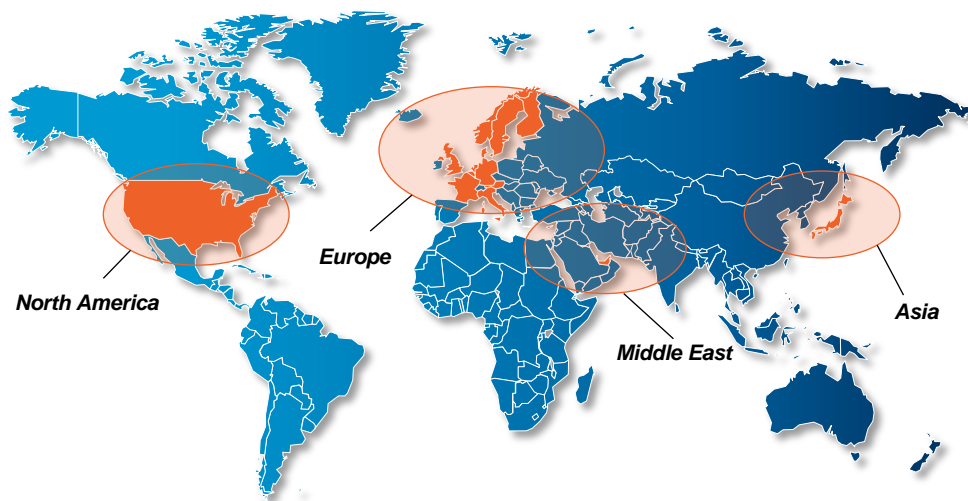


**Net profit (MEUR)**  
development



# Financing and Bank Strategy

## Geographic Diversification of Relationship Banks



## Financing Diversification 2012 - 2014

Transaction Type	MEUR
USPP (EUR/USD) 2012	~100
Corporate Bond	125
Schuldschein (EUR/USD)	~150
Securitisation	300
RCF refinancing 2012	1000
ECA– Acquisition financing	100
USPP 2013 (USD)	~60
ECA – Acquisition financing	200
EIB - R&D Financing	150
RCF refinancing 2014	1000
R&D Financing	75
<b>TOTAL</b>	<b>&gt; 3.260 MEUR</b>

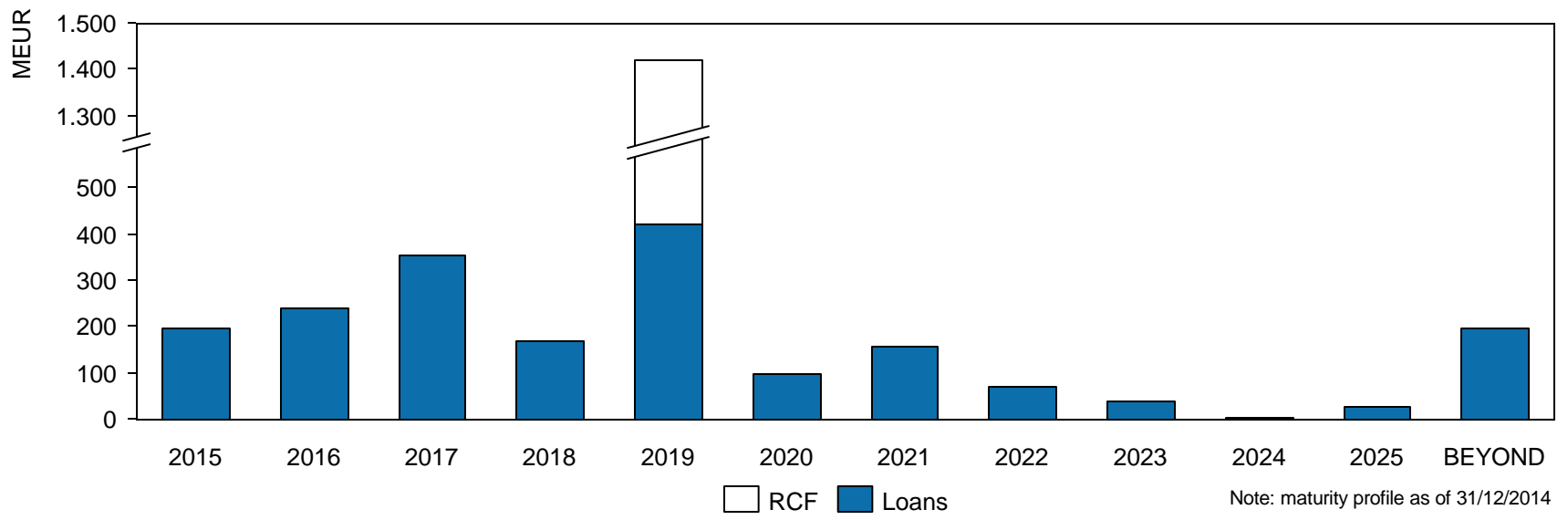
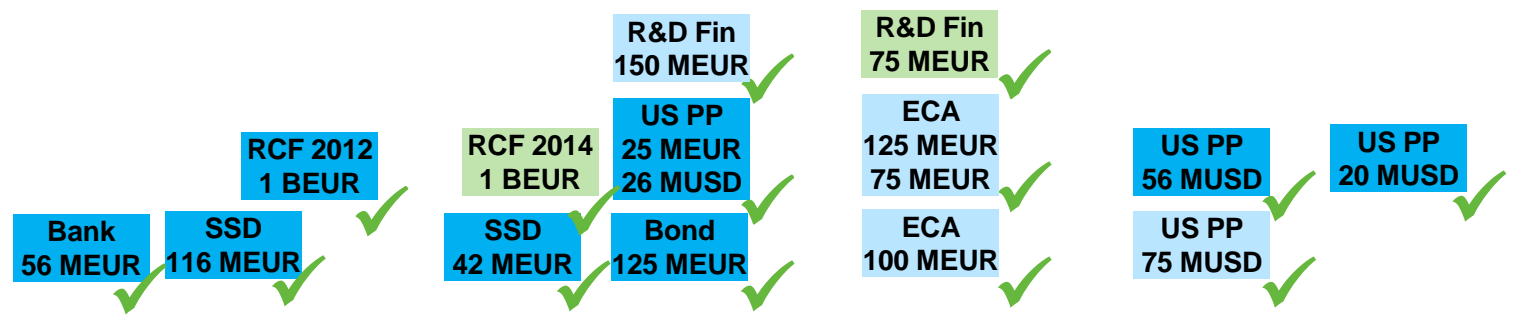
## Segment Diversification of Relationship Banks



# Practical example: Funding activity 2012 - 2014

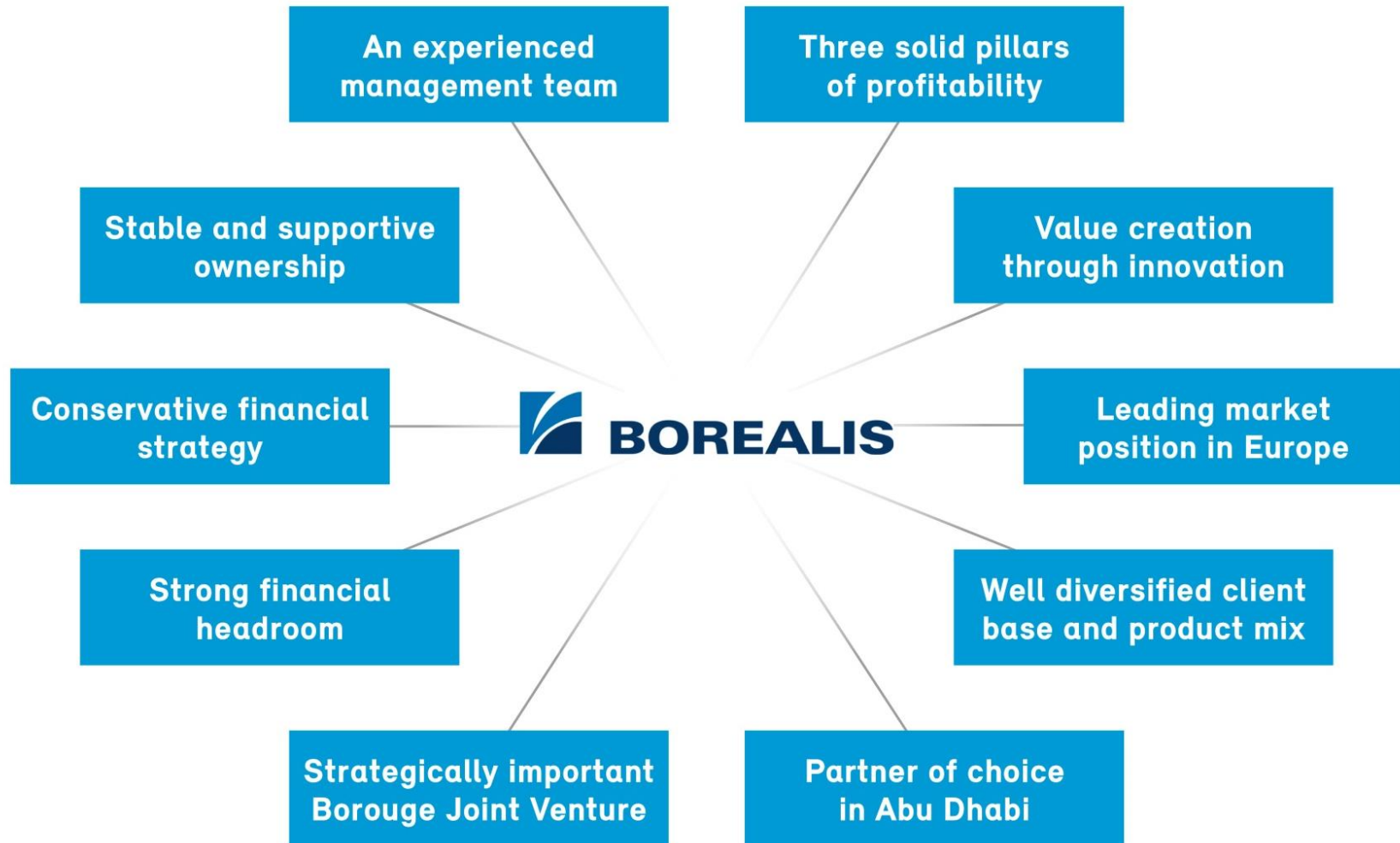
**Maturity profile well managed & further strengthened** 2014 2013 2012

- Active maturity structure management
- Portfolio approach
- Clear rules for financing approach
- Appropriate measurement & indicators (MDur)
- Significant headroom under committed lines





# Key credit highlights



# Borealis Investor Relations Contacts



# BOREALIS

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