

ANNUAL REPORT 2017

Borealis Insurance A/S

22nd financial year
Approved at the annual general meeting
held 16 April 2018

Chairman of the meeting:



CVR registration no. 19 32 32 93

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Statements

Statement by the Management on the Annual Report

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Borealis Insurance A/S for the financial year 1 January - 31 December 2017, which comprises Management's Statement, Management's Review, income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, and statement of comprehensive income.

We declare that the Annual Report of Borealis Insurance A/S is prepared in accordance with the Danish Financial Business Act and requirement of regulations or agreement, and the annual accounts gives a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company's operations for the financial year, and we believe that Management's Review gives a true and fair view of the development of the Company's activities and financial situation and describes the most material risks and uncertainties by which the Company may be affected. We recommend that the Annual Report be approved at the Annual General Meeting.

Copenhagen, April 16, 2018

Executive Board:

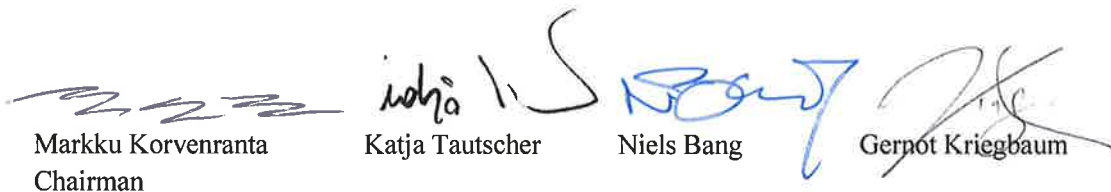


Peter Rienckens
Director



Anne Worm-Petersen
Director

Supervisory Board:



Markku Korvenranta
Chairman

Katja Tautscher

Niels Bang

Gernot Kriegbaum

Independent Auditors' Report

To the shareholder of Borealis Insurance A/S

Our opinion

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our Auditor's Long-form Report to the Board of Directors.

What we have audited

The Company Financial Statements of Borealis Insurance A/S for the financial year 1 January to 31 December 2017 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies (the "Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Borealis Insurance A/S on 11 April 2016 for the financial year 2016. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 2 years including the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2017. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Measurement of claims provisions The Company's claims provisions amounts to KEUR 3 624, which represents 4% of the total liabilities and provisions.</p> <p>Claims provisions are calculated as the present value of the payments, which the Company is expected to incur because of insurance events taken place up until the balance sheet date. Claims are estimated including both reported and unreported claims.</p> <p>Claims provisions are calculated as the best estimates of total claims cost, including direct and indirect costs related to the settlement of claims, less the amounts already paid on such events.</p> <p>The Company uses LTGA model (long term guarantee assessment) to calculate the Company's insurance risk.</p> <p>Except for the Company's net risk retention, the insurance policies issued by the Company contain the same conditions as the reinsurance protection.</p> <p>The provisions are based on management estimates and actuarial methods using assumptions about future events.</p> <p>The most significant estimates and assumptions relates to extent of future payments of compensation, which is based on case-by-case loss estimation.</p> <p>Management estimates are based on reports by independent loss adjusters.</p> <p>We have focused on measurement of claims provisions, as they are based on significant accounting estimates. We refer to the Management's Review and note 1 to the Financial Statements.</p>	<p>We reviewed and assessed the business processes and internal controls of the company regarding claims processing and claims provisioning.</p> <p>We assessed the methods and assumptions used based on our experience and industry knowledge to ensure that they are in line with market practice and regulatory and accounting requirements. This included an assessment of continuity in the basis for the calculation of claims provisions. On a sample basis, we tested the calculation of individual claims provisions.</p>

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Business Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement in Management's Review.

Key figure Solvency Ratio

Management is responsible for the key figure Solvency Ratio in the note on financial highlights and key figures page 20 of the Financial Statements.

As disclosed in the note on financial highlights and key figures, the Solvency Ratio is exempt the audit requirement. Consequently, our opinion on the Company Financial Statements does not cover the solvency ratio, and we do not express an assurance opinion thereon.

In connection with our audit of the Financial Statements, our responsibility is to consider whether the Solvency Ratio is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on this, we conclude that the Solvency Ratio is materially misstated, we are required to report on this. We have nothing to report in this respect.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of company financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Borealis Insurance A/S

Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

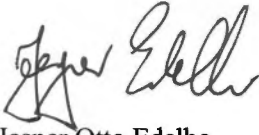
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation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

Borealis Insurance A/S

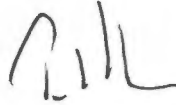
Copenhagen, 16 April 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR NO 3377 1231



Jesper Otto Edelbo
State Authorised Public Accountant
mne10901



Per Rolf Larssen
State Authorised Public Accountant
mne24822

Management's review

Borealis Insurance A/S
c/o Gorrissen Federspiel

Axeltorv 2
DK-1609 Copenhagen V

Registration no: 19 32 32 93
Founded: 1996
Registered office: Municipality of Copenhagen

Supervisory Board

Markku Tapani Korvenranta
Katja Tautscher
Gernot Kriegbaum
Niels Bang

Executive Board

Peter Guy Emiel Rienckens, Belgium
Anne Worm-Petersen, Denmark

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

General meeting

Ordinary general meeting will be held on April 16, 2018

Management's Review

Primary activities

Borealis Insurance A/S was founded in 1996 as a captive reinsurance company for the Borealis Group and in 1998 the company began to write insurance as well.

Borealis Insurance A/S has license to reinsurance business as well as direct insurance business in the following classes "Property" (insurance class 8), "Marine Cargo" (insurance class 7), "Liability insurance" (insurance class 13), and "Financial losses" (insurance class 16). At the same time, the company is registered in respect of cross-border business in certain EU countries and in Norway. In 2017, business involved companies of the Borealis group located in Austria, Belgium, Finland, France, Germany, Italy, Sweden, The Netherlands and USA. Borealis Insurance A/S fixing of the premium is made at market prices, based on a general evaluation of the market level made by international insurance consultants. In 2017, the company has as in previous years — after permission from the Danish Financial Supervisory authorities (Finanstilsynet) - granted a loan to a Borealis group company. Due to the size and complexity of the company, combined with the business model (Captive), the supervisory board has decided that internal audit and internal audit committee is not necessary. In addition the Company is included in the parent company's request for a group internal audit committee.

Uncertainty in connection with recognition and measurement

The Company is exposed to uncertainty when determining claims provisions and credit risk with counterparties, first and foremost reinsurance companies. The Company has limited these risks by using professional handlers for determination of provisions and by requiring at least A-rating of the reinsurance companies, unless approved by the Board.

Unusual matters

It is the opinion of the Company that no unusual matters materially affect the Company's earnings and equity. The profit of KEUR 10,448 is satisfactory compared with expected profit of EUR 2-3 million.

Development in activities and financial development

The company's result for 2017 amounts to a profit of KEUR 10,448, (2016: profit of KEUR 6,278) which is entered under equity. The liquidity of the company has been satisfactory in 2017. Borealis Insurance A/S' Solvency Capital Requirement (SCR) is EUR 32,207,431 as at 31 December 2017, corresponding to a base capital of EUR 74,016,162 (2016: EUR 63,682,342). Consequently, the Danish Financial Supervisory authorities' requirement for the solvency margin is observed 2.3 times. The company is using the standard formula in accordance with Solvency II regulation. The Supervisory Board believes that the company has fully adjusted to the new regulation. In November 2017, the company has appointed key persons responsible for the functions Risk Management, Compliance, Actuary and Internal Audit.

Development in losses

Total losses incurred for own account amounts to a positive effect of KEUR 5,770 due to decreased loss reserves for previous years. The claims result in 2017 equal app. -35 % of the gross premiums. The company's reinsurers have not been affected by any losses in 2017.

Reinsurance

Borealis Insurance A/S' risk is limited to claims within risk classes to which the company has license. Net risk retentions are limited per loss and in the annual aggregate.

Other information

The Annual Report for 2017 is denominated in EUR. The company has no commitments or collateralizations, cf. section 78 in the Danish Act on Financial Business and relating executive orders etc. The company's Executive Board has no duties, cf. section 80 in the Danish Act on Financial Business and relating executive orders etc. Alpha Consulting A/S, Denmark conducted the administration of the company until 31.12.2017. The Company expects a profit for 2018 of EUR 2-3 million. It is the Company's salary policy only to pay fixed salary, and only to external directors and board members. For a description of the Borealis Group's work in respect of social responsibility, reference is made to the website www.borealisgroup.com.

Events after the balance sheet date

No events occurred after the balance sheet date that materially affects the financial position of the company.

Specific risks, including business and financial risks which can affect the company

It is the Company's opinion that no particular risks materially affect the Company.

Description

The company is the captive insurance company of the Borealis Group and does not write any third party business. Consequently, the company's risk profile is different than these from commercial or traditional insurance companies as there is no risk connected to competition, market conditions, reputation risk, strategic risk, business cycle and company size.

Insurance risk

Insurance risks include the acceptance of risks on a direct and reinsurance basis, issuance of policies and claims management. To limit the risk in this area, the company has only accepted risks in accordance with the procedure "Rules for Internal Transactions and Underwriting". Except for the company's net risk retention, the insurance policies issued by the company contain the same conditions as the reinsurance protection.

Policies

The Supervisory Board has determined that the Company must manage its risks in such way that the Company is at all times and under all circumstances able to meet its financial and other obligations to the insureds, i.e. Borealis Group companies.

The Supervisory Board has determined the overall risk strategy through the issuance of various procedures such as the "Rules for Internal Transactions and Underwriting" and the "Investment Policy". The Executive Board is responsible for the implementation of and compliance with these policies.

The company's risk management relates to the main area insurance risk.

Objective for the management

The Company uses LTGA model to calculate the Company's insurance risk and at every supervisory board meeting the Supervisory Board is up-dated about matters that affect the Company's assessment of this risk. The calculation of risk is related to the determined budgets.

Financial risk

Description

Investment risk represents the risk of losses due to changes in the market value of the company's assets and liabilities as a result of changes in market conditions. Investment risk includes changes in market value of investments, interest rate and currency risks. Policies The Supervisory Board has established the company's Investment Policy in terms of type of investments or assets classes, currencies and limits. The company handles the investment both in relation to the liquidity as well as the long term investments in compliance with the Investment Policy. The investment risks are monitored through an investment portfolio agreement and reporting system.

Objective for the management

The Company's Supervisory Board ensures that the determined investment policy at any time is cautious even though bigger investment returns could be obtained through risky investments.

At each supervisory board meeting the actual returns are reviewed and the Supervisory Board receives continuous information of the Company's investment portfolio. Only professional portfolio administrators are used.

Credit risk

Credit risk is the risk of losses caused by one or more counter-parties' breach of their payment obligations. The company is exposed to credit risk in both its insurance and investment business. In respect of insurance, the company does not place any business with a (re)insurance company with a Standard & Poor (S&P) or equivalent financial strength rating of less than A-, unless specifically approved by the Supervisory Board. To limit the risk in the investment business, the investments are made by granting a ban to a Borealis Group company against a parental guarantee, and in bonds and shares of high credit rating.

Operational risk

Operational risk is the risk of incurring a loss due to insufficient or faulty procedures or human or systematic errors. Operational risk includes the risk of breakdowns in the IT systems. For all main areas there are established procedures in the Borealis Group.

Other assignments:

Markku Korvenranta:

Borealis AG, Borealis Polymers Oy, Borealis Technology Oy, Borealis Agrolinz Melamine GmbH, Borealis LAT GmbH, Borealis Plasticos S.A. de C.V, Borealis US Holdings LLC, GCA Holdings LLC.

Borealis Insurance A/S

Niels Bang:

Advance A/S, Advance Holding ApS, Andreas Duckert Holding ApS, Aqvilø Danmark A/S, Faxø Kalk A/S, FT af 1. oktober 2000 ApS, FT International ApS, Fælles Cyber Holding ApS, Goodman Rock ApS, Henning Larsen A/S, Holdingselskabet af 8. Maj 2002 A/S, J. Duckert Holding A/S, Julie Kierkegaard A/S, K/S Borgmester Christiansens Gade 55, Komplementarselskabet Borgmester Christiansens Gade 55 ApS under frivillig likvidation, Langkjaer Cyber Defence A/S, PeopleGroup A/S, PeopleGroup II A/S, PeopleGroup Production A/S, RelationsPeople A/S, Tenneco Holdings Danmark ApS, Upatfive A/S, Viniportugal A/S, W & L 1991 ApS, W&D 1990 A/S, Walker Danmark ApS, Wibroe, Duckert & Partners A/S and Winther's A/S.

Katja Tautscher:

Borouge Pte Ltd.

Peter Rienckens:

None

Gernot Kriegbaum:

None

Anne Worm-Petersen:

Marsh A/S and Marsh & McLennan Agency A/S.

Annual account 1 January – 31 December 2017

Income statement and statement of comprehensive income

	Note	2017 EUR'000	2016 EUR'000
Gross premiums written	3	16 644	16 726
Reinsurance premiums ceded		(10 174)	(10 283)
Change in gross premium provisions		28	414
Change in reinsurers' share of premium provisions		(20)	(39)
	4		
Premiums earned at own account, total		6 478	6 818
Insurance technical interest at own account	5	(4)	(7)
Gross claims paid	6	(2 750)	(624)
Received reinsurance coverage		0	0
Change in gross claims provisions		8 200	550
Change in reinsurers' share of gross claims provisions		0	0
Change in Risk Margin		320	0
Losses incurred at own account, total	7	5 770	(74)
Administrative expenses	8	(166)	(209)
Operating insurance expenses at own account, total		(166)	(209)
Insurance technical result		12 078	6 528
Interest income and dividends etc.		1 085	1 099
Value adjustments	9	236	197
Return on investments, total		1 321	1 296
Transfer to insurance technical interest	5	4	7
Return on investments after insurance technical interest and value adjustment of technical provisions		1 325	1 303
Results before tax		13 403	7 831
Tax	10	(2 955)	(1 553)
Result for the year		10 448	6 278
Other comprehensive income		0	0
Total comprehensive income for the year		10 448	6 278

Balance sheet

	Note	2017 EUR'000	2016 EUR'000
ASSETS			
Mutual Funds		9 532	9 332
Bonds		12 426	12 366
Bank deposits		7 977	17 436
		<hr/>	<hr/>
Total other financial investment assets	11	29 935	39 134
Total investment assets		29 935	39 134
		<hr/>	<hr/>
Reinsurers' share of premium provisions		3 621	3 641
Reinsurers' share of claims provisions		0	0
Total reinsurers' share of insurance provisions		3 621	3 641
		<hr/>	<hr/>
Premiums receivables		248	269
Receivables from affiliated companies		50 000	40 000
Total receivables		50 248	40 269
		<hr/>	<hr/>
Deferred tax assets		0	14
Total other assets		0	14
Interest receivable		67	140
Other prepayments and accrued income		0	0
		<hr/>	<hr/>
Total prepayments and accrued income		67	140
TOTAL ASSETS		83 872	83 199
		<hr/>	<hr/>

Borealis Insurance A/S

	Note	2017 EUR'000	2016 EUR'000
EQUITY & LIABILITIES			
Share capital		7 092	7 092
Retained earnings		67 074	56 626
Total equity	12	74 166	63 718
Premium provisions		5 913	5 941
Claims provisions		3 000	11 200
Risk Margin		624	944
Total technical provisions		9 537	18 085
Liabilities in connection with reinsurance		59	98
Tax liabilities	10	82	1 248
Other liabilities		28	50
Total liabilities		169	1 396
TOTAL EQUITY AND LIABILITIES			
		83 872	83 199
Collateralisation, contract of suretyship, contingent liabilities	13		
Insurance technical result distributed on insurance class	14		
Related parties	15		
Sensitivity information	16		

Statement of changes in equity

	Share capital	Retained earnings	Total
2016			
Equity at 1 January 2016	7 092	51 256	58 348
Proposed dividends	0	0	0
Transferred, cf. profit appropriation	0	5 370	5 370
Equity at 31 December 2016	7 092	56 626	63 718
2017			
Equity at 1 January 2017	7 092	56 626	63 718
Proposed dividends	0	0	0
Transferred, cf. profit appropriation	0	10 448	10 448
Equity at 31 December 2017	7 092	67 074	74 166

The company has no "Other total income" (comprehensive income).

Notes

1 Accounting policies

The Annual Report has been prepared in accordance with the Danish Financial Business Act and the Danish Financial Supervisory Authority's Executive order on Financial Reports for Insurance Companies and Lateral Pension Funds.

Changes in applied accounting policies

In 2017, the company makes use of the simplified method for calculating premium provisions, as described in §69a of the order. These also has some effect in the calculation of insurance technical interest — see below for details.

The accounting principles are consistent with previous year.

Accounting estimates

When preparing the financial statements, estimates and assessments are applied which affect the size of assets and liabilities and therefore the profit/loss in current and future years. The most material estimates concern assessment of the claims provisions.

Foreign currency

The amounts in the Annual Report are denominated in EUR. Entries in foreign currencies are translated to the reporting currency exchange rate. Foreign exchange gains and losses arisen due to the difference between the reporting currency exchange rate and the exchange rate at the balance sheet date are recognized in the Income Statement. Translation to reporting currency exchange rate is done by using the exchange rate at the time of transaction. Receivables, liabilities and other monetary entries in foreign currencies that have not been settled before the balance sheet date are translated by applying the foreign exchange rate at the balance sheet date, 31 December 2017. The difference is recognized in the Income Statement.

Income Statement

Income and expenses are recognized in the Income Statement with the amounts related to the financial year.

Premiums earned at own account

Gross premiums written consists of due premiums for the year. Reinsurance premiums ceded consists of the share of gross premiums written for the year which are ceded to other insurance companies as a result of the reinsurance coverage.

Losses incurred at own account

Gross claims paid appear as paid claims for the year, including addition of internal and external expenses for inspection and assessment of claims and other direct and indirect costs connected to the treatment of occurred damages.

Received reinsurance coverage appear as a share of gross claims paid for the year which are received from other insurance companies as a result of the reinsurance coverage.

Borealis Insurance A/S

Insurance technical interest at own account

Part of total result from financial operations relate to insurance operations and has been transferred to this part of the Income Statement. As the company makes use of the simplified method for calculating premium provisions, the insurance technical interest is calculated according to §36 of the order, and calculated as yield of average premium provisions for the year. The interest rate used is the curves published by EIOPA.

Operating insurance expenses at own account

The operating insurance expenses at own account comprise administrative expenses with deduction of received reinsurance commissions.

Investments

The company invests in bonds and investment funds, so the investment income is a combination of interest income and value adjustment.

Tax

Tax on results for the year which comprises current tax and changes in deferred tax is recognized in the Income Statement with the portion of taxes related to the taxable income for the year whereas the portion attributable to entries on equity is recognized directly in equity. The tax is calculated in accordance with the Danish Company Tax regulation § 11A (captive rules). Payable or receivable current tax, respectively, is recognized in the Balance Sheet stated as calculated tax on the taxable income for the year adjusted for tax paid on account.

Investment assets

Investments of Borealis Insurance A/S are bank deposits, government bonds and mutual fund holdings that have been measured at the closing price at the balance sheet date. Recognition of purchase and sale are made at the trading date.

Reinsurance

Reinsurer's share of premium provisions has been calculated as gross provisions. Reinsurers share of claims provisions are null.

Receivables

Receivables are measured at amortized cost corresponding to nominal value. Provisions made for bad debts reduce the value.

Prepayments

Prepayments recognized under assets comprise incurred expenses relating to the following financial year. The prepayments are measured at cost.

Premium provisions

Premium provisions are calculated according to the pro rata temporis method, according to § 69a in the order.

Claims provisions

The claims provisions have in accordance with available information been calculated to be sufficient to cover all claims incurred before the balance sheet date, no matter if they have been notified or not. The claims provisions also include expenses for surveys and assessment of the claims by independent loss adjusters. As claims are paid shortly after they occur, the claims provisions are in general calculated without consideration of interest (discounting). Gains or losses arising from the claims provisions from previous years are recognized in the income statement.

Risk Margin

Risk margin is such as to ensure that the value of the technical reserves is equivalent to the amount the insurers would be expected to require in order to take over the insurance obligations.

Risk margin is calculated by determining the cost of providing an amount eligible own funds equal to SCR necessary to support these obligations.

Financial liabilities

Debt is recognized at amortized value.

2 Financial highlights and key figures**Financial highlights**

	2017	2016	2015	2014	2013
Gross premium income	16 672	17 140	17 446	16 301	16 236
Premium earned at own account	6 478	6 818	6 898	5 134	4 480
Gross claimed incurred	5 770	-74	-8 874	-5 656	491
Operating insurance expenses	-166	-209	-265	-186	-251
Profit or loss of reinsurance	-10 194	-10 322	-10 548	-11 270	-11 148
Insurance technical result	12 078	6 528	-2 263	-696	4 732
ROI (return on investments) after insurance technical interest	1 325	1 303	2 102	2 410	949
Result of the year	10 448	6 278	-121	1 235	4 233
Run-off results	5 779	5 382	200	101	529
Total technical provisions	9 537	18 085	19 049	13 079	8 284
Insurance assets	3 621	3 641	3 681	3 905	4 224
Total equity	74 166	63 718	57 626	58 469	57 234
Total assets	83 872	83 199	76 783	72 317	67 665

Borealis Insurance A/S

Key figures

	2017	2016	2015	2014	2013
Gross claims ratio	-34.61	0.43	50.87	34.70	-3.00
Gross expense ratio	0.99	1.22	1.52	1.14	1.50
Gross combined ratio	62.01	61.87	112.90	105.00	67.20
Gross operation ratio	62.05	61.91	112.90	105.00	70.00
Relative run-off results	6.41	42.40	0.00	4.30	16.20
Return on equity in per cent	15.15	10.30	-0.21	2.10	7.70
Solvency coverage (SI)			15.80	15.80	15.50
Solvency coverage (SII)	2.30	2.86			

Figures from 2015 have been adjusted in order to reflect the new accounting rules. However, this has not been possible for previous years.

Claims ratio: $(\text{Gross claims incurred} / \text{Premium income}) * 100$

Expense ratio: $(\text{Total operating insurance expenses} / \text{total premium income}) * 100$

Combined ratio: $(\text{Claims ratio} + \text{Expense ratio} + \text{Net reinsurance ratio})$

Operating ratio: $(\text{Combined ratio where premium income is added to the allocated return on investments})$

Relative run off results: $(\text{Run off results compared to provisions as at 1 January})$

Return on equity: $(\text{Results for the year} / \text{the average equity}) * 100$

Solvency coverage: $(\text{Base capital} / \text{capital requirement})$

*)

The key figure Solvency coverage Solvency II is exempt from audit requirement, cf. executive order no. 937 dated 27 July 2015 on Financial Reporting on Insurance Companies and cross-sectorised Pension Funds, and therefore is unaudited.

3 Gross premiums written

	2017	2016
Premium PDBI	13 082	13 167
Premium liability	3 340	3 339
Premium Cargo	222	220
Total gross premiums	16 644	16 726

Geographical division of gross premiums written

	2017	2016
Denmark	0	0
Other EU-countries	16 556	16 646
Other countries (USA)	88	80
Total	16 644	16 726

4 Premiums earned at own account

	2017	2016
Premium PDBI	5 984	6 254
Premium liability	494	564
Premium Cargo	0	0
Premiums earned at own account, total	6 478	6 818

5 Insurance technical interest at own account

	2017	2016
Gross premium provisions	5 913	5 941
Reinsurers' share of premium provisions	-3 621	-3 642
Gross claim provisions	3 624	12 144
Reinsurers' share of claims provisions	0	0
	5 916	14 443

Insurance technical interest has been calculated of the average balance of net premium provisions according to changed accounting rules

Insurance technical interest -0.19% of 4 590 / 2 (-0.3% of 4973 / 2 for 2016)	-4	-7
Insurance technical interest at own account	-4	-7

6 Gross claims paid

	2017	2016
Claims paid PDBI	-2 741	-468
Claims paid liability	-9	-156
Claims paid Cargo	0	0
Gross claims paid	-2 750	-624
Number of claims	0	2
Average claims for damage	0	2 650
Claims rate		0.08

7 Losses incurred at own account

	2017	2016
Claims incurred PDBI at own account	5 459	82
Claims incurred liability at own account	-9	-156
Claims incurred Cargo at own account	0	0
	5 450	-74

Change in risk margin	320	0
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Losses incurred at own account	5 770	-74
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Allocation of claims incurred and run-off losses with regard to previous year

	2017	2016
Claims - losses in the year	-9	-5 456
Claims - run-off losses previous years	5 779	5 382
Total gross loss	5 770	-74

	2017	2016
Claims incurred at own account - losses in the year	-9	-5 456
Claims incurred at own account - run-off losses previous year	5 779	5 382
Total losses at own account	5 770	-74

8 Administrative expenses

	2017	2016
Price Waterhouse Coopers	22	22
Other opinions (*)	3	3
Total	25	25
Other services	7	7
Total	7	7

(*) Other opinions relate primarily to quarterly opinions on registered assets.

Staff costs:

The company had no employees in the financial year, except from the directors, no remunerations has been paid to the Supervisory Board and Executive Board except for EUR 6 000 to Nikolaj Boysen (fixed salary). As from January 2018, Nikolaj Boysen was succeeded by Marsh Management Services Sweden AB.

9 Value adjustments

	2017	2016
Realised and unrealised profits and losses on bonds and mutual funds	236	197
Currency adjustments	0	0
Value adjustments	236	197

10 Taxes

	2017	2016
Tax of the year	-2 949	-1 723
Prior years adjustment tax	8	-52
Change in deferred tax	-14	222
	-2 955	-1 553

Tax on the result for the year specified as follow:

Calculated 2017; 22% (2016; 22%) tax of the result before tax	-2 949	-1 723
	-2 949	-1 723
Effective tax rate	22%	22%

11 Investment asset

	2017	2016
Mutual fund holdings, market value	9 532	9 332
Bonds, market value	12 426	12 366
Bank deposits	7 977	17 436
Value adjustments	29 935	39 134

12 Equity

The share capital consists of 52,795 shares of DKK 1,000 each. The shares are not divided into classes. The share capital has been unchanged during the last five years.

13 Collateralisation, contract of suertyship, contingent liabilities

The Company's investment assets KEUR 19,010 are registered as collateral security for liabilities to policyholders, cf. the Danish Financial Business Act, section 167 (Bonds KEUR 11,341, investment fund KEUR 5,028).

14 Insurance technical result distributed by insurance classes

	PDBI		CARGO		LIABILITY	
	2017	2016	2017	2016	2017	2016
Gross premiums written	13 082	13 167	222	220	3 340	3 339
Gross premium income	13 110	13 580	221	222	3 341	3 339
Gross claimed incurred	5 459	82	0	0	-9	-156
Change in risk margin	320	0	0	0	0	0
Gross operating expenses	-131	-165	-2	-3	-33	-41
Result of reinsurance business ceded	-7 126	-7 327	-221	-222	-2 847	-2 773
Insurance technical interest at own account	-4	-7	0	0	0	0
Insurance technical result	11 628	6 163	-2	-3	452	369

15 Related parties

Transactions between related parties and Borealis Insurance A/S in 2017:

- Loans granted at arm's length
- Interest for this is paid at arm's length.

Borealis Insurance A/S insures companies in the Borealis group and related joint venture companies. The fixing of premiums takes place at arm's length. According to permission from the Danish Financial Supervisory Authorities (Finanstilsynet), Borealis Insurance A/S grants a loan to Borealis Funding Company Ltd., Isle of Man, a company of the Borealis group.

The loan carries interest calculated according to EURIBOR interest rate and the loan amounted to EUR 50 million as at 31 December 2017.

The following shareholders are registered in the company's register of shareholders as being the owners of minimum 5% of the voting rights or minimum 5% of the share capital:

- Borealis AG, Wagramerstrasse 17-19, A-1220 Vienna, Austria

Borealis Insurance A/S

Borealis Insurance A/S is a subsidiary of Borealis AG and is consolidated in the Borealis Group's Annual Report. Consolidated financial statements are obtainable at Borealis AG.

16 Sensitivity information

<u>Event</u>	<u>Effect on equity</u>
Interest rate increase of 0.7 percentage point	-743
Interest rate decrease of 0.7 percentage point	743
Share price drop of 12 percent	-73
Property price drop of 8 percent	0
Currency risk (VAR 99)	0
Loss in counterparties of 8 percent	-43