



Annual Report 2010

2010 AT A GLANCE

€ 6,269 m

Net sales

€ 333 m

Net profit

€ 610 m

EBITDA

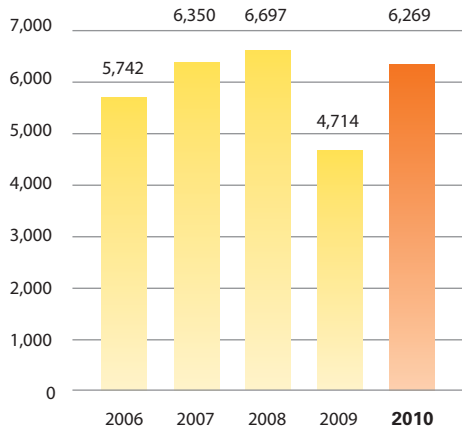
10%

ROCE

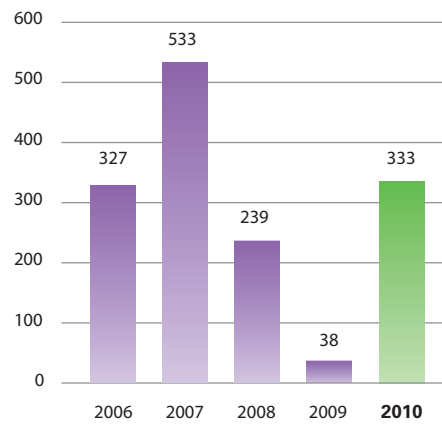
37%

Gearing

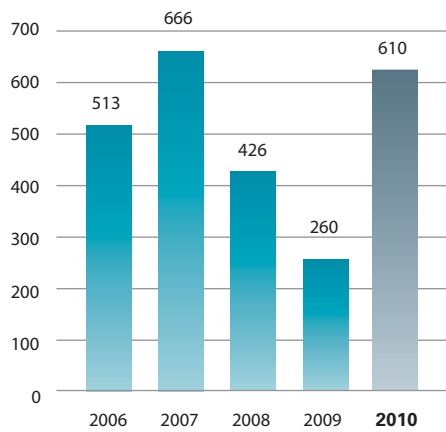
Net sales (EUR million)



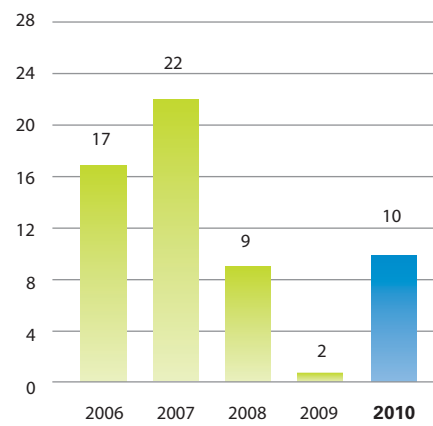
Net profit (EUR million)



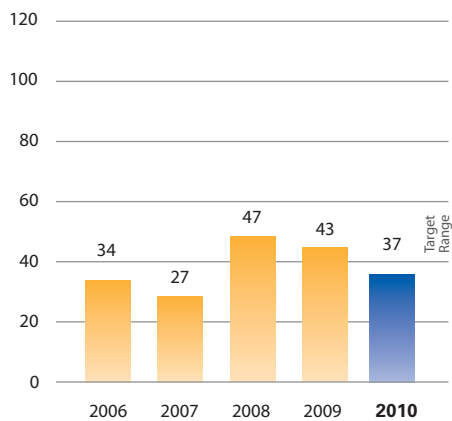
EBITDA (EUR million)



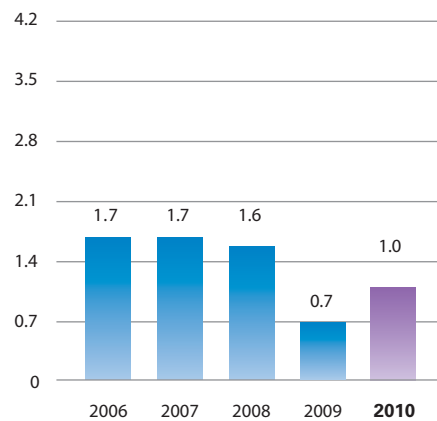
ROCE (%)



Gearing (%)



Occupational Safety Performance (Number/million work hours¹⁾)



¹⁾ Includes own employees and contractors



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Milestones

1. Maintained industry leading safety standards
2. Strong results in a more stable economic environment
3. Celebration of three years Water for the World™
4. Successful start-up of Borouge 2; Borouge 3 on track for completion in mid-2014
5. “Creating New Horizons” at K 2010 in Düsseldorf with innovative product solutions in infrastructure, mobility and advanced packaging
6. Inauguration of new high pressure low density polyethylene plant (LD5) in Sweden to meet the growing demand in the wire and cable market
7. Significant investment in fertilizer and melamine operations combined with internal efficiency and profitability programme
8. Gaining momentum in Operational Excellence and Commercial Excellence programmes
9. Successful inaugural Borealis bond issue in Austria



Our values



RESPONSIBLE

- We are leaders in Health, Safety and the Environment
- We are good neighbours wherever we operate
- We do business according to high ethical standards



RESPECT

- We involve people and communicate in a straightforward way
- We work together – helping and developing each other
- We are 'One Company' – building on diversity



EXCEED

- Our customers' and owners' success is our business
- We win through commitment and innovation
- We deliver what we promise – and a little bit more



NIMBLICITY™

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

Nimblicity is a trademark of the Borealis group.



Our strategy is clear

GROW our business in infrastructure, automotive and advanced packaging

EXPAND the Abu Dhabi complex to supply growth in the Middle East and Asia

STRENGTHEN our European base, ensuring cost competitiveness from feedstocks to customers

DEVELOP our Base Chemicals 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

BUILD a cross-cultural organisational capability

Outperform financially ...

11% + average Return on Capital Employed (ROCE) after tax

40% – 60% debt to equity ratio

Our Executive Board



Mark Garrett
Chief Executive
Officer

Daniel Shook
Chief Financial
Officer

Markku Korvenranta
Executive
Vice President,
Base Chemicals

Gerd Löbber
Executive
Vice President,
Polyolefins

Herbert Willerth
Deputy Chief Executive;
Executive Vice President,
Operations, Middle East
and Asia

Our world





● **Borealis Locations**

**Customer Service Centres/
Representative Offices**

Abu Dhabi (UAE), Austria, Belgium, Finland, Hungary, Italy, Russia, Singapore, Turkey, United States

Production Plants

Austria, Belgium, Brazil, Finland, Germany, Italy, Sweden, United States

Innovation Centres

Austria, Finland, Sweden

Head Office

Austria

● **Borouge Locations**

Sales Offices/Representative Offices

Abu Dhabi (UAE), Australia, China, India, Lebanon, New Zealand, Singapore

Production Plants

Ruwais, Abu Dhabi (UAE); China

Logistics Hubs

Abu Dhabi (UAE), China, Singapore

Head Offices

Abu Dhabi (UAE), Singapore

Statement of the Supervisory Board

Borealis significantly improved its financial performance in 2010 and delivered a solid result for the year. The past year was a critical one for the future of the company with two major investments being finalised. In June, Borealis inaugurated its high pressure low density polyethylene plant (LD5) in Stenungsund, Sweden, while Borouge, the joint venture between Borealis AG and the Abu Dhabi National Oil Company (ADNOC), one of the world's major oil and gas companies, successfully started up the Borouge 2 expansion project in Ruwais, United Arab Emirates (UAE). Borealis successfully launched its first corporate bond at the Vienna Stock Exchange, raising EUR 200 million in April 2010. With a strong liquidity position and further investments in progress, Borealis is well positioned to benefit from the recovering industrial and economic environment.

Safety, Corporate Social Responsibility & Responsible Care® remain high on the agenda

Borealis' commitment to Corporate Social Responsibility was again demonstrated in 2010. The safety performance remains in the top-league within the industry, as the company continues to work with all employees and contractors to carry on working and living to the highest health, safety and environmental standards. Three years after its launch at K 2007, the number one trade fair for rubber and plastics worldwide, in Düsseldorf, Water for the World™ has proven its impact on people's lives around the world by delivering improved water availability to roughly 260,000 individuals and establishing a platform for partnerships with stakeholders from

industry, government and charitable agencies to bring real solutions to water-stressed areas. Within its businesses, Borealis further advanced its overall sustainable development through ongoing Product Stewardship initiatives. Key to this effort is the drive to deliver product innovations which lead to greater efficiencies for both Borealis' customers and ultimately the end users of its products.

Strong 2010 performance across all businesses

Borealis looks back at a successful year with a substantial profit improvement versus the prior year, as all businesses outperformed their last year's financial result. The company benefited from an improved margin environment, as well as from the volume growth within its Base Chemicals segment. The company's net debt position increased slightly from the beginning of 2010 as a result of a cash investment into Borouge in order to finalise the Borouge 2 expansion project. Overall gearing levels improved compared to December 2009, and liquidity was strengthened due to the extension of the maturity profile and diversification of the portfolio.

The Polyolefins business segment result was supported by strong industry margins, while sales volumes slightly decreased compared to last year. The Base Chemicals segment also outperformed the prior year's result. The Feedstock & Olefins business performance was supported by higher production volumes as well as better industry margins. The other Base Chemicals businesses, namely Fertilizer & Melamine and Phenol & Aromatics, also contributed to this success supported by higher volumes and better margins.



Khadem Al Qubaisi
Chairman



Gerhard Roiss
Vice Chairman

Strategic investments on-stream with more in the pipeline

On June 2, 2010, Borealis inaugurated its new 350,000 tonnes per year (t/y) LD5 plant along with modernised compounding and material-handling facilities in Stenungsund, Sweden. The investment of over EUR 400 million increased the total capacity at the site from 580,000 t/y to 700,000 t/y and will ensure Borealis' leading position as a provider of innovative, value creating plastics solutions for the wire and cable industry. Borealis announced in December 2009 the decision to build a new semi-commercial catalyst production plant valued at EUR 75 million in Linz, Austria. The plant will complement the existing innovation capabilities within process, catalyst and polymer development at Borealis' three innovation centres and will enable access to the entire polymer knowledge chain.

During the last quarter of the year, Borouge successfully completed the start-up of all the plants related to its Borouge 2 expansion and confirmed its increased annual production capability of 2 million tonnes of polyolefins. Furthermore, Borouge formally awarded contracts valued at approximately USD 3.7 billion for its Borouge 3 strategic expansion in Ruwais, UAE. This significant investment will increase Borouge's production capacity to 4.5 million t/y by mid-2014, making it the largest integrated olefins/polyolefins site in the world.

Executive management team changes

With the retirement of Henry Sperle as Executive Vice President Middle East & Asia (ME&A) on May 31, 2010, the company announced a reorganisation of its Executive Board. As a result, Herbert Willerth, Deputy CEO, took over responsibility for ME&A. In September, Borealis announced that Gerd Löbberth would move from his current position as Executive Vice President for Base Chemicals to succeed Lorenzo Delorenzi in the position of Executive Vice President for Polyolefins. The members of the Supervisory Board would like to thank Lorenzo Delorenzi, who has left Borealis for personal reasons, for his leadership of the Polyolefins Business Group since 2008. As of October 1, 2010 Markku Korvenranta was appointed as Executive Vice President for Base Chemicals. Markku Korvenranta has over 20 years of experience within Borealis and its predecessor companies in both finance and business roles.

Striving to be the leading provider of chemical and innovative plastics solutions

Borealis' success is and will remain based on the four pillars of innovation, operational and commercial excellence, and safety. The Supervisory Board is confident that all Borealis employees, senior leaders and the executive management team are ready for the challenges and opportunities ahead and will continue to deliver on the company's mission to be the leading provider of chemical and innovative plastics solutions that create value for society.



Mohammed A. Al-Azdi
Board Member



David C. Davies
Board Member



Mohamed H. Al Mehairi
Board Member

Meet our CEO

Borealis seems to have come out of the worst recession since the Great Depression in pretty good shape. What do you attribute that to?

First and foremost, I see this as an achievement of Borealis and its people; there was a commitment from our employees, who have gone the extra mile so that we could stay one step ahead of our competitors. But in addition, and uniquely in our industry, the company made a commitment to our employees to get as many of them as possible through the storm. Our cost cutting and efficiency initiatives, such as Position to Win and our 17-point cost awareness programme have all paid off allowing us to maintain our financial fitness even though we had to make some tough decisions along the way. Our owners, IPIC and OMV, strongly supported us during this period and believe in our future. This being said, we remain cautious going forward as we seek to build a better and increasingly sustainable company. In 2010, the market improved more quickly than we anticipated which gave us an unexpected boost. Nevertheless, there is still volatility out there, and the economy, and as a result the business, will most likely experience a gradual upswing with many bumps and negative surprises along the way. As in the past, we will stay focused on the basics to keep ourselves on track: innovation, operational and commercial excellence, and safety.

You managed another year with a world-class safety performance.

How do you keep up the momentum?

This is not about individuals – no single individual is accountable for safety. We are all accountable. At Borealis we mean it when we say “if we can’t do it safely, we don’t do it at all.” We experienced another year with a very good Total Recordable Injuries (TRI) result of 1.0 per million working hours because we always focus on safety, if you want to be successful you can never take your eyes off the ball. However, despite this good news, people are still getting hurt while on the job at Borealis. In our statistics, in addition to tracking actual accidents, we also consider what we call near misses, which are accidents that could have had serious consequences on the health and safety of our employees had they occurred. This all shows us that there is still a long way to go for us



to reach a risk-free workplace environment. So, we simply cannot let our guard down when it comes to safety. This awareness is essential at every level of the organisation, whether it is in an office or at the operational sites.

How do you see the future of the Base Chemicals business group?

With new leadership and strategic investments, the future for our Base Chemicals business group looks bright. Markku Korvenranta, who has 20 years of experience at Borealis, was appointed as Executive Vice President in October. Over the next three years, we will invest EUR 145 million in the fertilizer and melamine production in Linz, Austria, while at the same time focusing on increasing internal efficiency and profitability at the site. Another important milestone this year was the completion of the melamine business turnaround which improved our performance, cost-competitiveness, quality and sustainability. Base Chemicals is core to Borealis and the broader group of Abu Dhabi petrochemical companies. Our capabilities in feedstocks, trading, olefins, phenol and acetone, steam cracking as well as fertilizer and melamine make an often underestimated contribution to the Borealis group. We intend to continue to invest to grow these activities.

What is Borealis' international growth strategy in light of the changing market conditions?

Now that we have weathered the downturn successfully, we are prepared to take advantage of the forecasted upswing in the economy over the next few years with our various growth investments around the world. In Europe, our new high pressure low density polyethylene plant (LD5) started up in Sweden this year and is producing high-quality products for both the film and growing wire and cable markets. Additionally, our investments to expand our Innovation Headquarters and build the semi-commercial catalyst plant in Linz will keep us on the cutting edge of innovation in the years ahead.

In Abu Dhabi (UAE), Borouge started up its Borouge 2 olefin and polyolefin units, and Borouge 3 is on schedule to start construction adjacent to the Borouge 2 facility. These investments allow Borouge to expand its product offering into polypropylene and increase its overall polyolefins capacity to more than 2 million tonnes per year (t/y), and by mid-2014 with Borouge 3, up to 4.5 million t/y. To support this growth, Borouge is also investing in logistics hubs and compounding plants in Singapore and China as well as an Innovation Centre in Abu Dhabi. Strategically, this helps us meet the rising demand in the Middle East and Asia and positions us as a leading provider of innovative plastics in this important part of the world. We can move forward confidently with our shareholders, IPIC and OMV, supporting us down the path to long-term growth.

How is Borealis staying at the leading-edge of innovation?

I recently spoke with a respected competitor who said they used to laugh at us years ago when we started saying we want to become an innovation leader in this industry. He says they no longer laugh. I think such a compliment from a respected competitor says a lot. We are now almost the only one left in the industry driving differentiation via innovation. We continued to progress our Value Creation through Innovation efforts in several areas this year. In Europe, the construction of our EUR 75 million investment in a semi-commercial catalyst plant in Linz, which is planned to start up in 2012, will help us develop and scale up new catalysts to produce innovative new polymers. In Abu Dhabi, our joint venture Borouge began construction of a USD 70 million investment in a new Innovation Centre, which is scheduled to be completed at the end of 2011. The centre will work together with our European innovation centres as well as local and international educational institutions to help expand polymer science competencies in the United Arab

Emirates. This year at K 2010, the number one trade fair for rubber and plastics worldwide, we were able to present some of our latest innovation projects, including an electric automobile, TEAMO (True Electric Auto Mobility), as well as shopping carts and baskets using recycled polypropylene. We also won the Frost & Sullivan Innovation Award for the glass fibre reinforced polypropylene VW air intake manifold. We continue to award brilliant innovative ideas with the Student Innovation Award, allowing us to encourage the next generation to take a greater interest in how innovation in plastics can create greater value for society. These are just some examples how we do and will continue to drive innovation forward in our business.

Which importance do you associate to commercial and operational excellence?

Commercial and operational excellence are part of the core business processes I call "invent it, make it, sell it." As a company that makes real, tangible physical products it is not good enough just to be good at innovation, we do not invest in innovation for the sake of innovation; we do it to create real benefits for our customers and for society. To be able to do that we also have to be able to manufacture the most technically demanding and differentiating products. But this is not enough either; we also have to be able to commercialise these products and position them in the best possible way in the market. All three functional processes are important and even more important is how we manage the interfaces between the functions; the best companies win at the interface by making functional silos "disappear".

The Water for the World™ programme has run for three years. Has it met your expectations of success?

Yes it has, but if you look at the statistics of how many people worldwide still do not have access to proper sanitation and clean water, there is still much work to be done. Acknowledging this fact, the United Nations has recently declared water a fundamental human right so you could say we were three years ahead of our time. Water for the World is an integral part of our long-term commitment to sustainability and to addressing the global water challenge. We have already achieved some significant goals in reaching over 260,000 people worldwide and building a platform for partnerships with stakeholders from our industry and international organisations. But, we have to continue to work harder because the global water crisis remains a major challenge for millions of people around the world. We will continue to provide our unique expertise, our partnerships and our innovative solutions to help bring water to those most in need.





MOBILITY

Less is more.

Innovative polyolefin solutions make cars lighter and reduce CO₂ emissions. Less weight means more fuel efficiency and cleaner air.

Our business

With more than 50 years of experience, Borealis is a leading provider of chemical and innovative plastics solutions. Through its two business groups, Polyolefins and Base Chemicals, the company aims to exceed in quality and reliable execution while offering products that enhance society and address global challenges.

From simple everyday products that make life easier to step-changing technological developments, Borealis and its Borouge joint venture with the Abu Dhabi National Oil Company (ADNOC) are leading the way.

Polyolefins

Infrastructure: Pipe systems

Borealis is an experienced market leader in the supply of advanced polyolefin pipe system solutions. Applications include water and gas distribution, waste water and sewage disposal, chemical and industrial pipelines, in-house plumbing and heating as well as pipe systems for oil and gas exploration and transport.

Infrastructure: Energy and communication cables

As a leading provider of polyolefin compounds for the global wire and cable industry, Borealis' solutions are widely used in low, medium, high and extra high voltage energy transmission and distribution cables, in data and communication cables, and in building and automotive wires.

Automotive

Top automotive manufacturers in Europe, North America, South America and Asia continue to choose Borealis' advanced polyolefin plastics, which include materials for exterior, interior and under the bonnet applications, such as bumpers, body panels, trims, dashboards, door cladding, climate control units, air intake manifolds as well as battery cases.

Advanced packaging

The superior properties and flexibility of Borealis polyolefins make them the advanced packaging material of choice for applications as diverse as healthcare, courier bags, food packaging, flexible and rigid transport packaging, bottles, crates, boxes, trays, large containers and pallets.



Borstar® – Our cutting-edge technology

Borealis' cutting-edge Borstar technology is a critical element in satisfying today's growing demand for advanced plastics and in developing the next generation of innovative, value creating products.

Borstar is the company's proprietary process technology which, combined with our unique catalyst technology, supports the production of a wide range of enhanced polyethylene (PE) and polypropylene (PP) products.

Borstar PE 2G and Borstar PP 2G, Borealis' next generation technology, represent a leap forward in process technology, allowing flexible polymer design from bi-modal to multi-modal PE/PP and facilitating the development of an ever-widening range of new plastics that outperform alternative materials in meeting the needs of manufacturers and end users.

By tailoring the molecular structure of PE and PP to precisely match the application requirements, Borstar PE 2G and Borstar PP 2G extend the product range with more sophisticated, customer-oriented solutions, which are characterised by an outstanding combination of mechanical properties and excellent processability.

Base Chemicals

Feedstocks and olefins

Borealis sources basic feedstocks, such as naphtha, butane, propane and ethane, from the oil and gas industries and converts these into ethylene and propylene through its olefin units. Steam crackers in Finland, Sweden and Abu Dhabi (Borouge) produce both ethylene and propylene, while propylene is also produced in a propane dehydrogenation plant in Belgium. In addition to purchasing from the markets, the balance of feedstock and olefins required for Borealis' plants and those of its joint ventures are sourced from its owners or joint venture partners. A range of co-products from the steam cracking process, such as pygas and butadiene, are also sold to international markets.

Phenol and aromatics

Phenol, benzene and cumene as well as acetone are produced in Finland and are sold mainly to the adhesive, fibre, epoxy resin and polycarbonate industries in Northern Europe. Phenol is used in adhesives, construction materials, carpets, CDs, DVDs, mobile phones and household appliances. Borealis is the leading phenol producer in the Nordic and Baltic regions. Acetone is commonly used in solvents for paints, acrylics, fibres and pharmaceuticals. Benzene and cumene are feedstocks for other chemical processes.

Fertilizer and melamine

Fertilizer and melamine are produced in Linz, Austria, while melamine is additionally produced at Borealis' facilities in Piesteritz, Germany. The company is currently a leading provider of fertilizer in the Danube region and the melamine market leader in Europe.





A worker in a blue uniform and white hard hat is working on a complex system of blue pipes and valves in an industrial setting. The worker is holding a clipboard and looking at the equipment. The background shows a concrete wall with various pipes and valves.

INFRASTRUCTURE

Less is more.

Flexible, durable plastics for pipe systems reduce water loss and installation costs. Less leakage means more cost efficiency for supply chain partners and a more reliable water supply for the end user.

Shaping the Future with Plastics™

This was a year of continued growth and transformation for the Polyolefins business group. With new leadership and a reorganised mobility business unit, Borealis continued to progress its international growth projects while launching the Operational Excellence programme and coming together with Borouge and NOVA Chemicals for a first-ever joint showcase at this year's K 2010.

New leadership

Borealis appointed Gerd Löbberth as Executive Vice President of Polyolefins and Herbert Willerth, Deputy CEO, took over additional responsibility for the Middle East and Asia. Löbberth, in his previous role as Executive Vice President of Base Chemicals, was instrumental in setting the strategic framework for the Base Chemicals business and is now responsible for driving the Polyolefins business to the next level.

Mobility reorganisation

In an effort to enhance its cooperation with and commitment to its customers worldwide, Borealis teamed up with its joint venture Borouge to reorganise the mobility business unit. This effort will help the companies provide global supply capability to support its

Tier One and original equipment manufacturer (OEM) customers in the worldwide automotive industry. Cost-effective innovations, speed of responsiveness and hands-on technical and sales support will help customers stay profitable and increase their competitiveness in the automotive sector, which continues to experience volatility.

LD5 start-up

The new 350,000 t/y high pressure low density polyethylene plant (LD5) in Stenungsund, Sweden, was inaugurated and started up this year as planned. Based on tests with key customers, the plant has proven successful in producing high-quality materials. The organisation continues to work towards delivering consistent operability. This investment underpins Borealis' efforts to meet the growing demand of the wire and cable markets.

Continued growth in the Middle East and Asia

Borouge continued to progress its Borouge 2 and Borouge 3 growth projects, which will result in a combined 4.5 million t/y of polyolefin capacity by mid-2014. The approximately USD 5 billion Borouge 2 plant started up as planned this year, tripling overall capacity to



more than 2 million t/y. The Borouge 3 project, which is on schedule with land preparation activities adjacent to the Borouge 2 site, will provide an additional 2.5 million t/y of capacity when completed, creating the world's largest integrated olefins/polyolefins site. These investments will enable Borouge to fully serve the rapidly growing Middle East and Asia markets with innovative plastics solutions for infrastructure applications (i.e. pipe systems, and power and communications cables), automotive components and advanced packaging.

To support this immense growth and enhance customer service, Borouge has established logistics hubs in Abu Dhabi, Singapore and China, and is working hand in hand with its customers and the market to develop efficient supply chains that best meet their needs.

This year, Borouge also inaugurated its first compound manufacturing plant in China. The facility, located in Shanghai, will help meet the rapidly expanding demand in the automotive and appliance markets throughout Asia. A second compounding plant, planned for Guangzhou, China, is expected to be completed in mid-2012 with an annual production capacity of 105,000 tonnes of resins.

Operational excellence

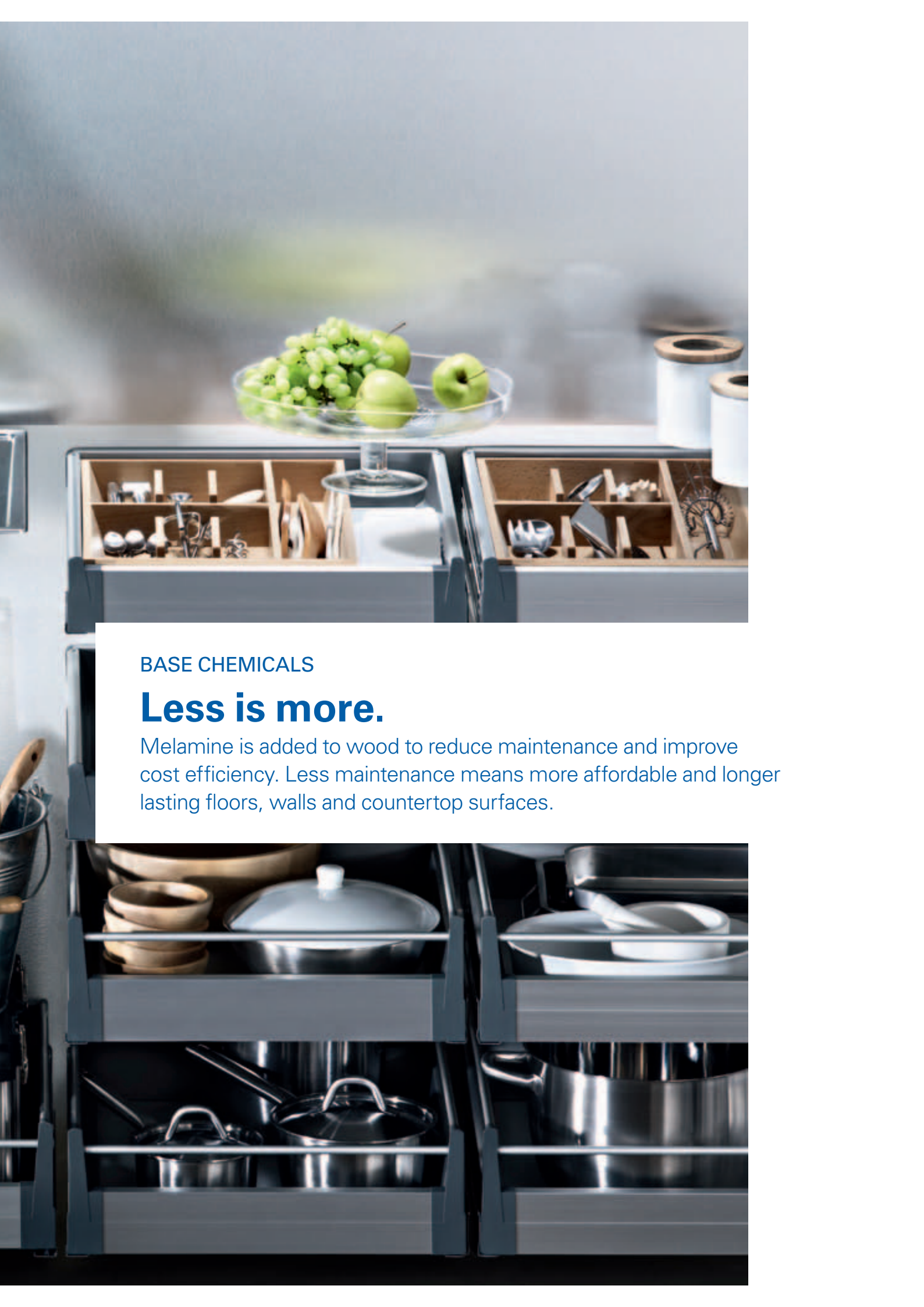
In order to better serve its customers with value-creating products through increased production reliability, Borealis launched its Operational Excellence programme (OPEX) in November. Teams were created to focus on three process areas: introducing change, learning from incidents, and prevention and risk management. Using the Borealis Way process tool, actions were taken across the organisation to tackle the root causes of plant interruptions in order to prevent them from recurring.

Creating new horizons at K 2010

For the first time ever, Borealis teamed up with Borouge and NOVA Chemicals to collectively showcase their cutting-edge products at this year's K 2010. The three companies work with a family of owners and partners, the International Petroleum Investment Company (IPIC), OMV and the Abu Dhabi National Oil Company (ADNOC), who all have a strong commitment to the industry. With the theme of "Creating new horizons—Capability, Commitment, Care," the companies featured their value creating innovations, information on significant investments and their dedication to sustainability. Borealis' leading-edge innovations highlighted at the fair included the electronic automobile (i.e. True Electric Auto Mobility—TEAMO) as well as shopping carts and baskets produced using recycled polypropylene.







BASE CHEMICALS

Less is more.

Melamine is added to wood to reduce maintenance and improve cost efficiency. Less maintenance means more affordable and longer lasting floors, walls and countertop surfaces.

Base Chemicals

The Base Chemicals business group continued to make a positive contribution to Borealis' bottom line this year. Highlights of the year included strategic investments, the melamine business turnaround, the appointment of new leadership and the signing of a ten-year feedstock and product supply agreement. It also celebrated 70 years of fertilizer production and being rated by its customers as the best melamine supplier worldwide.

New leadership

Borealis appointed Markku Korvenranta as Executive Vice President of the Base Chemicals business group in October, succeeding Gerd Löbber, who took over the leadership of the Polyolefins business group. Korvenranta has more than 20 years of experience at Borealis and its predecessor companies, holding key financial and business positions that have prepared him well for this important new role.

Melamine business turnaround

The three-year melamine business turnaround project is now complete and is targeted to result in impro-

ved performance, cost-competitiveness, quality and sustainability, as well as increase profitably by EUR 20 million. Structural changes made to achieve the turnaround include a reorganised research and development approach, newly negotiated gas contracts and the sale of the Castellanza, Italy operations.

Investment in Linz

In the wake of the successful business turnaround in Linz, Austria, Borealis will invest EUR 145 million over the next three years in its fertilizer and melamine operations. This investment will support Borealis' efforts to increase internal efficiency and profitability at the site.

Feedstock and product supply agreement

Neste Oil and Borealis signed a ten-year feedstock and product supply agreement, which covers all feed and product streams between the Neste Oil refinery and Borealis' plants in Porvoo, Finland, as well as related logistic services. The companies will continue to collaborate on asset development, business optimisation and health, safety and environment (HSE).



Borealis Agrolinz Melamine rated best supplier

Borealis Agrolinz Melamine (BAM) was rated best supplier worldwide in the melamine industry based on the results of an external survey conducted with major melamine customers at the end of 2009. Customers rated Borealis very highly in the areas of product consistency, delivery accuracy and supply security. Other factors leading to this positive rating include Borealis' more than 45 years of experience and know-how in the industry as well as its leading, proprietary melamine technology and excellent customer service.

70 years of fertilizer production in Linz

This was a special year for Borealis Agrolinz Melamine (BAM) as it marked its seventieth year of fertilizer production in Linz. Together with its sales subsidiary LINZER AGRO TRADE GmbH and regional sales companies, BAM will continue to leverage its position as the largest fertilizer wholesaler in Eastern and Southeastern Europe. BAM has been a reliable partner to the agriculture industry for the past seven decades by providing top-quality fertilizer while upholding the world's strictest environmental and safety standards. The company remains fully committed to its location in Linz, which serves as a hub for its international fertilizer business activities.







ADVANCED PACKAGING

Less is more.

Consistent and reliable plastics for medical applications are crucial in meeting rigid healthcare requirements. Less change in raw materials means more innovative healthcare products going to market faster.

Innovation to create value

Borealis continued to stay on the cutting edge of innovation and technology this year with the start of a project to design and construct a semi-commercial catalyst plant in Linz, the Abu Dhabi Innovation Centre construction start-up, new product innovations at K 2010, Innovation Day activities and the second annual Student Innovation Award.

Catalyst plant

Borealis announced the start of a project to design and construct a semi-commercial catalyst plant to be located at its operations in Linz. The EUR 75 million investment will enable the development and scale-up of new catalysts for the production of innovative new polymers. Catalysts impact the rate of a chemical reaction and the structure of the polymers, making them of utmost importance to the development of innovative polymer types. Borealis' leading-edge production technology for catalysts is protected by 47 international patents. There will be a close collaboration between the operations in the plant, the catalyst research and development (R&D) group and the catalyst pilot plant in Porvoo to quickly scale up new catalysts. It will also supply new catalysts for production trials in the Porvoo and Schwechat Borstar® pilot plants in addition to producing semi-commercial batches for the first phase in the development process.

Abu Dhabi Innovation Centre

Borealis' joint-venture Borouge began constructing its new Innovation Centre in Abu Dhabi, UAE, in April. The USD 70 million facility, expected to be completed at the end of 2011, will strengthen collaboration with Borealis' European innovation centres as well as with local and international educational institutions such as Abu Dhabi's Petroleum Institute. This will enable further polymer science capability expansion in the region. More than 50 employees from around the world will conduct research and development activities on innovations for compounding as well as plastics solutions for the infrastructure, automotive and advanced packaging markets. They will work closely with Borouge's customers throughout the value chain to ensure that specific customer requirements are met.

Product innovations

Borealis continued this year to work closely with its customers to deliver innovative, value creating, tailor-made solutions in infrastructure, automotive and advanced packaging. The company teamed up with Borouge and NOVA Chemicals to present some of these exciting innovations at K 2010 in Düsseldorf.

Infrastructure

BorECO™ pipes bring modern standards to German town

Borealis' high-performance PP was chosen for a pipe system that was installed to modernise the infrastructure of a small German town dating back to the Middle Ages. Zimmern, a town in the municipality of Thüringen, had an antiquated sewage pipeline, which was replaced with a 4.5 km modernised system using BorECO high load pipes, which are reputed for their stiffness and impact properties, making them highly durable and resistant to chemicals and abrasion. This project will ensure that Zimmern benefits from safe and reliable sewage removal for years to come.

Wire and cable solutions in Asia

Borealis joined with Borouge this year to provide its innovative wire and cable solutions in the growing markets of China and India.

The Fujikura Shanghai Cable project in China involved the laying of 220 kV cables under a 10 km long bridge, one of the largest tunnel-bridge projects in the world to date. Cable manufacturer Fujikura Shanghai Cable Ltd selected Borealis and Borouge's insulation material Superclean™ LE4201S and shielding material Supersmooth™ LE0500 to produce extra high voltage (EHV) cables that met the high specifications and service life requirements of this pioneering project.

Chennai, India, was recently faced with the daunting project of installing a new power supply line to enhance service to its 8.5 million inhabitants. The Cable Corporation of India (CCI) chose Borealis and Borouge's Superclean LE4244EHV and Supersmooth LE0592S XLPE materials with an additional LE7710 semiconductive screen compound for the 135.3 km cable. CCI

chosed the Superclean and Supersmooth products for their high purity and performance reliability, helping ensure a constant, stable power flow to the millions of residents living in this city.

Automotive

Air intake manifold for Volkswagen wins award

Volkswagen's choice of Borealis' high-performance XMOD™ GB306SAF material for air intake manifolds (AIM) marks the first time the automobile industry has used PP for this type of high-tech application. The material provides improved cost-efficiency in production and lower overall production costs for AIM parts due to its lower processing temperatures and lighter weight/low density combination, enabling a weight reduction of up to 15% and reduced energy usage. These valuable product features led to Borealis winning Frost & Sullivan's 2010 Global New Product Innovation Award. The award recognised the unique capabilities of this material in lowering system and production costs for the automotive industry. In addition to cost savings, improved acoustic performance and easier part recyclability are also achieved, making this an environmentally friendly application.

True Electric Auto Mobility (TEAMO)

Teamobility chose Borealis and Borouge as its preferred plastics supplier as it develops a new generation of lightweight electric vehicles. The new vehicle will be based on a single platform that can be used as the basis of various models performing different functions. The Teamobility system is intended to meet the market demand for cost-efficient, lightweight road transport that is versatile and sustainable. Borealis' high-performance PP delivers the required material properties such as lightweight, design flexibility and processability. The vehicles are part of a so-called e-mobility system that Teamobility is developing, which also includes options for charging and parking the vehicles. The company plans to have prototype vehicles ready by the end of 2011, including a presentation at the Frankfurt International Motor Show (IAA) in September.



Advanced packaging

BorPure™ for food containers

Borealis rolled out two new generation BorPure materials for transparent food containers that offer a step change in organoleptics, as well as a reduction in cycle times, energy usage and CO₂ emissions. Applications include packaging for salads, sauces, dairy and convenience meals, transparent packaging for houseware as well as caps and closures. With this innovation, Borealis has met the converters' needs for both cost-efficiency and sustainability.

Shopping carts and baskets using recycled polypropylene

Borealis presented its first pilot projects on the use of recycled polyolefins at this year's K 2010. The project highlights a shopping cart and shopping basket made from a combination of recycled PP mixed with Borealis' enhanced PP grades for recycling. The end product will have the same superior material characteristics while significantly reducing the carbon footprint of the applications. This marks a milestone in the company's continued efforts to offer innovative and value creating solutions that are sustainable for years to come.

BorShape™

BorShape achieved a step change in film innovation for consumer packaging that is designed to meet the packaging market's key challenges of cost competitiveness, advanced performance and sustainability. This new generation of film material, based on Borealis' Borstar® bimodal technology, sets a new standard in the polyolefin film market with a downgauging potential of 30% without the loss of strength or processability. This brings true benefits to Borealis' partners throughout the value chain.

Rewarding talent in innovation

The annual Innovation Day event was held in January, recognising Borealis' employees and project teams for their efforts in developing practical yet innovative solutions that create value for customers and society while improving operational excellence.

In an ongoing effort to recognise the achievements of post-graduate polymer science students and target future leaders, Borealis presented the second annual Borealis Student Innovation Award this year for the two most innovative research papers on polyolefins, olefins or melamine, one for a master's degree graduate and one for a doctorate degree graduate. The awardees presented their theses at the Innovation Day event and received the award, a certificate and a cash prize totaling EUR 5,000 for the doctorate graduate and EUR 3,000 for the master's graduate.

Positioned to win

This year, progress was made on human resource (HR) initiatives in several areas. These included talent and leadership management as well as technical competence management. Borealis also continued its efforts to establish a standardised and common HR platform, conducted the People Survey, expanded new opportunities for international education in Linz and supported developments in the United Arab Emirates (UAE).

Talent and leadership management

Despite continued efforts to keep costs to a minimum during the tough business environment of the past two years, the development and growth of Borealis employees remains a priority as it is the cornerstone of the company's future. With this in mind, Borealis has revised its Talent Management Programme by setting up a company-wide standardised system for both the leadership and technical career paths. The programme sets clearly defined development and assessment criteria, redesigned development programmes and an integrated succession planning process. An updated Borealis Leadership Profile helps target future leaders based on six main competency areas: personal leadership, envision, innovation, commercial awareness, people focus and Borealis values. This process will serve to fill the company's leadership pipeline at all levels and to secure and ensure internal staffing of key managerial positions in the years to come.

Technical competence management

The Technical Competence Management (TCM) project was taken a step further this year in an effort to optimise the management and development of Borealis' technical expertise. Initial target groups include engineers, scientists and project managers, with the intention of broadening the scope to other areas such as technical service and information technology in the future. The Competence Mapping Tool is the process used to provide an overview, or a technical competence map, for the core competence areas in Operations, Projects and Technical Support, and Innotech. By year-end, the mapping of core competencies was largely complete, and the assessments of technical and scientific experts against these competency maps are expected to be finalised by the end of the first quarter of 2011. In parallel to the Leadership Profile for leadership develop-



ment, an Expert Profile is being designed as an integral assessment tool for the technical and scientific community focusing on the key behavioural competencies required in addition to the functional/technical competencies covered via TCM.

New Continuous Improvement organisation

A new Continuous Improvement (CI) organisation was implemented, initially focusing on supporting Operations, but with the intention to broaden its activities and scope towards the entire organisation at a later stage. Consequently, the responsibility for CI was integrated into the Programme and Project Management Office, commencing with the appointment and training of CI managers at Borealis' major production locations. These experts are responsible for detecting, initiating, driving, implementing and leading CI projects at the sites with the goal of improving operations on a continual basis. One of the first big tasks for the CI managers was to support the company-wide implementation of Operational Excellence (OPEX) in the fourth quarter.

Creating a common standardised HR Platform

The global and regional reach of Borealis customers and business processes leads to a greater need for common and standardised HR approaches in dealing with employees across the world. Two core HR projects in 2010 took up this challenge and made substantial progress in providing one HR platform on which

future processes and decisions can be based. One project was the implementation of a new grading structure across Borealis in order to bring clarity. The second project was the consolidation and integration of a range of local incentive plans.

Grading structure

Starting in 2011, a new global grading structure, developed in 2010 and applicable across Borealis, will be implemented with the key features being simplicity, transparency and greater clarity.

Incentive plan

This year, the consolidation and integration of a range of local incentive plans has been undertaken in order to ensure greater alignment towards a common incentive framework and the consistent application of a set of standard principles for each incentive plan in the company.

With the constructive engagement of local employee representatives, Borealis has made substantial strides towards a more standardised and common approach in support of its 'one company' objective.

People Survey

The biannual Borealis People Survey was again conducted online this year with the support of a leading global professional services company, Towers Watson, enabling employees worldwide to participate while ensuring the utmost confidentiality. The survey aims to give voice to the employees on topics such as values, leadership, immediate management, personal development, empowerment and involvement.

A best-ever overall response rate of 84% was achieved, ranking Borealis above Towers Watson's benchmark for high-performance companies. Another positive outcome was the continued high resilience level of Employee Engagement during a period in which the industry and Borealis experienced challenging market conditions. The feedback from the survey will be trans-

lated into a wide range of actions in 2011 developed together by the various leaders and their teams to address areas of concern expressed by the employees. The survey continues to play an important role in providing feedback on how the company is meeting the needs of its employees highlighting improvement areas to 'Build an even better Borealis.'

International school and kindergarten in Linz

With the influx of international employees coming to work at Borealis and other international companies in Linz and its surrounding region, the city expanded the international school and kindergarten curriculum this year. The Linz International School Auhof (LISA) offers English language instruction and the International Baccalaureate (IB) diploma, which is recognised worldwide. Cooperation between the City of Linz and Borealis also resulted in the opening of a new international kindergarten in September to accommodate previously separated groups in a new facility under one roof. Borealis will sponsor the entire kindergarten, which hosts four groups in total, with a nursery group for children aged 1 to 3 as well as one kindergarten group for children aged 3 to 6 being earmarked for Borealis. For employees with families relocating to Linz from international locations, these developments will be a major advantage and provide them with a similar quality of life they would find in other major cities.

Borealis was also instrumental in the creation and publication of three booklets providing information to families interested in settling and living in Upper Austria entitled *well, come 2 linz*.

Borealis Social Fund

A donation of AED 1.5 million (EUR 300,000) was made by the Borealis Social Fund to the Emirates Foundation, the Red Crescent and other selected charities in the UAE this year. By partnering with such renowned organisations, Borealis is supporting developments in the UAE for many years to come.







RESPONSIBLE CARE® – CORPORATE SOCIAL RESPONSIBILITY

Less is more.

Responsible manufacturing delivering cutting-edge plastics and base chemical solutions means less resource use, waste and pollution. This enables a more sustainable development for years to come.

Responsible Care[®]

Advancing Sustainability

Borealis aims to be a recognised leader in Responsible Care[®], the chemical industry's global voluntary initiative to continuously improve the health, safety and environment (HSE) performance of operations and products.

Responsible Care reflects Borealis' founding value of responsibility and its ethics policy principles. It also ensures that the company's ambition to advance sustainable development across its value chains and society at large is an integral part of its overall strategy.

Borealis' care for people and the environment was a key theme of its presence at this year's K 2010, the number one trade fair for rubber and plastics worldwide, in Düsseldorf, Germany. It demonstrated the company's commitment to bring innovative solutions that respond to business and societal challenges while ensuring a better environmental and health performance.

This 2010 report gives a comprehensive review of Borealis' performance and the main developments in the following areas: HSE, energy efficiency and greenhouse gas emissions (GHGs), product stewardship and chemicals management, corporate social responsibility with the landmark Water for the World™ programme and the ethics policy.

Embedding Responsible Care into the organisation

Since 2008, Responsible Care has been one of the ten governing policies of Borealis. As part of the two-year review schedule of the Borealis Management System, the Responsible Care policy has been revised in 2010 to align more closely with the nine principles of the Responsible Care Global Charter.

This revision also broadened the engagement of the company's departments in the implementation of the policy. Borealis' REACH and Carbon Communities are two examples of such cross-functional initiatives developed under the Responsible Care umbrella that ensure the effective involvement of all key internal stakeholders, from HSE to business and innovation representatives, in chemical stewardship and carbon management.

As a Group policy, all employees are expected to apply Responsible Care principles and management in their daily work. As in previous years, several communication campaigns were rolled out across the company to increase awareness of Responsible Care principles and HSE. A Responsible Care network of business unit representatives and experts was also set up to provide a platform for supporting Responsible Care integration into business management.

Within the company-wide operational excellence programme, a new HSE risk management process was introduced to align HSE, and particularly process safety, with risk management across the company.

These steps closely respond to the conclusions of the Responsible Care implementation audit carried out in 2009 that stressed the need to better integrate the policy into business management and strategy, as well as the importance of internal communication and engagement for effective implementation.

Caring for people

World-class HSE performance in operations remains the foundation and a prerequisite for leadership in Responsible Care.

Through continuous improvement in occupational and process safety, Borealis aims to be one of the safest companies in the industry with an incident level below 1.0 per million hours worked. Despite a slight increase this year with an incident frequency of 1.0, the company and its employees reached another stepping stone towards its goal of zero incidents. This long standing performance and continuous attention to safety was recognised in Finland by the chemical industry's Responsible Care award, which was given to Borealis' Porvoo operations in 2010.

Chemical safety in operations and across the value chain is at the centre of Borealis' product stewardship activities. At the end of November 2010, the Product Stewardship and Chemicals Control teams successfully met the first registration deadline for chemical sub-

stances under the European Union Regulation on the Registration, Evaluation and Authorisation of Chemicals (REACH).

During 2010, the department was also actively engaged in finalising a complete review of product safety data sheets and in preparation for implementation of the new legislation on the Classification, Labelling and Packaging (CLP) of chemical substances, which will lead to the provision of extensive information and the training of employees with a dedicated e-learning tool.

Borealis pledges to be a good neighbour wherever it operates. This means taking measures to minimise disturbances that the company's operations may cause for local communities as well as listening and responding to any concerns that may arise. Increased noise and volatile organic compound (VOC) emissions caused by the high pressure low density polyethylene plant (LD5) start-up in Stenungsund was clearly a challenge in 2010 and is being actively addressed to be remedied in 2011.

Caring for the environment

Sustaining emissions reduction efforts in the context of production recovery was particularly challenging in 2010. As a result, key performance indicators reflect this recovery phase as well as the start-up of LD5 operations.

In 2010, Borealis' Linz operations furthered the remarkable reduction of nitrous oxide (N₂O) gas emissions initiated in 2009 with the deployment of new catalyst technology in the nitric acid plant.

Energy efficiency and the reduction of GHGs are among the most important sustainability challenges that the industry is facing, from both a cost-competitiveness and an environmental responsibility standpoint. In

2010, Borealis' energy platform continued to participate in industry working groups preparing for the new European Union carbon dioxide emissions trading scheme (EU CO₂ ETS). This scheme will cover all Borealis operations from 2013 onwards.

The impact of climate change will be first and foremost an impact on our water cycles and resources. After three successful years of its Water for the World™ programme, Borealis is now a recognised global leader in developing best practices for the sustainable management of water resources. In 2010, Borealis carried out the first impact assessment of its water use across its European operations. This review, once completed across all operations, will set the groundwork for local water management plans. Already in 2010, important efforts were made in Schwechat, Austria, to review and improve the site controls.

We consider that caring for people and the environment is one of the foundations for long-term business leadership. It makes us a better neighbour where we operate, a more responsible employer for our people, and a more reliable and responsive partner for our customers.

The group HSE performance in 2010 exceeded most of its key performance indicators. The 2010 Townsend Survey of polyethylene customers' satisfaction also gave market recognition of this ambition and ranked Borealis at the top of its peer group for sustainability performance. Though far from being an end in and of itself, this is an encouragement to continue advancing sustainable development.

Borealis welcomes your feedback on this 2010 Responsible Care and Corporate Citizenship Report.



Health, safety and environment in operations

Striving for operational excellence

Health and safety

Businesses measure employee health mainly using the sick leave rate. Borealis targets a sick leave rate of 3.2% or lower, which is generally below the rates for the industry in the countries where the company operates. In 2010, the sick leave rate remained stable compared to 2009 at 3.4%.

To safeguard the health and well-being of its employees, each department regularly completes Work Place Surveys to assess the working environment in detail and take mandatory corrective action as needed. A seasonal flu vaccination campaign was offered

to employees in autumn while healthy eating, stress management and anti-smoking campaigns were run in 2010.

Personal safety

Personal safety is central to Responsible Care, and Borealis lives by the credo that “if we can’t do it safely, we don’t do it at all.”

The company tracks the frequency of recordable injuries (TRI) that measures the number of injuries per million working hours. Borealis is recognised as an industry leader in safety with a TRI frequency below



2.0 since 2005 (contractors included). Borealis' objective is to keep TRI frequency at or below 1.0.

In 2010, the TRI frequency reached a level of 1.0. Although the Lost Time Accident (LTA) frequency increased from 0.4 to 0.9 over the year, the number of lost workdays dropped significantly. All medium and high severity incidents (including near misses) were discussed with the health and safety specialists at all locations, and actions were defined. The health and safety platform was extended to also cover the smaller compounding plants in Itatiba & Triunfo (Brazil), Monza (Italy) and Rockport (United States).

To raise awareness and prevent accidents, regular training and observation tours are conducted and open discussions are held on safety issues and practices. In 2010, more than 12,000 observation tours were performed across all operations and departments.

The "24-hour care corner" initiative, launched in 2009, was further implemented to address HSE topics outside of the work environment, and a special campaign on good housekeeping practices was also implemented in the office environment. Continued attention was placed on near misses with a higher risk potential, ensuring that lessons are shared and preventive and corrective actions are finalised in due time. In 2010, 98.7% of recorded HSE incidents were investigated and followed by action plans where required.

Process safety

Borealis' petrochemical operations handle large amounts of flammable material under elevated pressure and temperature. Process safety is therefore of prime importance to ensure that the plants are properly designed, maintained and operated to avoid accidents. Training is also vital to maintain a high standard of process safety.

In 2010, the Process Safety team continued sharing the learnings from incidents across the company with a special focus on increasing the reporting of low-severity process safety incidents. A retrospective hazard review plan was produced for older plants to ensure full compliance with Borealis' strict operational safety requirements, with special attention given to the Stenungsund cracker. A review of risks for employees working in buildings located in operational areas was also carried out to consider overpressure scenarios, and the highest risk buildings identified will be subject to further action plans.

Borealis continued to conduct process safety training courses with participants from all production locations. Examples include the Hazard Study Leader training and

the Layer of Protection Analysis, which were designed to increase the knowledge of how to identify risks and set standards for accident prevention.

Sharing of best practices continued in 2010, including the electronic work permit system, standard operation practice documents, volatile hydrocarbons in polymer pellets, the reliability of safety valves in reactors and teal fire prevention. A best practice document was created to guide the local process safety management reviews.

A large number of projects were also executed to improve process safety in the area of emergency shutdown systems, safety critical instrument systems, Atmosphères Explosibles (ATEX) and alarm management systems as well as the replacement of end-of-life equipment.



Borealis Porvoo receives the 2010 Finnish Chemical Industry's Safety Award. From left to right Pauli Ruokolainen, Pasi Mäntysaari, Jari Salonen, Tarja Olander and Jarmo Paulamäki

Borealis Porvoo receives Responsible Care Safety Award

In November 2010, Borealis Polymers OY in Porvoo, Finland received the Finnish Chemical Industry's Safety Award at the Chemical Industry Federation Forum in Helsinki, Finland.

The award recognises the commitment of a company to the chemical industry's Responsible Care programme. The selection of laureates is led by the Federation's Responsible Care steering committee in association with representatives from employee organisations.

Borealis received the award in the major companies category for its ground-breaking safety work, knowledge sharing and best practices. The award also acknowledges Borealis' leadership at the Porvoo site in implementing Responsible Care.

Over the past five years, Borealis Porvoo reached an average TRI frequency of 1.3 and an average number of TRIs per year of 2.8.

Auditing

Regular audits on occupational health and safety risks are thoroughly conducted at all locations based on Borealis' audit procedure, which is called Borealis Blue. Blue audits were carried out in 2010 on the Stenungsund cracker as well as at the Rockport (United States) and Brazil compounding plants.

Results are benchmarked with the company's ambition levels, and action plans are developed to close gaps. Additional regular audits are also conducted by accredited external bodies and by internal auditors to ensure group-wide compliance and maintain certification under ISO 14001 and OHSAS standards.

Environment

Flaring losses

A major material loss in the production of olefins and polyolefins comes from flaring. The flare is a necessary safety installation to burn excess gas during operational problems. Flares are also used for burning more continuous streams with various components like purge streams where there have been no efficient solutions to recover them. Borealis therefore aims to minimise flaring losses by continuously seeking better alternatives.

Following record low flaring in 2009 and in the context of production recovery, flaring losses slightly increased in 2010 to reach 50,800 tonnes, but still within target range.

Volatile organic compound (VOC) emissions

Borealis conducts ongoing activities to detect hydrocarbon fugitive leaks in its piping and equipment, and repairs leaks when they are detected. No major reduction activities took place during 2010 and as a result, the level remained equal to 2009. A new leak detection technology was introduced this year by using an infrared camera technique in one of the polyolefin plants. It will be further evaluated throughout 2011.

Nitrous oxide (NOx) emissions

NOx are air pollutants emanating from emissions created by the burners in steam boilers and cracker furnaces. Borealis continues to modernise its installations by changing to low NOx emission burners. With production back to pre-crisis levels, emissions have subsequently increased to 1,740 tonnes compared to 1,500 tonnes in 2009.

Water stewardship

Borealis activities in 2010 were focused on the internal sustainability impact assessment of its major produc-



tion locations. The impact from the company's use of freshwater was assessed for the seven largest operation locations in Europe. The study covered the effects of water withdrawal as well as discharge of wastewater, focusing on four impact areas: chemical and biological quality, biodiversity, water availability and overall water withdrawal. The aim has been to identify possible gaps and critical areas that may need to be addressed as Borealis develops its future water management plans. The impact assessment will be extended to all other Borealis operations in 2011 to provide the basis for comprehensive, company-wide water stewardship plans.

In 2010, the total amount of fresh water withdrawn by Borealis operations from local watersheds (ground and surface water) slightly increased by 2% to 188 million cubic metres. Future reporting will consider how disclosed water data can better reflect actual usage and the status of local watersheds (e.g. withdrawals and releases, watershed stress levels).

Production waste

Production waste is created from routine operations and project activities. Borealis seeks to limit waste production to a level of approximately 2 kg per tonne produced or below. Despite the impact that the start-up phase of the Stenungsund LD5 plant had on waste production, the overall waste volume further decreased in 2010. Measured as the waste generated per tonne produced, waste production in 2010 reached a level of 1.6 kg per tonne produced compared to 1.8 kg in 2009.

Energy efficiency and greenhouse gas emissions

Addressing climate change

Borealis continued its efforts throughout 2010 to reduce the impact of its operations on the climate. The severe economic downturn in 2008-2009 resulted in reduced production and greenhouse gas emissions (GHG). As production recovered and the new Stenungsund LD5 plant started up in 2010, sustaining a low level of emissions became a major challenge. In this context, this year's performance can be considered as a return in line with relative trends in carbon intensity of group operations. 2010 also marked the introduction of the company-wide Operational Excellence programme, which will support and further Borealis' drive for energy efficiency.

Carbon Management

Improving the energy efficiency and carbon emissions of operations is a strategic objective for Borealis from both environmental and cost-saving standpoints. Under the responsibility of Borealis' Deputy CEO, the company's energy and CO₂ committee guides the group's carbon management strategy to improve both operational excellence and product performance through the life cycle. To involve all of the company's departments, a "carbon community" gathers experts from business, operations and support functions.

Energy efficiency

The company is striving for a group-wide 20% improvement in energy efficiency by 2020 compared to 1990, with an annual trendline improvement objective of 1.4%. This objective is being rolled out across the company's operations with a dedicated energy efficiency key performance indicator. Turnarounds and other major investments initiated in recent years have maintained group-wide energy efficiency levels during the year while Borealis' direct investments in energy efficiency reached EUR 1.6 million.

Greenhouse gas (GHG) emissions

Borealis GHG emissions are closely related to energy efficiency and process emissions such as flaring or N₂O. Covered under the EU ETS, GHG emissions are further managed at the group level, and objectives are cascaded across all Borealis sites. In 2010, total direct CO₂ emissions from Borealis group operations under the EU ETS increased to 1.60 million tonnes in 2010 from 1.31 million tonnes in 2009.

N₂O reduction

Following the step change made in 2009 in the reduction of N₂O emissions, Borealis Agrolinz Melamine

(BAM) operations further achieved an exceptional performance in 2010. Emissions from nitric acid plants were reduced by 62% compared to 2009, down to 198 tonnes versus an annual target of 350 tonnes.

Post 2012 EU Emissions Trading Scheme

All company operations in Europe will fall under the scope of the new EU ETS 2013-2020. Borealis therefore continued its active participation in industry working groups developing EU-wide GHG performance benchmarks for petrochemicals and base chemicals while preparing for the first auctions of allowances foreseen in 2012.



Borealis Linz achieves outstanding N₂O reduction

Nitrous oxide (N₂O) is a by-product of the nitric acid production process with a global warming potential 310 times higher than carbon dioxide (IPPC second assessment report). The reduction of N₂O emissions at Borealis' nitric acid plants in Linz has therefore been an ongoing effort for the past several years.

Launched in early 2010, a step change project delivered exceptional emission reductions over the year through improved process efficiency with the installation of a secondary catalyst in the plant in May and in the ammonia injection unit during September. Since the start-up of the ammonia injection unit, N₂O emissions have been reduced to a third of the initial levels, far below the project's objectives.

In addition to the environmental benefits, this achievement supports the site's operational cost-competitiveness through higher process efficiency.

Product Stewardship

Advancing sustainability across the value chain

As part of Responsible Care, product stewardship governs the health, safety and environmental aspects of products throughout their life cycle across the value chain. It covers the environmental performance of the supply chain, transport and logistical aspects, the environmental profile of products and waste management. Innovative petrochemicals and plastics solutions make a key contribution to sustainable development. Borealis' product stewardship approach further advances this contribution.

Supply chain

Environmental performance indicators are defined for the entire supply chain and are extended with the implementation of a green Supply Chain Operations Reference model (SCOR). 40% of Borealis' suppliers (raw materials and packaging) and 66% of bulk contractors have an environmental management system or ISO 14001 certification.

Logistics and transport

Borealis aims to minimise HSE risks from transport and logistical operations and to have 80% of its transport volume handled by CEFIC–SQAS accredited suppliers. Wherever possible, the company also seeks to transport products off-road via rail or ship.

In 2010, 46% of Borealis' polyolefin products (total) were shipped via intermodal or short/deep sea while 45% of fertilizer sales were transported via barges. Melamine volumes are mainly sold into core markets with a high share of intermodal transport.

Borealis' Logistics Service Provider (LSP) tendering processes also include an evaluation of the environmental performance of contractors. In addition, the introduction of several internal initiatives in the area of optimal payload utilisation aims at reducing both transport costs and CO₂ emissions.

Waste management in the value chain

Borealis implements a range of best practices to reduce waste generated by the distribution of its products to customers such as bulk shipment, pallet return systems or reduction of bag slitting. In Germany, Borealis partnered with RIGK, a producer of innovative recovery systems and recycling solutions, to introduce a new bag collection and marking scheme to improve their recycling. In 2010, bulk shipment further increased to represent 50% of the tonnage transported to Borealis' polyolefins customers and about 36% of the tonnage

Meeting REACH registration deadline

For the past six years, the Borealis REACH Team has led the preparation of the registrations of all chemicals used in the company's manufacturing processes along with Business Units, Procurement, Legal, Information Technology and Innovation and Technology departments

As of December 2010, the manufacturing in, or import into, the EU of substances with a volume greater than 1,000 t/y is not legal without REACH registration.

The registration process has been a joint effort of the European chemical industry, through numerous consortia and Substance Information Exchange Forums (SIEF) where Borealis has been an active participant.

Within the first registration deadline, Borealis submitted a total of 79 registrations for six different Borealis legal entities as well as for Borouge (only Representative).

transported to fertilizer and melamine customers. Borealis also strives to ensure its products effectively contribute to improving waste management in the value chain through the reduction, reuse, recycling or safe recovery of plastic waste. In partnership with an Italian customer, Borealis investigated advanced PP grades for shopping baskets and trolleys that enable the use of an increased amount of recycled PP in applications while ensuring high performance in the application.

Chemicals safety and management

The Borealis Product Stewardship department leads chemicals management and the implementation of REACH, the European Chemicals regulation, for the company.

In 2010, the department intensified its preparation for the registration of chemicals under the REACH regulation and for the new EU regulation on Classification, Labelling and Packaging (CLP) of substances and mixtures.

Under REACH, Borealis successfully completed 79 registrations for 55 substances for seven legal entities by December 1, 2010. A review of all safety data sheets according to REACH requirements was also completed.

To assure readiness for national authorities' audits, Borealis prepared a question and answer (Q&A) on the most relevant REACH questions which was posted on the internal company web site and trained local personnel to be able to handle all external audits.

Borealis' product stewardship team further updated the company's "black list" of banned hazardous substances and extended it with a "grey list" of restricted substances with the aim of substituting them with less hazardous substances. At the end of 2010, five grey listed substances were successfully phased out while research and substitution plans are ongoing for the remaining grey list substances. The updated Borealis' black and grey lists of banned and restricted substances are available on Borealis' web site.

The CLP regulation concerns all chemicals produced, imported and placed on the European market and harmonises CLP requirements on an international level. It also requires that classification information regarding all substances used within Borealis be provided to the European Chemicals Agency for the industry value chain and its employees. The new CLP regulation introduces several major changes, notably in the terminology, labels and pictograms for chemical hazards as well as in hazard classifications for certain substances and mixtures.

The implementation of the regulation implies extensive information and training of all employees handling or managing substances. In collaboration with the product stewardship department, Borealis' CLP team and the Kallo training department developed an online multi-lingual e-learning package for employee trainings at all locations. More than 3,000 employees completed the e-learning package. Before year-end, Borealis successfully completed 139 registrations for 77 substances for 12 legal entities.

Environmental performance of products

Borealis' environment and life cycle specialist actively worked with the business units to respond to stakeholder requests for information regarding the environmental performance of its products. In addition to the continued demand for carbon footprinting (i.e. the amount of CO₂ emissions required for the manufacture of a product), Borealis spearheaded a range of application specific water footprint and comparative life cycle assessments. Featured with products displayed at K 2010, these assessments helped guide new product developments and more environmentally responsible designs.

Specific attention was also placed on waste management aspects of polyolefin applications with further integration of the so-called 4R principles in the develop-



Enabling customers to enhance the use of recycled materials

With the support of Italian moulder Sistemi 2000, Borealis presented the first pilot projects in the industry to enhance the use of recycled polyolefins. The project highlighted a shopping cart and shopping basket made from a combination of recycled PP from post-consumer waste with Borealis' enhanced PP grades for recycling, achieving the same superior material characteristics while significantly reducing the carbon footprint of the applications.

The development of the company's first pro-recyclate grades PP4R 500 and PP4R 100 is part of Borealis' strategy to investigate different options to support the recycling of its advanced polyolefin solutions. These grades enable the use of up to 75% recycled PP with the same superior technical performance for the application.

The combination of Borealis PP4R solutions and recycled PP also delivers a decrease in the carbon footprint of up to 30%.

ment of products to ensure waste Reduction, Reuse, Recycling or safe Recovery at end of life.

The implementation of Borealis' black list of restricted chemicals, such as halogenated flame retardants, plays a key role in chemicals stewardship but also in preventing contamination of recycling streams due to hazardous chemicals and ensuring safe energy recovery. Borealis also piloted the development of "pro-recyclate" PP grades, called PP4R, enabling customers to increase the use of PP-recycled materials. Borealis will continue performing environmental life cycle analyses of key applications in close partnership with interested customers and stakeholders.

Certificates and product statements

A number of certificates and statements are produced for customers, including safety data sheets and certification, medical compliance, food law compliance, compliance to legislation on toys and others.

Water for the World™

Marking the third anniversary of a global programme

At K 2010, Borealis and Borouge celebrated the third anniversary of Water for the World, their joint corporate social responsibility initiative launched in 2007 to address the global water challenge.

Since its launch, Water for the World has led water access projects around the world and built a unique platform for partnerships with stakeholders from the plastics industry, renowned organisations and agencies. As the first global programme in the plastics industry to address the water challenge, Water for the World has achieved significant project milestones in its four focus areas:

Supporting water access projects

More than one-third of the world population currently lacks access to safe drinking water or sanitation. Providing water access has therefore been one of the key focus areas of the programme. Borealis and Borouge developed a number of projects in close partnership with local plastic pipe industries and local and international non-governmental organisations (NGOs). Over the past three years, the programme's water access projects directly reached around 260,000 people. For instance, in 2010, Borouge worked with DEWACO, a local utility at Ho Phong in Southern Vietnam, to provide PE100 solutions for the drinking water supply in the city. In the Indian State of Rajasthan, Borouge, together with one of its customers, Dura-Line, supported the Vishwadeep Gurukul

organisation to deploy a durable distribution system for harvested rainwater serving the extension of the campus at the „Swami Maheshwaranande Ashram“ Centre for Education and Research. In addition, Borealis completed its „Aqua per l'Aquila“ project, which provided water sewage connections for earthquake victims in the resettlement areas of l'Aquila, Italy.

Developing and promoting best practices

Spreading best practices in water supply and conservation to the utility and agricultural communities across the world is a challenging target. Initiated in 2007 by Borouge and Borealis, the Gulf Plastics Pipe Academy (GPPA), continued its development and now counts more than 100 members. This pioneering organisation plays an important role in raising standards and providing know-how in the entire water value chain. Establishing long-term and sustainable water solutions is of paramount importance in the Middle East, one of the world's most water stressed and fastest growing regions.





Raising awareness in communities

To raise awareness and encourage a more efficient use of precious water resources, Borealis continued touring its local communities with its Water for the World photo exhibition based upon the “Troubled Waters” book published by the renowned Belgian photographer Dieter Telemans. Since its launch in November 2008, the exhibition has already visited nearly all of Borealis’ worldwide locations and triggered a number of water-related activities together with local communities and schools.

In Finland, Borealis partnered with the WANDER Nordic Water and Materials Institute and the Finnish Water and Waste Water Works Association to launch a ‘virtual’ Water School, a web-based learning environment for school children. As a result of its success, this web platform will be translated to other languages and introduced at other Borealis locations in 2011.

Advancing sustainable water management

Borealis collaborates with or supports many international stakeholders and organisations, including ISO, in developing tools and standards to assist industry in advancing sustainable water management. Working within the World Business Council for Sustainable Development (WBCSD), Borealis has become a recognised leader in the development of water stewardship practices.

Following the pioneering investigation of the water footprint of plastics in 2009, Borealis has furthered applied “water footprinting” to its value chains to assess application footprints and actively shares the concept across the industry through trainings, webinars and conferences. Next to climate change, water issues are now rising to the top of the sustainability agenda in most industry sectors. In 2011, Borealis will finalise its site-per-site assessment of water use, which will result in a long-term sustainable water management strategy.

Water for the World is part of Borealis’ long-term commitment to sustainability and to addressing a major global challenge. The programme has already achieved some significant milestones, but the global water crisis remains an imminent challenge for humankind. In the coming years, Borealis and Borouge will continue to contribute with their expertise, partnerships and innovative solutions to make a difference.

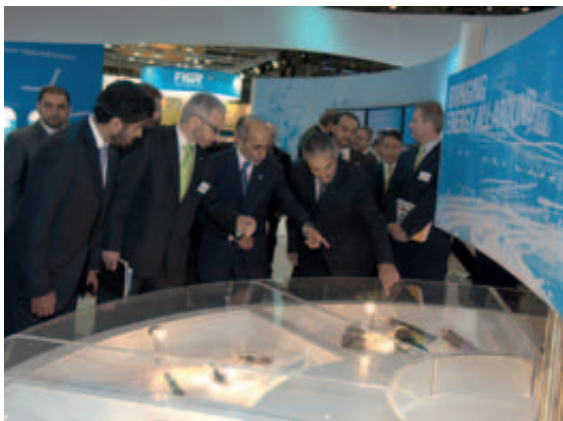


External relations and public affairs

Engaging with stakeholders

As part of its Responsible Care policy, Borealis is committed to listen, engage and work with stakeholders to understand and address their concerns and expectations, and to advance sustainable development within the entire industry value chain.

The company recognises the importance of providing open and transparent communication on the performance of its operations and products whether for expert audiences or for the general public. Initiatives such as the publication of the company black and grey lists of banned chemicals or publications on the carbon footprint of operations and products aim to bridge this gap and will be pursued in the future.



Trade association activities

Borealis takes a leading role in a number of industry organisations: European Association of Plastics Manufacturers (PlasticsEurope); the European Chemical Industry Council (CEFIC); the Association of Petrochemicals Producers in Europe (APPE) and Fertilizers Europe, the European fertilizer industry association; and co-chairs the water project of the World Business Council for Sustainable Development (WBCSD).

In 2010, Borealis participated in an industry working group to prepare for the third phase of the EU carbon emissions trading scheme (ETS).

Stakeholder engagement

Throughout the year, the company participated in international forums, notably the 20th Stockholm World Water Week, with a focus on sharing sustainable water management practices.

Borealis also participated in the consultation on Human Rights for safe water and sanitation organised by the Special Rapporteur mandated by the United Nations to define the rights and set the path for effective implementation. Borealis warmly welcomes the United Nations General Assembly's recognition this year that water and sanitation are essential human rights.



Ethics Policy

Ethics is an important element of Borealis' core values, and since the Ethics Excellence Programme was successfully launched more than five years ago, significant effort has gone into ensuring that all employees know what is expected of them in their daily work and how to live according to Borealis' values and Ethics Policy.

Borealis has a trained and designated team of Ethics Ambassadors who facilitate ethics workshops and help employees find answers to any ethics questions they may have. The Ethics Ambassadors are from different locations and functions, and their ethics responsibilities are in addition to their normal work. The QuestionLine telephone service and an option to send written questions and concerns anonymously are available for employee use.

The anti-corruption programme that was launched in 2009 continued in 2010. The programme was a combination of e-learning courses, the Borealis anti-corruption booklet and various presentations. The programme was supported by the money laundering awareness campaign where employees in sales and procurement were trained to recognise signs and alarms for possible money laundering transactions. In addition, two new ethics e-learning courses were launched, and all Borealis employees were personally approached to complete the respective ethics e-training. All new employees were informed about the Borealis ethics programme by the Group Ethics Officer and were invited to take their first ethics e-learning course. Furthermore, regular ethics workshops for newcomers were held throughout the company.

Ethics workshops for sales and marketing employees and sales agents were conducted during the year covering all major business units. The core message of these workshops was related to the ethical and compliance risks in the business environment, awareness of potentially anti-competitive activities, and Borealis' zero tolerance policy on corruption. Information related to the recently tightened legislation and strict public opinion against unethical behaviour was discussed and welcomed by the audience.

Ethics is now included in the internal management training programmes. In addition, an ethics workshop for project management teams will be included in all major and medium size projects, not only for Borealis employees, but also for its main contractors and consultants.



The annual ethics certification was carried out and the appropriate gift registers maintained.

The People Survey conducted at the end of the year included questions and statements related to Borealis' values and ethics. The survey results will be analysed by each location and feedback given with appropriate improvement actions at the beginning of 2011.

It is not only important that Borealis operates ethically but also that its business partners, consultants, and everybody acting on its behalf also perform ethically. Therefore, guidelines were implemented this year on how to assess the ethical compliance when selecting consultants, partners and agents and how to evaluate their ethical behaviour during their assignment with Borealis.

Borealis' approach to ethics and compliance is seen by the wider corporate community and opinion leaders as an example of what can be accomplished, establishing the company as a benchmark for the efficient and effective implementation of ethical corporate behaviour.

Responsible Care 2010 key performance indicators

Issue	Definition	2010	2009	2008	2007	2006	2005	2004
Total Recordable Injuries	number/million work hours	1.0	0.7	1.6	1.7	1.7	1.7	2.4
Sick leave	% of total hours worked	3.4	3.4	3.1	2.9	2.9	2.9	2.8
Direct carbon dioxide emissions	kilotonnes	*	*	1,480	1,540	1,600	1,630	2,340
EU ETS CO ₂ emissions	kilotonnes	1,600	1,310	1,360	390	450	420	n.a.
Primary energy consumption	GWh	22,300	19,300	15,100	15,500	16,200	15,900	20,600
VOC emissions	tonnes	3,762	3,440	3,250	3,800	4,160	4,210	6,100
Waste generation	tonnes	16,140	16,100	15,010	15,560	15,140	15,800	18,430
Flaring	tonnes	50,800	46,000	51,000	57,600	59,600	49,400	65,000
NOx emissions	tonnes	1,740	1,500	1,230	1,330	1,580	1,620	3,090
Water withdrawal	m ³ (million)	188	183	16.8	18.7	15.9		
N ₂ O emissions	tonnes	198	530	1,050	870	900		
Response rate on process safety incidents	% actions timely completed	99	97	98	95	100	91	
Response rate on HSE incidents	% of approved and closed cases	99	98	95	93	90		

* Following the completion of the HSE management and systems integration, the performance indicators of Borealis Agrolinz Melamine operations (formerly AMI) are incorporated into Borealis' reported indicators as of 2009. Historic performance reported from 2004 to 2008 does not include Agrolinz Melamine operations.

Definitions

Total Recordable Injuries (TRI)

Accidents resulting in absence from work, the need to do a different type of work or any other case in which medical treatment is required. The frequency is calculated as the number of accidents per million working hours. Borealis employees and contractors working on company premises are included in the calculation.

Direct carbon dioxide CO₂ emissions

CO₂ emissions from stationary sources on company premises, including emissions from fuel consumption, combustion of other hydrocarbon streams as well as flaring (as of 2009 this indicator is replaced by the reporting of CO₂e emissions under EU ETS).

EU Emission Trading Scheme (ETS) CO₂ emissions

All greenhouse gases emissions (GHG) under the scope of the European ETS expressed in CO₂ equivalents (as of 2009 this indicator replaces the reporting of direct carbon dioxide emissions).

Primary energy consumption

Consumption of all energy vectors (i.e. fuels, electricity and steam). Electricity and steam are converted into primary energy with standard conversion factors of 40% (electricity) and 90% (steam).

Volatile Organic Compound (VOC) emissions

Emission of all organic compounds (from C1 to Cn) with a vapour pressure of 0.01 kPa or more at either room temperature or at actual temperature when processed. The quantification is based on measurements and estimates.

Waste generation

Generation of all waste at company locations during normal operation as well as during special projects. Any substance or object that is to be discarded is included in the definition of waste. Exceptions are atmospheric emissions, liquid effluents and by-products with commercial value.

Flaring

All streams sent to the flare, except streams that assure a constant flame (e.g. fuel gases to pilot burners, fuel gas purges to flare lines for safety reasons, steam, nitrogen).

Nitrogen Oxide (NO_x) emissions

Emissions of all nitrogen oxides from all relevant sources, including flares. The emissions are quantified as NO₂. When NO_x measurements are not done, emission factors correlated to the fuel type and heating value are used.

Nitrous Oxide (N₂O) emissions

Emissions of N₂O (also known as laughing gas) are generated by the production of nitric acid in the fertilizer plants. N₂O is a GHG with a global warming potential (GWP) 310 times higher than CO₂.

Water withdrawal

Total amount of fresh water withdrawn from surface or groundwater sources for any type of usage (e.g. cooling, steam generation, cleaning, sanitary use).

Response rate of process safety incidents

Process safety incidents of a certain severity or risk potential are recorded and investigated through root cause analysis. Corrective actions are defined to prevent re-occurrence. The response rate of process safety incidents is measured as the ratio (%) of corrective actions completed within a defined time period.

Response rate of HSE incidents

Major or minor HSE incidents, near misses, unsafe acts and unsafe conditions that lead to, or can lead to, an accident of any kind are recorded, and decisions on actions for follow-up are made, establishing an approved case. Incident cases are closed once actions have been implemented. The response rate of HSE incidents is measured as the ratio (%) of approved and closed incident cases.





Financial Statements



Management report

HSE focus remains high

The focus on health, safety and the environment (HSE) remains high at Borealis. In 2010 Borealis' safety performance, measured in the number of Total Recordable Injuries (TRI) per million working hours, remained in the top league of the industry with a frequency of 1.0 (compared to 0.7 in 2009). World class HSE performance is one of the foundations of Borealis' commitment to advance sustainable development. In line with the principles of Product Stewardship, Borealis signed the Responsible Care Global Charter (RCGC) in 2006 and has continued to drive improved performance in this area through 2010.

Industrial activity slightly improved

After a relatively stable price environment during the first three quarters of 2010, feedstock prices started to increase and peaked during the last months of the year. Brent oil averaged 80 USD/bbl in 2010, but peaked in December at 92 USD/bbl. Naphtha, the main raw material used for production of olefins, also steadily increased during the last quarter and peaked at a December monthly average of 842 USD/t (vs. 682 USD/t in December of 2009). Ethylene and propylene contract prices saw similar increases.

The European Polyolefins (PO) industry showed some volume recovery from its lows of 2009. Polyethylene and polypropylene sales volumes increased by 1% and 2% respectively from 2009 to 2010. Average market prices increased by roughly 25% across the portfolio largely mirroring the recovery in feedstock prices.

The fertilizer market experienced a tight supply situation leading to increased prices across all product categories. With the price of natural gas, the main feedstock used for fertilizer production, also rising, margins were largely stable. The melamine market saw a significant increase in prices and margins during 2010 driven by a healthy recovery in demand and global supply tightness. Demand for phenol in Europe recovered strongly in 2010 and was complimented by high demand from export markets in the second half of the year. However, the by-product acetone market found itself in an over-supply situation with consequent price and profitability pressure, offsetting much of the gains in phenol.

Borealis' overall performance significantly improved over 2009

Borealis closed 2010 with an operating profit of EUR 349 million (EUR 24 million in 2009) and a net profit of EUR 333 million compared to EUR 38 million in the prior year. Return on capital employed after tax reached a level of 10% in 2010 compared to 2% in 2009.

The increased profitability was driven by improved industry margins across all businesses combined with further efficiency gains by the organisations. Borealis PO sales volumes slightly decreased (100,000 tonnes) compared to the prior year and reached 3.2 million tonnes in 2010. Within the Base Chemicals segment, Business Unit (BU) Phenol enjoyed production and sales records following a successful turnaround of the Porvoo phenol unit and further improved its profitability. The Fertilizer & Melamine businesses units benefited from the increased demand resulting in higher sales volumes and better margins and as a consequence this led to the second best annual business performance after 2008. Finally, BU Feedstock & Olefins saw increasing sales volumes and benefited from better industry margins and thereby significantly improved its result compared to 2009.

In April 2010, Borealis successfully launched its first publicly traded bond, raising EUR 200 million on the secondary market ("Geregelter Freiverkehr") of the Vienna Stock Exchange. The launch of the bond represents an important step in Borealis' overall strategy to diversify its funding investor base, while extending its maturity profile. The company's financial position remains very solid with a closing 2010 gearing ratio of 37% (compared to 43% at the end of last year), undrawn committed bank lines in excess of EUR 1,300 million and minimal debt maturities over the next years. Borealis' net debt position increased by EUR 27 million compared to the end of last year and reached EUR 1,058 million by December 2010. This result was achieved in a year in which Borealis provided a net cash contribution to Borouge (EUR 144 million) and further invested in its tangible and intangible assets (EUR 136 million).

Two major growth project investments started-up during 2010

The new high pressure low density polyethylene plant (LD5), along with modernised compounding and material-handling facilities, was officially inaugurated in June 2010. This investment in Borealis' location in Stenungsund, Sweden will increase the total capacity at the site to 700,000 tonnes per year (t/y) and further positions the site as a leading world-scale polyethylene facility for advanced infrastructure applications. The Borouge 2 expansion project, which more than triples Borouge's annual production capacity to 2 million tonnes, was started up during the second half of 2010. Major contracts worth USD 3.7 billion related to the Borouge 3 expansion were also awarded during 2010. Borouge 3 will further increase Borouge's production capacity to over 4.5 million t/y by mid-2014, making it the largest integrated olefins/polyolefins site in the world. Borouge also inaugurated its first compound manufacturing plant in China at a ceremony held at the plant in Shanghai in April.

Building people relationships

Borealis' management further enhanced the relationship with the Corporate Cooperation Council (CCC), a forum established to exchange information between employees, top management and owners, by actively sharing information and discussing important topics. 84% of all Borealis employees took the opportunity to have their say in the bi-annual People Survey. Management on group and local/functional level are analysing results and evaluating which actions will be taken during the next two years in order to 'Build an even better Borealis.'

Water for the World™ celebrates three years

In 2007, Borealis together with Borouge launched the Water for the World™ initiative, a partnership programme to advance solutions, expertise and know-how to address the global water challenge. At a global level, the programme co-funds the annual Stockholm World Water Prize and supports the non-profit organisation "Water and Sanitation for the Urban Poor" to develop large scale projects in underdeveloped urban areas. To date, Water for the World has reached over a quarter of a million people worldwide. One highlight of the programme in 2010 was the launch of the Virtual Water School, a web-based learning environment for schoolchildren in Finland. The objective of the tool is to raise awareness and encourage a more efficient use of precious water resources. Due to its success, the web platform will be introduced at other Borealis locations in 2011.

Strong presence at K 2010

At K 2010 in Düsseldorf, Germany, the number one trade fair for rubber and plastics worldwide, three strong companies shared one presence: Borealis, Borouge and NOVA Chemicals. Together for the first time, the companies showcased how they are creating new horizons for their customers through their capabilities, their commitment and caring approach. Cutting-edge innovations, significant investments and a dedication to sustainability were central to the presence of the three companies. Besides being among the world's largest players in the plastics industry, Borealis, Borouge and NOVA Chemicals share a common characteristic in having financially stable owners – the International Petroleum Investment Company (IPIC), OMV and the Abu Dhabi National Oil Company (ADNOC) - who are strongly committed to this industry.

Outlook

Borealis proved in 2010 that it was well prepared to successfully manage the economic crisis. In the coming years, senior management is focusing on further improving Borealis' core processes of innovating, producing and selling polyolefins and base chemicals. Despite a healthy demand and price environment, it remains unclear whether the global economy has truly emerged from this recession into a new period of stable growth. However, senior management is confident that Borealis has a solid foundation to manage the challenges and opportunities of 2011 and achieve its mission of being the leading provider of chemical and innovative plastic solutions that create value for society.

Review of results

Sales

The European polyolefin industry realised a modest recovery in 2010 with 1% and 2% volume increase for polyethylene and polypropylene respectively. Borealis sold over 3.2 million tonnes of polyolefins in 2010 (-3% vs. 2009). Fertilizer sales grew significantly compared to the prior year to 1.6 million tonnes (1.2 million tonnes), and melamine sales volumes increased from 155 kilotonnes (kt) to 166 kt. Pricing improved across all segments.

Cost development

As a result of higher feedstock costs, production costs increased by approximately 30% versus 2009. Sales and distribution costs increased mainly as a result of higher volumes which caused additional freight and packaging costs. Research and development costs amounted to EUR 84 million. The average number of full-time equivalent employees (FTE) in 2010 was 5,075, a decrease of 140 compared to last year.

Operating profit

Operating profit amounted to EUR 349 million compared to EUR 24 million in 2009.

Return on capital employed

The return on capital employed after tax reached 10% compared to 2% in 2009 as a result of higher operating profits and increased profits from the Borouge joint venture.

Financial income and expenses

Net financial expenses increased to EUR 64 million, compared with EUR 35 million in 2009, mainly driven by higher interest costs due to longer term facilities and lower capitalised interest expenses due to the commissioning of the new high pressure low density polyethylene plant (LD5) in Sweden in the course of 2010.

Taxes

The provision for income taxes amounted to EUR 72 million, compared to a tax credit of EUR 4 million in 2009. Borealis paid income taxes of EUR 51 million in 2010, compared to EUR 12 million in 2009.

Net profit and distribution of dividend

The net profit for the year amounted to EUR 333 million, compared to a net profit of EUR 38 million in 2009. During 2010, Borealis did not distribute a dividend. The Management proposes a dividend of EUR 100 million to be paid from the results of 2010.

Financial position

Total assets/capital employed

At year-end, total assets and capital employed amounted to EUR 5,630 million and EUR 4,090 million respectively, compared to EUR 4,816 million and EUR 3,465 million at year-end 2009.

The solvency ratio was 51% at year-end 2010, up by 1 % from year-end 2009. The gearing ratio improved to 37% at year-end 2010, compared to 43% in 2009, as a result of a largely unchanged debt level driven by favourable operating profits and lower capital expenditures, combined with an increase in equity.

Cash flows and liquidity reserves

Cash flow from operations was EUR 268 million, driven by operating profitability and partially offset by increased working capital. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,445 million at year-end 2010, compared to EUR 1,062 million at year-end 2009.

Net interest-bearing debt increased to EUR 1,058 million at year-end, up from EUR 1,031 million at the end of 2009. The change in net interest-bearing debt is analysed in the following table.

EUR million	2010	2009
Change of net interest-bearing debt		
Cash flow provided by operating activities	268	395
Capital expenditure	-136	-345
Capital contributions to associated companies	-213	0
Repayment of loans by associated companies	70	0
Proceeds from the sales of subsidiaries	0	1
Acquisition of new companies	0	0
Other (mainly relating to foreign exchange differences)	-16	4
Dividend paid	0	0
Total decrease/increase	-27	55

Capital expenditure

Investments in tangible fixed assets amounted to EUR 97 million in 2010, compared to EUR 308 million in 2009. The largest portion of the total investment spent was related to the new high pressure low density polyethylene plant (LD5) built in Stenungsund, Sweden and the turnaround of the cracker in Porvoo, Finland. HSE capital expenditure amounted to EUR 17 million (EUR 17 million in 2009). Depreciation and amortisation amounted to EUR 261 million, compared to EUR 236 million in 2009.

Shareholders' equity

The shareholders' equity at year-end 2010 was EUR 2,887 million.

EUR million	2010	2009
Equity development		
Net result attributable to the parent	331	37
Exchange and fair value adjustment (net)	168	27
Gross increase/decrease	499	64
Dividend paid	0	0
Contribution by shareholders	0	0
Net increase/decrease	499	64
Opening equity	2,387	2,323
Ending equity	2,887	2,387

Risk

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

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

Operational risks usually refer to unfavourable and unexpected short-term or mid-term developments, and include all risks that may have a direct impact on the Group's daily business operations. All operational risks are assessed according to documented guidelines and procedures that are administered by the respective business functions. Operational risks include financial risks, health, safety and environmental risks, project-related risks and information security risks.

Financial risks can be associated with liquidity, interest rate, foreign exchange rate, credit, commodity price, and insurance. The assessment of financial risk is described in detail in Borealis' Finance Procedure. The Director of Treasury is responsible for reporting and for coordinating the management of all financial risks.

Health, safety and environment (HSE) risks are assessed according to the procedures and framework described in the Borealis' Risk-Based Inspection Manual. The Vice President of HSE is responsible for managing all HSE-related risks and will report Borealis' HSE risk landscape periodically to the Executive Board.

Project-related risks are assessed in the Borealis' project approval process. All key risks related to an individual project are assessed, including financial, market, technical, legal, patent infringement, strategic, operational, country risk, and political factors. The risk assessment shall also reflect the probability that the project will be completed within the estimated time frame, with the estimated resource requirements as well as the probability that the key project objectives will be achieved. Project-related risks are managed by the Project Manager and reported to the Project Steering Committee.

Information security risks relate to the confidentiality, integrity and availability of company information. The Director of IT and the General Counsel support line managers with the assessment of information security risks 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 owns the Group's Risk Landscape and safeguards the integration of the risk assessment into the strategic planning.

The Supervisory Board is responsible for reviewing the effectiveness of Borealis' risk management practices and processes, the risk tolerance levels, the risk exposure of the Group and the effectiveness of mitigation actions. The Supervisory Board delegates 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 field of work, to ensure that risk management is properly embedded in the organisation and is reflected in the day-to-day decision-making process.

		2010	2009	2008	2007
Safety, Health and Environment					
Total Recordable Injuries	number/million work hours	1.0	0.7	1.6	1.7
Sick leave	% of total hours worked	3.4	3.4	3.1	2.9
EU ETS CO ₂ emissions	kilotonnes	1,600	1,310	1,360	390
Primary energy consumption	GWh	22,300	19,300	15,100	15,500
Volatile organic compounds emissions	tonnes	3,762	3,440	3,250	3,800
Waste generation	tonnes	16,140	16,100	15,010	15,555
Income and profitability					
Number of employees (Full-time equivalent at year-end)		5,075	5,215	5,395	5,467
Net sales	EUR million	6,269	4,714	6,697	6,350
Operating profit	EUR million	349	24	163	451
Operating profit as percentage of net sales	%	6	1	2	7
Net profit attributable to the equity holders of the parent	EUR million	333	38	239	533
Return on capital employed, net after tax	%	10	2	9	22
Cash flow and investments					
Cash flow from operating activities	EUR million	268	395	144	647
Investments in tangible assets	EUR million	97	308	445	457
Financial position					
Net interest-bearing debt	EUR million	1,058	1,031	1,087	633
Equity attributable to owners of the parent	EUR million	2,887	2,387	2,323	2,307
Gearing	%	37	43	47	27

Definitions

Capital employed	Total assets less non-interest-bearing debt
Return on capital employed	Operating profit, profit and loss from sale of operations, net result in associated companies plus interest income, after imputed tax, divided by average capital employed
Solvency ratio	Total equity + goodwill divided by total assets
Gearing	Interest-bearing debt, including subordinated loans, less cash and cash equivalents divided by total equity
Energy	Electrical, steam and fuels
Waste	Non-hazardous and hazardous

Vienna, February 17, 2011

Management



Mark Garrett
Chief Executive



Daniel Shook
Chief Financial Officer



Markku Korvenranta



Herbert Willerth



Gerd Löbbert

Report of the Auditors*

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Borealis AG, Vienna, for the fiscal year from January 1, 2010 to December 31, 2010. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended December 31, 2010, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances. The Company's management is responsible for the accounting system and for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Accounting Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2010 and of its financial performance and its cash flows for the fiscal year from January 1, 2010 to December 31, 2010 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on the Group Management Report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements.

In our opinion, the consolidated management report is consistent with the consolidated financial statements.

Vienna, February 17, 2011

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.



Mag. Erich Lehner
Certified Auditor



Mag. Walter Krainz
Certified Auditor

*This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements and the consolidated 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

In the year under review, the Supervisory Board received a comprehensive overview of the activities of the Management of Borealis AG and performed its duties and exercised its powers under the law and the articles of association in six plenary sessions.

The Supervisory Board was informed regularly, in a timely fashion and comprehensively, both in writing and verbally, on 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 Management of Borealis AG submitted the Financial Statements as of December 31, 2010, including Management Report and the Consolidated Financial Statements as of December 31, 2010, including the Consolidated Management Report to the Supervisory Board and explained it thoroughly.

The Financial Statements of Borealis AG were drawn up in accordance with the applicable provisions of the Enterprise Act (Unternehmensgesetzbuch) and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, issued the unqualified audit opinion (uneingeschränkter Bestätigungsvermerk) on the Financial Statements.

Further, the Consolidated Financial Statements of Borealis AG were drawn up in accordance with the International Financial Reporting Standards (IFRS) and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, issued the unqualified audit opinion (uneingeschränkter Bestätigungsvermerk) on the Consolidated Financial Statements.

The (Consolidated) Financial Statement documents and the audit reports were submitted to the Audit Committee and the Supervisory Board in due time. After a thorough examination and debate by the Audit Committee and by the Supervisory Board, the Supervisory Board reached the final agreement that no material objections shall be raised, and the drawn up Financial Statements, the Management Report, the proposal for the distribution of the profits, the proposal for the appointment of the auditor for the Financial Year 2011, the Consolidated Financial Statements and the Consolidated Management Report were approved.

Vienna, February 22, 2011



Khadem Al Qubaisi
Chairman of the Supervisory Board



Accounts

Consolidated income statement

EUR million	2010	2009	Note
Net sales	6,269	4,714	1
Production costs	-5,104	-3,978	5, 10
Gross profit	1,165	736	
Sales and distribution costs	-541	-457	5, 10
Administration costs	-191	-176	5, 10
R&D costs	-84	-79	2, 5, 10
Operating profit	349	24	
Profit from sale of subsidiaries	0	1	30
Net results in associated companies after tax	120	44	6
Financial income	9	15	15
Financial expenses	-73	-50	15
Profit before taxation	405	34	
Taxes	-72	4	7
Net profit for the year	333	38	
Attributable to:			
Non-controlling interest	2	1	
Equity holders of the parent	331	37	

Consolidated statement of comprehensive income

EUR million	2010	2009	Note
For the period ended December 31			
Net profit for the year	333	38	
Net gain/loss on translation of financial statements of foreign subsidiaries	143	15	
Reclassifications during the period to the income statement	0	0	
Tax effect recognised in other comprehensive income	0	0	
Net gain/loss on long-term loans to subsidiaries and associated companies	26	10	16
Reclassifications during the period to the income statement	6	0	16
Tax effect recognised in other comprehensive income	-9	-3	
Net gain/loss on loans and financial contracts to hedge investments in foreign subsidiaries	-17	2	16
Reclassifications during the period to the income statement	0	0	
Tax effect recognised in other comprehensive income	4	-1	
Fair value adjustment of cash flow hedges	24	-16	16
Reclassifications during the period to the income statement	36	39	16
Tax effect recognised in other comprehensive income	-16	-9	
Actuarial gains and losses	-38	-11	11
Tax effect recognised in other comprehensive income	10	3	
Net income/expense recognised in other comprehensive income	169	29	
Total comprehensive income	502	67	
Attributable to:			
Non-controlling interest	3	2	
Equity holders of the parent	499	65	

Consolidated balance sheet

EUR million	31.12.2010	31.12.2009	Note
Assets			
Non-current assets			
Intangible assets	214	188	2, 3
Tangible assets			4
Production plants	2,315	1,921	
Machinery and equipment	38	46	
Construction in progress	111	489	
	2,464	2,456	
Investments in associated and jointly controlled companies	1,003	617	6
Other investments	15	14	6
Other long-term receivables	16	83	6
Deferred tax assets	149	185	7
Total non-current assets	3,861	3,543	
Current assets			
Inventories	856	631	8
Receivables			
Trade receivables	318	299	23, 24
Receivables from associated companies	230	160	27
Income taxes	9	4	7
Other receivables and other assets	222	142	18
	779	605	
Cash and cash equivalents	134	37	
Total current assets	1,769	1,273	
Total assets	5,630	4,816	

Consolidated balance sheet

EUR million	31.12.2010	31.12.2009	Note
Total Equity and Liabilities			
Shareholders' equity			
Share capital and contributions by shareholders	1,799	1,899	9
Reserves	-17	-185	
Retained earnings	1,105	673	
	2,887	2,387	
Non-controlling interest	11	9	
Total equity	2,898	2,396	
Liabilities			
Non-current liabilities			
Loans and borrowings	1,072	626	17, 18
Deferred tax	288	265	7
Employee benefits	229	180	11
Provisions	83	82	12
Government grants	35	41	13
	1,707	1,194	
Current liabilities			
Loans and borrowings	120	442	17, 18
Trade payables	635	542	
Income taxes	13	13	7
Provisions	5	24	12
Other liabilities	252	205	18
	1,025	1,226	
Total liabilities	2,732	2,420	
Total equity and liabilities	5,630	4,816	
Contingent liabilities			28
Financial instruments			14

Consolidated statement of changes in equity

EUR million	Share capital* and contributions by shareholders	Reserve for actuarial gains/losses recognised in equity	Hedging reserve	Reserve for unrealised exchange gains	Retained earnings	Total attributable to the equity holders of the parent	Attributable to non-controlling interest	Total equity
Balance as of December 31, 2008	1,899	-36	-39	-137	636	2,323	7	2,330
Profit of the period	0	0	0	0	37	37	1	38
Other comprehensive income	0	-9	14	22	0	27	2	29
Total comprehensive income	0	-9	14	22	37	64	3	67
Dividend payment by subsidiaries	0	0	0	0	0	0	-1	-1
Dividend payment	0	0	0	0	0	0	0	0
Capital in/decrease	0	0	0	0	0	0	0	0
Balance as of December 31, 2009	1,899	-45	-25	-115	673	2,387	9	2,396
Profit of the period	0	0	0	0	331	331	2	333
Other comprehensive income	0	-28	45	151	0	168	1	169
Total comprehensive income	0	-28	45	151	331	499	3	502
Dividend payment by subsidiaries	0	0	0	0	0	0	-1	-1
Dividend payment	0	0	0	0	0	0	0	0
Capital in/decrease	0	0	0	0	0	0	0	0
Transfer of reserves	-100	0	0	0	100	0	0	0
Balance as of December 31, 2010	1,799	-73	20	36	1,105	2,887	11	2,898

The Management proposes to distribute a dividend of EUR 100 million for 2010.

The share capital and contributions by shareholders amounted to EUR 1,799 million after EUR 100 million were transferred from un-appropriated reserves to retained earnings in December 2010. None of the shares have special rights. Borealis AG is owned 61 % by IPIC Beta Holding GmbH, Sterngasse 13, 1010 Vienna, Austria, 3% by International Petroleum Investment Company, Sheikh Zayed 1 Street, Abu Dhabi, United Arab Emirates, 33% by OMV Refining & Marketing GmbH, Trabrennstrasse 6-8, 1020 Vienna, Austria and 3% by OMV AG, Trabrennstrasse 6-8, 1020 Vienna, Austria. The ultimate controlling party is International Petroleum Investment Company (IPIC), United Arab Emirates. Distribution of dividends to its shareholders does not have any tax effect for Borealis AG.

* 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) shares, of which none have special voting rights.

Consolidated cash flow

EUR million	2010	2009	Note
Cash flows from operating activities			
Payments from customers	6,170	4,849	
Payments to employees and suppliers	-5,782	-4,389	
Interest received	9	12	15
Interest paid	-63	-59	15
Other financial expenses paid	-15	-6	15
Income taxes paid	-51	-12	7
	268	395	
Cash flows from investing activities			
Investments in tangible assets	-97	-308	4
Proceeds from sale of subsidiaries	0	1	30
Capital contribution to associates	-213	0	6
Loan repayment of associates	70	0	6
Investments in intangible assets and other investments	-39	-37	3, 6
	-279	-344	
Cash flows from financing activities			
Long-term loans obtained	554	148	
Short-term loans obtained	2	313	
Long-term loans repaid	-52	-2	
Short-term loans repaid	-397	-540	
Dividends paid	0	0	
	107	-81	
Net cash flow for the year	96	-30	
Cash and cash equivalents as of January 1	37	66	
Effect of exchange rate fluctuations on cash held	1	1	
Cash and cash equivalents as of December 31	134	37	

Notes to the consolidated financial statements

Reporting entity

Borealis AG (the "Company") is a company domiciled in Austria. The address of the Company's registered office is Wagramer Strasse 17-19, 1220 Vienna, Austria. Borealis is a leading provider of chemical and innovative plastics solutions.

Statement of compliance

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards issued by the IASB as adopted by the EU and additional Austrian disclosure requirements. The financial statements were authorised for issue by the Management on February 17, 2011.

Basis of preparation

The consolidated financial statements are presented in Euro, rounded to the nearest million. According to that rounding differences may arise. They 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 investments held for trading. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is being hedged.

Consolidation principles

The consolidated financial statements include the accounts of Borealis AG, the parent company, and all the companies over which it has control. Control is generally indicated when Borealis AG, either directly or indirectly, has a majority voting interest. Companies in which the Group has significant influence (interest of 20% or more) but no control are considered associated companies.

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

Acquired subsidiaries, associated and jointly controlled companies are included in the consolidated financial statements from the date of control and until control ceases. A revaluation of the acquired net assets is made at the date of acquisition, using the purchase accounting method to state acquired assets and liabilities at fair value. Any remaining positive difference between the fair value of the assets and liabilities and the purchase price of subsidiaries and associated companies is capitalised as goodwill and is subject to an annual impairment test. Any gain from a bargain purchase is recognised in the income statement.

Foreign currency**Transactions and balances**

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

All foreign exchange related gains and losses, both realised and unrealised, are recorded as financial items in the income statement. However, the exchange adjustments arising from the following items are recognised in other comprehensive income: conversion of the net assets of foreign entities and associated companies as of January 1 using the closing rate on December 31, translation 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 entities calculated on monthly rates to figures converted using the exchange rates applicable at the balance sheet date.

Group companies

As the Group's activities are mainly based throughout Europe, EUR is used as the reporting currency.

Financial statements of foreign entities in functional currencies, other than EUR, have been translated at the exchange rates quoted on the balance sheet date for assets and liabilities. The income statements of foreign entities have been translated on the basis of monthly exchange rates. The exchange differences arising from the translation are recognised in other comprehensive income.

Income statement

Revenue recognition

Revenues from sales of goods are recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Net sales comprise sales invoiced during the year, excluding value-added tax and after deduction of goods returned and discounts and allowances, as well as the proceeds from non-core business activities.

Research and development

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

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

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

Results from associated companies

Investments in associated companies and investments in jointly controlled operations are recorded under the equity method in the consolidated financial statements. The proportionate share of the net profit or loss after tax of these companies is included in the consolidated income statement.

Net financial items

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

Net financial items also include borrowing costs, costs incurred on finance leases, realised and unrealised gains and losses from exchange and price adjustments of financial instruments, investments and items in foreign currencies.

Income tax

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 at the balance sheet date, adjusted for the change in provision for deferred tax assets and liabilities for the year and for any tax payable in respect of previous years. Income tax that relates to items recognised in other comprehensive income is recognised in other comprehensive income as well.

Balance sheet

Intangible assets

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

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

Licences and patents externally acquired are stated at cost, less accumulated amortisation. Amortisation is calculated according to the straight-line method based on an estimated useful life of 3-20 years.

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

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

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

Tangible assets

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

Production plants include land, buildings, related non-movable machinery and equipment. Assets held under finance leases are also included.

Machinery and equipment includes 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 in respect of groups of uniform assets.

Land is not depreciated. Buildings are depreciated over 20-50 years, production facilities over 15-20 years and machinery and equipment over 3-15 years.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and classified to operating and finance lease in accordance with IAS 17. Assets leased under finance leases are recognised in the balance sheet and depreciated over the shorter of the lease period or useful life. The cost of assets leased under finance leases are stated at the lower of fair value and the present value of the future minimum lease payments at the time of acquisition.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Impairment losses

The carrying values of both tangible and intangible assets, other than inventories, deferred tax assets and certain financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated as the greater of net selling price and value in use. The value in use is calculated with a discounted cash flow calculation using a weighted average cost of capital appropriate to the company at the moment of the calculation, based on a 3 year business plan and long term projection for up to 15 years. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Cash-generating units are based on production facilities.

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. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with IFRS 5. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value, less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, 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 recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

Associates and jointly controlled companies

Associates and jointly controlled companies 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.

Other investments

Other investments include available for sale assets and are valued at fair value or at cost if fair value cannot be reliably estimated.

Inventories

Inventories are stated at the lower of cost and net realisable value, taking into account future price developments. Costs incurred are based on the first in, first out principle (FIFO method), and comprises direct costs such as materials, utilities, salaries and wages, and a systematic allocation of fixed and variable production overhead costs. Valuation of raw materials and 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. Investment grants are recognised in the balance sheet as non-current liabilities and recognised as income over the useful life of the asset. Other grants are recognised in the income statement on a systematic basis to offset the related cost.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and 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.

Deferred tax

The provision for deferred income tax is 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 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 at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax loss carry forwards can be utilised, based on the business plan and similar forward-looking information available to Management (using a 15-year period). Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Reserves

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

Employee benefits

Defined contribution plans

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

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 the present value of it, and the fair value of any plan assets is deducted. A qualified actuary, using the projected unit credit method, performed the calculation.

All actuarial gains and losses are recognised in other comprehensive income.

Financial instruments

Purchases or sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

Derivative financial instruments

In accordance with its treasury policy, the Group uses derivative financial instruments only to reduce its exposure to foreign exchange, interest rate and commodity risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit-worthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. The fair value of feedstock and energy contracts is their quoted market price at the balance sheet date.

Cash flow hedges

Where derivative financial instruments are designated as a hedge of the variability in cash flows of a recognised liability or receivable, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. When realised, the cumulative gains or losses are removed from hedging reserve and recognised in the income statement together with the hedged transaction. When the firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, the cumulative gains or losses are removed from hedging reserve and included in the initial measurement of the asset or liability. The ineffective parts of any unrealised gains or losses are recognised in the income statement immediately. Any gain or loss arising from changes in the time value of the derivative financial instruments is excluded from the measurement of hedge effectiveness and is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated, but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with

the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss in equity is recognised in the income statement immediately.

Hedge of monetary assets and liabilities

When derivative financial instruments are used to hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied, and any gain or loss on the hedging instruments is recognised in the income statement.

Fair value hedges

Where derivative instruments are designated as a hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the associated derivative are also recognised in profit or loss.

Hedge of net investment in foreign operation

Where a foreign currency liability hedges a net investment in a foreign operation and fulfils the requirements for hedge accounting, foreign exchange differences arising on translation of the liability are recognised in other comprehensive income.

Trade and other receivables

Receivables are stated at amortised cost, less impairment losses. For short-term receivables, it is assumed that the effect of the discounting is not material. Therefore we deem book value to be equal to fair value. An impairment is made in case of indications that debtors are experiencing significant financial difficulties and where a decrease of future cash flows are expected. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Receivables are written off when there is no realistic prospect of future recovery.

Trade and other payables

Payables are recorded at cost.

Loans and borrowings

Interest-bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, applying the effective interest method.

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 undertakings and activities and the purchase and disposal of tangible and intangible 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 payment of dividends. Cash and cash equivalents consist of cash and bank deposits.

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 chief operating decision maker and for which separate financial information is available (reportable segment).

Moreover, a geographical segment is based on risks and rewards of a particular economic environment (geographic region). The Management concluded to show next to the reportable segment also the geographical segment.

New accounting standards

In 2010, the following accounting standards and interpretation became effective and have been adopted by the Company:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions (amended), effective January 1, 2010
- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended), effective July 1, 2009
- IAS 39 Financial Instruments Recognition and Measurement: Eligible Hedged Items (amended), effective July 1, 2009
- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement, effective June 30, 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners, effective July 1, 2009
- IFRIC 18 Transfers of Assets from Customers, effective July 1, 2009
- Improvements to IFRSs 2009 (April 2009)

Effective means effective for annual periods beginning on or after that date.

The adoption of the amendment for IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective for annual periods beginning on or after January 1, 2010 had no impact on the consolidated financial statements.

IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended) changed the accounting for business combinations and minority interests in the consolidated financial statements. The changes by IFRS 3 (revised) and IAS 27 (amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in the accounting policy was applied in 2010. In the consolidated financial statement the term "minority interest" was replaced by the term "non-controlling interest" The adoption of this standard did not result in any further impact on the consolidated financial statements.

The changes of IAS 39 Financial Instruments Recognition and Measurement of Eligible Hedged Items (amended), effective for annual periods beginning on or after July 1, 2009, in respect to Identification of Inflation as a hedged risk respectively designating options as a hedging instrument were duly applied and had no impact on the consolidated financial statements.

The amendment to IFRIC 9 Reassessment of Embedded Derivatives (amended) and IAS 39 Financial Instruments: Recognition and Measurement (amended) requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The adoption of this interpretation and amendment in the standard had no impact on the consolidated financial statements.

IFRIC 17 Distribution of Non-Cash Assets to Owners provides interpretative guidance on the accounting treatment of non-cash distributions to owners. The interpretation is effective for annual periods beginning on or after July 1, 2009 and had no impact on the consolidated financial statements.

IFRIC 18 Transfers of Assets from Customers, effective for annual periods beginning on or after July 1, 2009 addressed to the accounting treatment of assets (item of property, plant, equipment, etc.) received from customer and subsequently used in order to supply goods to that customer, had no impact on the consolidated financial statements.

In April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The amendments were duly adopted and had no impact on the consolidated financial statements.

The Standards issued but not yet effective are listed below. Borealis will adopt the standards on the effective date.

- IFRS 7 Enhanced Derecognition Disclosure Requirements (amended), effective July 1, 2011*
- IFRS 9 Financial Instruments: Classification and Measurement of Financial Assets (amended), effective January 1, 2013*
- IFRS 9 Incorporation of requirements on the Accounting for Financial Liabilities (amended), effective January 1, 2013*
- IAS 24 Related Party Disclosures (revised), effective January 1, 2011
- IAS 32 Classification of Rights Issues (amended), effective February 1, 2010
- IFRIC 13 Customer Loyalty Programmes (amended), effective January 1, 2011
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amended), effective January 1, 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (new interpretation), effective July 1, 2010
- Improvements to IFRSs 2010 (May 2010)*

Effective means effective for annual periods beginning on or after that date

The amendments to IFRS 7 Enhanced Derecognition Disclosure Requirements (amended) are addressing the disclosure of transactions involving the transfer of financial assets and the possible effect of any risks that may remain with the entity that transferred the assets. The amendments require an additional disclosure if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. Borealis is currently evaluating the impact of these amendments on the consolidated financial statements.

The amendments to IFRS 9 Financial Instruments: Classification and Measurement (amended) will become effective from January 1, 2010 with early adoption permitted, introduces new requirements for

the classification and measurement of financial assets. The 2010 revision to IFRS 9 retains the requirements for classification and measurement that were published in November 2009 but adds guidance on classification and measurement of financial liabilities, derecognition of financial instruments. Impairment and hedge accounting are to be added to IFRS 9 Financial Instruments. The standard retains a mixed-measurement model, with some assets measured at amortised cost and others at fair value. The distinction between the two models is based on the business model of each entity and a requirement to assess whether the cashflows of the instrument are only principal and interest.

All recognised financial assets that are in the scope of IAS 39 Financial Instruments: Recognition and Measurement will be measured at either amortised cost or fair value. The existing IAS 39 Financial Instruments: Recognition and Measurement categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 Financial Instruments contains an option to classify financial assets that meet the amortised cost criteria as at financial assets at fair value through profit or loss to eliminate or reduce an accounting mismatch.

All equity investments within the scope of IFRS 9 Financial Instruments are to be measured in the statement of financial position at fair value with the default recognition of gains and losses in profit or loss. Only if the equity investment is not held for trading an irrevocable election can be made at initial recognition to measure it at fair value through other comprehensive income, only dividend income recognised in profit or loss. The amounts recognised in other comprehensive income are not recycled to profit or loss on disposal of the investment although they may be reclassified in equity.

All derivatives within the scope of IFRS 9 Financial Instruments are required to be measured at fair value. IFRS 9 Financial Instruments does not retain IAS 39 Financial Instruments: Recognition and Measurement approach to accounting for embedded derivatives. Consequently, embedded derivatives that would have been separately accounted for at financial assets at fair value through profit or loss under IAS 39 Financial Instruments: Recognition and Measurement because they were not closely related to the financial asset host will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed as a whole and are measured at financial assets at fair value through profit or loss if any of its cashflows do not represent payments of principal and interest. Some financial assets that are currently disaggregated into

most financial assets that are not at fair value through profit or loss will instead be measured at fair value through profit or loss in their entirety. Assets that are classified as held-to-maturity are likely to continue to be measured at amortised cost as they are held to collect the contractual cash flows and often give rise to only payments of principal and interest.

Borealis is currently evaluating the impact of the amendments to the IFRS 9 Financial Instruments on the consolidated financial statements.

The amendments to IAS 24 Related Party Disclosures (revised) will become effective for annual periods beginning on or after January 1, 2011. The amendments to this standard shall simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities), clarify the definition of a related party and eliminate the existing inconsistencies. Potential effects on the consolidated financial statement of Borealis are currently being evaluated.

The amendments to IAS 32 Classification of Rights Issues (amended) will become effective for annual periods beginning on or after January 2011 addresses the requirements, under which the rights, options and warrants issued by an entity are to be classified as equity instruments. Borealis is currently evaluating the impact of the amended standard.

The amendments to IFRIC 13 Customer Loyalty Program (amended) will become effective for annual periods beginning on or after January 1, 2011. The interpretation is amended in order to provide clarification on the measurement of the fair value of award credits or any other expected forfeiture to customer. The adoption of this amendment is expected to have no material impact on the consolidated financial statements.

The amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement (amended) will become effective for annual periods beginning on or after January 1, 2011. The amendments clarify permit recognition of prepayments of minimum funding contributions as an asset, in situations when entity is subject to minimum funding requirements. The adoption of this amendment is not expected to have any significant impact on the consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods beginning on or after July 1, 2010 clarifies that equity instruments issued to a creditor to extinguish a financial liability

are consideration paid in accordance with paragraph 41 of IAS 39 Financial Instruments: Recognition and Measurement. The impact of this new interpretation on the consolidated financial statements is subject to current evaluation by Borealis.

In May 2010, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Borealis has not yet completed its evaluation of the impact on the consolidated financial statements.

Amounts

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

1. Segment reporting

EUR million	Polyolefins		Base Chemicals		Non-Allocated		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
Net sales by business:								
Total sales	4,240	3,354	5,129	3,745	126	62	9,495	7,161
Group internal sales	0	0	-3,226	-2,447	0	0	-3,226	-2,447
	4,240	3,354	1,903	1,298	126	62	6,269	4,714

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

Result:

Operating profit	252	36	264	71	-167	-83	349	24
Profit/loss from sale of subsidiaries					0	1	0	1
Net result in associated companies					120	44	120	44
Net financial items					-64	-35	-64	-35
Income tax					-72	4	-72	4
Non-controlling interest					-2	-1	-2	-1
Net profit for the year attributable to equity holders of the parent							331	37

Other information:

Segment assets:	3,182	2,800	1,241	1,443	1,207	574	5,630	4,816
<i>thereof Austria</i>	1,828	1,221	726	470	739	437	3,293	2,127
Segment liabilities					2,732	2,420	2,732	2,420
Investment in tangible assets	54	221	47	55	0	32	101	308
Depreciation and amortisation	120	122	93	86	47	29	261	236

Over 90% of the above relate to segment EU countries

Net sales by geographic segment:

EU countries:	2,809	2,248	1,697	1,166	43	28	4,549	3,442
<i>thereof Austria</i>	105	84	145	140	0	0	250	224
Non-EU countries in Europe	567	438	108	39	0	0	675	478
USA	129	55	24	28	3	0	156	83
Middle East and Asia	438	315	39	44	80	34	557	393
Other regions	297	298	35	21	0	0	332	319
	4,240	3,354	1,903	1,298	126	62	6,269	4,714

2. Research and development

A total of 451 people were engaged in research and development at the end of the year, compared with 449 in 2009. The total cost of these activities amounted to EUR 84 million (EUR 79 million). EUR 27 million (EUR 29 million) of development costs were capitalised as intangible assets.

3. Intangible assets

EUR million	Goodwill		Development costs		Capitalised software		Others	
	2010	2009	2010	2009	2010	2009	2010	2009
Cost								
As of January 1	45	45	148	126	53	47	112	115
Exchange adjustments	0	0	0	0	0	0	3	1
Additions	0	0	25	29	5	6	58	36
Disposals	0	0	-3	-7	-8	0	-30	-39
Transfers	0	0	2	0	0	0	-2	0
	45	45	172	148	50	53	141	113
Accumulated amortisation								
As of January 1	-16	-16	-52	-34	-34	-27	-68	-62
Exchange adjustments	0	0	0	0	0	0	0	0
Disposals	0	0	2	3	7	0	0	0
Amortisation	0	0	-18	-21	-8	-8	-7	-6
	-16	-16	-68	-52	-35	-35	-75	-68
Book value as of December 31	29	29	104	96	15	18	66	45

Goodwill refers to the assets in Brazil (EUR 7 million) and Belgium (EUR 22 million) and is included in the yearly impairment test performed on the tangible and intangible assets of the Group (see note 5).

Additions arising from internal development amounted to EUR 20 million (EUR 24 million).

Intangible assets received by the way of government grant as allowances for emissions (EU Emissions Trading Scheme) amounted to EUR 24 million (EUR 17 million). Their carrying value is in line with the fair value.

4. Tangible assets

EUR million	Production plants		Machinery and equipment		Construction in progress	
	2010	2009	2010	2009	2010	2009
Cost						
As of January 1	4,356	4,193	134	117	489	378
Exchange adjustments	330	37	-1	3	68	5
Additions	0	6	0	2	121	300
Disposals	-24	-55	-9	-8	0	0
Transfers	543	175	4	19	-567	-194
	5,205	4,356	128	133	111	489
Accumulated depreciation						
As of January 1	-2,435	-2,297	-87	-81	0	0
Exchange adjustments	-259	-1	0	-2	0	0
Disposals	23	52	7	8	0	0
Depreciation	-219	-189	-9	-12	0	0
	-2,890	-2,435	-89	-87	0	0
Book value as of December 31	2,315	1,921	38	46	111	489

The figures for production plants include capitalised finance leases with a net value of EUR 0 million (EUR 1 million) comprising acquisition costs of EUR 2 million (EUR 3 million) and accumulated depreciation of EUR 2 million (EUR 2 million). The lease obligation is included in loans and borrowings (see note 17).

In 2010, borrowing costs amounting to EUR 6 million (EUR 12 million) have been capitalised, using a 3% (3%) interest rate. Additions to tangible assets amounting to EUR 11 million (EUR 0 million) are not paid at the end of the year.

The major part of the additions relates to the ongoing investment in a new high pressure low density polyethylene plant (LD5) in Stenungsund, Sweden and turnaround projects in Porvoo, Finland.

Future capital expenditure approved (tangible and intangible) by Management totals EUR 299 million (EUR 55 million), out of which EUR 32 million (EUR 23 million) is contractually committed.

EUR million	2010	2009
Assets pledged		
Chattel mortgages	0	13
Others	14	16
Total	14	29

Assets pledged relate to tangible assets. The liabilities covered by the above assets amounted to EUR 7 million (EUR 38 million) at the end of the year.

5. Depreciation, amortisation and impairment

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

EUR million	2010	2009
Production costs	205	171
Sales and distribution costs	13	15
Administration costs	22	30
Research & Development costs	21	20
Total	261	236

The 2010 depreciation charge includes impairment of EUR 5 million (EUR 0 million) on production lines and auxiliary equipment, included in the production costs of predominantly the Base Chemicals segment, using a weighted average cost of capital of 8% (8%). It further includes an impairment of EUR 3 million (EUR 5 million) of intangible assets for which the carrying value exceeds the present value of future cash flows. The impairment of intangible assets is related to the non-allocated segment and is included in administration costs.

6. Investments in associated and jointly controlled companies and other long-term assets

EUR million	Shares in associated and jointly controlled companies		Other investments		Other long-term receivables	
	2010	2009	2010	2009	2010	2009
Cost						
As of January 1	114	114	14	14	183	183
Investments	215	0	1	0	0	0
Disposals	0	0	0	0	-167	0
	329	114	15	14	16	183
Adjustments						
As of January 1	503	471	0	0	-100	-98
Disposals	0	0	0	0	96	0
Exchange adjustments	51	-12	0	0	4	-2
Net result of associated companies, after tax	120	44	0	0	0	0
	674	503	0	0	0	-100
Carrying value as of December 31	1,003	617	15	14	16	83

FINANCE

Abu Dhabi Polymers Company Ltd. repaid in October 2010 the full outstanding subordinated shareholder loan to Borealis AG. Borealis AG provided to Abu Dhabi Polymers Company Ltd. a capital injection totalling USD 280 million in October 2010.

Other investment mainly include interests in infrastructure companies in Germany. The other long-term receivables mainly consist of long term deposits for statutory and tax requirements.

The Group has the following investments in associated companies and jointly controlled companies:

Associates	Country	Ownership in %
Abu Dhabi Polymers Company Limited	United Arab Emirates	40
Borouge Pte Ltd	Singapore	50
Speciality Polymers Antwerp N.V.	Belgium	33
Borealis Financial Services Ltd	Jersey	25

Summary of financial information for associates, adjusted for the percentage of ownership by the Group.

EUR million	Assets	Liabilities	Net sales	Profit after tax
2010	2,775	1,774	967	120
2009	1,916	1,299	625	44

Jointly controlled companies	Country	Ownership in %
Petroport AB	Sweden	50

Summary of financial information for jointly controlled companies, adjusted for the percentage of ownership by the Group.

EUR million	Current assets	Non current assets	Current liabilities	Non current liabilities
2010	1	3	-2	0

EUR million	Revenue	Cost of sales	Operating expenses	Taxes	Profit after tax
2010	0	0	0	0	0

7. Taxation

EUR million	2010	2009
Taxes		
Income tax payable	47	44
Change in deferred tax	24	-52
Adjustment to prior year's tax charge	1	4
Tax expense/benefit	72	-4

Calculation from tax expense at statutory rates to accounting tax expense at the effective Group tax rate.

Tax expense at statutory rates (weighted average tax rate of the Group)	27%	111	28%	9
Tax effect of result in associated companies	-7 %	-30	-33 %	-11
Tax effect of result from sale of subsidiaries	0 %	0	0 %	0
Tax effect of permanent differences	-2 %	-10	-24 %	-8
Adjustment of valuation allowance	0 %	1	17 %	6
Change due to changes in tax rates	0 %	0	0 %	0
Prior year's adjustments and other	0 %	0	0 %	0
Tax expense	18%	72	-12%	-4

EUR million	Balance sheet		Income statement	
	2010	2009	2010	2009
Deferred tax, assets				
Derivatives	-22	-9	-6	-10
Book values over tax values	-22	-9		
Other assets and liabilities	-10	11	-6	-13
Employee benefits and other provisions	14	20	-13	0
Other timing differences	4	31		
Tax losses to be carried forward	167	163	3	95
Capitalised tax assets	149	185	-22	72

EUR million	Balance sheet		Income statement	
	2010	2009	2010	2009
Deferred tax, liabilities				
Tangible assets	255	217	-17	-26
Intangible assets	23	25	2	-2
Accelerated depreciation on tangible and intangible assets	278	242		
Other timing differences	10	23	13	8
Deferred tax liability	288	265	-2	-20
Net tax asset/liability	-139	-80	-24	52

EUR million	2010	2009
Taxes, payable		
Payable taxes as of January 1	13	17
Income tax payable for the year	47	44
Adjustment to prior year's payable tax charge	1	4
Taxes paid (-)/received (+)	-53	-16
Movement in tax receivable	5	-36
Payable taxes as of December 31	13	13

In addition to the tax assets capitalised, the Group has unrecognised tax assets of EUR 17 million, due to current forecasts indicating insufficient future profits. These tax loss carry-forwards have no expiry date.

EUR million	2010	2009
Deductible temporary differences	2	0
Tax loss carry-forwards	15	17
- Taxable temporary differences	0	0
Total unrecognised net tax assets	17	17

The recognised deferred tax assets are expected to be utilised against future profits based on internal projections in the relevant jurisdictions. The benefit arising from previously unrecognised tax losses, tax credits or temporary differences of prior periods amounts to EUR 2 million (EUR 0 million). Dividend payment to Borealis AG, respectively Borealis A/S being a sub-holding company for some of the Borealis subsidiaries, by one of its subsidiaries, has no tax effect for Borealis AG respectively Borealis A/S. The Danish Borealis entities were part of a tax group with entities outside the Borealis group until November 17, 2010. The temporary differences related to investments in associated companies amount to EUR 674 million (EUR 503 million), for which no deferred tax liability has been recognised in accordance with IAS 12.39 Income Taxes.

8. Inventories

Inventories of ethylene and propylene are included under finished products.

EUR million	2010	2009
Raw materials and consumables	206	168
Finished products	650	463
Total	856	631

The inventory value of finished products has been written down to its net realisable value. The inventory subject to write down to net realisable value amounted to EUR 175 million (EUR 80 million), on which a write down in the amount of EUR 15 million (EUR 26 million) has been recognised.

The cost for the consumption of inventories recognised during the period in the income statement amounted to EUR 4,464 million (EUR 3,319 million).

9. Share capital

EUR million	Share capital*		Contributions by shareholders	
	2010	2009	2010	2009
Balance as of January 1	0	0	1,899	1,899
Capital increase (decrease)	0	0	-100	0
Contribution in kind	0	0	0	0
Balance as of December 31	0	0	1,799	1,899

* The share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (EUR 300,000.00)

The share capital and contributions by shareholders amounted to EUR 1,799 million (EUR 1,899 million), EUR 100 million (EUR 0 million) were transferred in December 2010 to retained earnings.

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern and to provide an adequate return to shareholders. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net interest-bearing debt, including subordinated loans divided by total equity.

10. Personnel

EUR million	2010	2009
Cost		
Salaries and wages	323	308
Pension costs	33	29
Other social security costs	89	88
Other personnel expenses	17	14
Total	462	439
Average number of employees by country		
Austria	1,661	1,687
Belgium	838	904
Finland	870	880
Germany	305	331
Sweden	937	959
Other	464	454
Total	5,075	5,215
Remuneration included in personnel costs of former and current management		
Salaries and wages management	4	4
Pension costs management	2	0
Salaries and wages other key management	2	2
Pension costs other key management	0	0
Total	8	6

From the pension costs of the Management of EUR 2 million, EUR 0 million (EUR 0 million) were paid to the former members of the Management.

No loans were granted to actual or former members of Management. The remuneration paid to members of the Supervisory Board amounted to EUR 1 million (EUR 1 million).

11. Employee benefit plans

Most Group companies have benefit plans. The forms and benefits vary with 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 estimated salary at retirement. A summary of the status of defined benefit plans is shown below.

EUR million	2010	2009
Funded benefit plans		
Actuarial present value of benefits due to past and present employees	156	125
– Plan assets held in trusts at fair value	-108	-82
Plan assets below the present value of benefits recorded as a provision	48	43
Unfunded benefit plans		
Actuarial present value of benefits due to past and present employees recorded as a provision	181	140
Unrecognised past service cost	0	3
Net liability recognised in the balance sheet	229	180
Change in benefit obligation		
Benefit obligation at beginning of year	265	249
Current service costs	10	10
Current interest costs	14	13
Actuarial losses/gains	56	5
Net transfers in/(out)	0	0
Past service costs	-1	6
Curtailments	0	-2
Exchange rate changes	11	4
– Benefits paid from plan	-18	-20
Benefit obligation at end of year	337	265
Change in plan assets		
Fair value of plan asset at beginning of year	82	84
Expected return on plan assets	4	4
Employer contributions	20	17
Actuarial gains/losses	18	-6
Net transfers in/(out)	0	0
Exchange rate changes	2	2
– Benefits paid from plan	-18	-19
Fair value of plan asset at end of year	108	82

	2010	2009
Asset category		
Equity securities	7%	15%
Debt securities	86%	66%
Real estate	0%	1%
Other	7%	18%
Total	100%	100%

EUR million	2010	2009
Movement in the net liability recognised in the balance sheet		
Net liability as of January 1	180	165
– Contributions paid by the company and settlements	-20	-17
Net transfers in/(out)	0	0
Actuarial loss/gain recognised in other comprehensive income	38	13
Exchange rate differences	9	1
Expense recognised in the income statement	22	18
Net liability as of December 31	229	180

EUR million	2010	2009
Expense recognised in the income statement for defined benefit plans		
Service costs	10	10
Interest costs	14	13
Amortisation of the past service costs	1	2
Settlement (gain)/loss	0	-1
Curtailement (gain)/loss	1	-2
- Expected return on assets	-4	-4
Total	22	18
Actual return on plan assets	23	-2

The aggregated benefit cost charged to the income statement for 2010 amounted to EUR 33 million, compared to EUR 29 million in 2009. Benefit costs relate to:

EUR million	2010	2009
Defined benefit plans	22	18
Defined contribution plans	11	11
Total	33	29

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 in the following ranges:

	2010	2009
Discount rate	3% to 4%	4% to 6%
Projected future salary growth	2% to 4%	2% to 4%
Expected rate of return on plan assets	4% to 5%	4% to 6%
Expected pension increase	2% to 4%	2% to 4%

EUR million	2010	2009	2008	2007	2006
5-year overview of the employee benefits key figures					
Fair value of scheme assets	108	82	84	76	105
Present value of defined benefit obligation	-337	-265	-249	-262	-262
(Deficit) surplus in the scheme	-229	-183	-165	-186	-157
Experience adjustments arising on plan liabilities	-17	-5	2	8	-1
Experience adjustments arising on plan assets	19	-6	4	-9	5

It is estimated that the increase of the discount rate by 50 basic points would have decreased the net pension liability as of December 31, 2010 by EUR 26 million.

12. Other provisions

EUR million	Restructuring	Other	Total
As of January 1, 2010*	36	70	106
Provisions made during the year	1	11	12
Provisions used during the year	-15	-7	-22
Provisions reversed during the year	0	-7	-7
Interest expense	0	0	0
Exchange adjustments	-2	1	-1
Result of acquisition-disposals/movements	0	0	0
Balance as of December 31, 2010	20	68	88
Current	3	2	5
Non-Current	17	66	83
Total	20	68	88

* Other provisions as of January 1, 2010 have been reduced by EUR 24 million (from EUR 94 million to EUR 70 million) due to presentation of Government grants in a separate position of the Consolidated balance sheet, from 2010 onwards.

Restructuring

The provision for restructuring covers estimated costs for the ongoing restructuring programmes mainly in Belgium and Norway.

Other

Other provisions mainly cover the dismantling costs for plants situated on rented land, environmental and legal exposures. The timing of the cash outflows cannot be determined with certainty.

13. Government grants

Borealis received government grants for research and development, investment in new production plants and CO₂ emission allowances. During the year EUR 29 million (EUR 25 million) were recognised in the income statement.

14. Financial risk management

The objective of financial risk management is to support the core businesses of Borealis. It operates within the framework of the treasury procedure. Borealis aims to minimise effects related to foreign exchange, interest rate, liquidity, credit, commodity price and refinancing risks. The use of any financial instrument is based on actual or forecasted underlying commercial or financial cash flows or identified risks as defined in the policy. Note 18 provides an overview of the financial instruments used by Borealis to manage risk.

Financial risk management is centralised in the Treasury and Funding department where the foreign exchange risks related to short-term commercial cash flows are hedged and limits for long-term foreign exchange exposures are established. Interest rate risks are managed through a duration benchmark. Foreign exchange translation differences relating to long-term investments in subsidiaries are recognised in other comprehensive income. The exposures are partly hedged by long-term borrowing in the same currencies. Hedges are generally placed in the legal entities where the underlying exposure exists. When certain conditions are met, Borealis applies IAS 39 hedge accounting principles to foreign exchange, interest rate and commodity hedges.

Borealis' cash balances are deposited in the money market or invested in liquid instruments. Counterparty credit risks are managed by mandatory credit limits and external credit rating requirements. A real-time treasury system is used to monitor exposures and risk limits.

Commodity price risk is managed by the feedstock traders and monitored by Trade Support and Risk

Management. The commodity price risk exposure is calculated by a trading software. On a daily basis, Trade Support and Risk Management make a snapshot of all data in the trading system and retrieve the daily position out of the system. The position is analysed and compared with the trading limits. Traders are allowed to use financial derivatives (ie financial swaps) in order to stay within the limits.

A credit limit is determined for every Feedstock and Olefins customer, based on an assessment of the financials of the company and past trading experiences. The credit exposure is calculated daily.

Group worldwide insurance programmes are established for risk related to property damage and business interruption, liability exposures, cargo, and for our employees when travelling for Borealis.

Hedging policies of the Group

Where possible, Borealis applies hedge accounting in order to recognise the offsetting effects on profit or loss of changes in the fair value of the hedging instrument and the hedged items. Borealis has the following hedging relationships:

Fair value hedging: In order to protect the fair value of its feedstock inventory that is not held for immediate consumption, Borealis enters into derivative contracts (forward sale) and measures the hedged inventory at its fair value instead of at its historic cost. In this way and to the extent that the hedges are effective, the changes in fair value of the inventory offset the changes in fair value of the hedging instruments in the income statement.

Cash flow hedging: Based on regular cash flow forecasts, Borealis hedges its foreign exchanges exposure coming from forecasted sales and purchases, and from committed investment projects. Details about the hedging instruments used, notional amounts and maturities can be found in notes 19 and 20.

Borealis manages its interest rate risk through a modified duration benchmark. The majority of the borrowings are based on a floating interest rate, but get transformed into fixed interest rate loans after the application of interest rate swaps. Details about the hedging instruments used, notional amounts and maturities can be found in notes 19 and 21.

Borealis hedges its forecasted energy purchases using electricity and natural gas swaps. Details about the hedging instruments used, notional amounts and maturities can be found in notes 19 and 22.

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. Details about the hedging instruments used, notional amounts and maturities can be found in notes 19 and 22.

Net investment hedging: Borealis has hedged its investment in an associated company, which has USD as its functional currency, through a combination of entering into USD loans and currency derivatives. The EUR/USD impact on the valuation of both the loan and cross currency interest rate swaps is recognised in other comprehensive income. Details can be found in note 20.

15. Financial income/expenses

EUR million	2010	2009
Interest income from:		
Cash and cash equivalents	5	10
Derivatives	4	5
	9	15
Interest expenses to:		
Financial institutions	-44	-31
Derivatives	-19	-25
Capitalised interest	6	12
Exchange adjustments, net	-3	1
Other financial expenses and income	-12	-7
	-73	-50
Total	-64	-35

16. Gains and losses from financial instruments

EUR million	2010	2009
Recognised in profit or loss		
Change in fair value of commodity derivative contracts	1	-23
Change in fair value of interest rate derivative contracts	1	1
Change in fair value of foreign exchange derivative contracts	-5	3
Realised result on commodity derivative contracts	-9	12
Realised result on interest rate derivative contracts	-1	-3
Realised result on foreign exchange derivative contracts	12	-3
Financial assets and liabilities at fair value through profit or loss	-1	-13

EUR million	2010	2009
Recognised in profit or loss		
Change in fair value of fair value hedge instruments	-10	-10
Ineffective portion of change in fair value of cash flow hedge instruments		
Commodity derivative contracts	0	0
Interest derivative contracts	0	1
Foreign exchange derivative contracts	0	0
(Hedges of) Net investments in foreign operations	0	0
Amounts recognised in profit or loss for realised cash flow hedges		
Commodity derivative contracts	-8	-17
Interest derivative contracts	-15	-13
Foreign exchange derivative contracts	-13	-10
(Hedges of) Net investments in foreign operations	-6	0
Hedging instruments	-52	-49
Interest income	0	0
Amounts removed from equity and recognised in profit or loss	0	0
Available for sale financial assets	0	0
Interest income on held to maturity investments	0	0
Held to maturity investments	0	0
Interest income on cash and deposits	4	10
Foreign exchange effects on cash and deposits	1	0
Foreign exchange effects on receivables	22	0
Amounts removed from equity and recognised in profit or loss relating to receivables that are part of a net investment in a foreign operation	0	0
Impairment losses on receivables	-7	-3
Loans and receivables	20	7
Interest expense on financial liabilities (net of capitalised interest)	-38	-18
Fee expense on financial liabilities	-12	-8
Foreign exchange effects on financial liabilities	-13	3
Amounts removed from equity and recognised in profit or loss relating to liabilities designated as hedge of net investment in foreign operation	0	0
Financial liabilities	-63	-23

The amounts recognised in profit or loss for the commodity and foreign exchange derivative contracts are booked as a correction to the net sales income or operating costs that are being hedged. The amounts recognised in profit or loss for interest rate derivatives and the foreign exchange effects on non-derivative financial assets and liabilities are reported as part of the financial income and expenses. Impairment losses on receivables are reported in operating costs.

EUR million	2010	2009
Recognised in other comprehensive income		
Commodity derivative contracts designated as cash flow hedge	41	-2
Interest derivative contracts outstanding	-4	-19
Foreign exchange derivative contracts	-11	4
Foreign exchange effects on receivables part of net investment in foreign operations	22	10
Foreign exchange effects on financial liabilities and derivatives designated as (Hedge of) Net investments in foreign operations	-15	3
Amounts removed from equity		
(Hedges of) Net investment in foreign operations	6	0
Commodity derivative contracts	8	17
Interest derivative contracts	15	13
Foreign exchange derivative contracts	13	10
Total recognised in other comprehensive income	75	35

17. Loans and borrowings

The composition of interest-bearing loans and borrowings (short and long-term debt) at the year-end in EUR million was as follows:

Maturities		2010					
Due		Total	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed revolving facilities
After	5 years	603	603				
Within	5 years	164	163			1	
	4 years	24	24				
	3 years	182	182				953
	2 years	99	99				77
Total long-term debt		1,072	1,071			1	1,030
Total short-term debt	1 year	120	91		29 ¹⁾		281
Total debt		1,192	1,162	0	29	1	1,311

¹⁾ Borealis maintains EUR 160 million in export credit facilities (EUR 29 million drawn at December 31, 2010). These facilities are economically evergreen in nature, but include a one year notice for cancellation.

Maturities		2009					
Due		Total	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed revolving facilities
After	5 years	293	292			1	
Within	5 years	34	34				
	4 years	123	123				787
	3 years	56	56				39
	2 years	120	120				200
Total long-term debt		626	625			1	1,026
Total short-term debt	1 year	442	278 ¹⁾	34	130		1
Total debt		1,068	903	34	130	1	1,027

¹⁾ including EUR 204 million short-term drawdowns of long-term committed facilities

The Group's financing is mainly comprised of committed credit lines, term loans, bonds, private placements, subordinated loans and export credits. In the first half of 2010, the Group issued a bond amounting to EUR 200 million that is listed on the secondary market ("Geregelter Freiverkehr") of the Vienna Stock Exchange.

The loans and borrowings are all measured at amortised cost. Of the subordinated loan which matures in 2011, EUR 72 million (EUR 102 million) remain outstanding at the end of 2010. The subordinated loan is included in short term debt. At the end of the same year, the Group has committed bank credit lines (mainly syndicated) of EUR 1,180 million (EUR 1,231 million) of which EUR 0 million (EUR 204 million) has been utilised. Furthermore EUR 160 million export credit lines are available of which EUR 29 million has been utilised. These facilities are economically evergreen in nature, but include a one year notice for cancellation. Some loan agreements have financial covenants, which are based on the gearing and solvency ratio.

The finance leases obligation amounts to EUR 1 million (EUR 1 million) and relates to payables within one year of EUR 0 million (EUR 0 million), payables between one and five years of EUR 1 million (EUR 0 million) and payables beyond five years of EUR 0 million (EUR 1 million) less financial charges of EUR 0 million (EUR 0 million).

Currency Mix	2010	Percent	2009	Percent
Interest bearing (EUR million)				
USD	123	10%	197	18%
EUR	1,032	87%	827	78%
GBP	35	3%	34	3%
HUF	2	0%	9	1%
SEK	0	0%	1	0%
Interest bearing total	1,192	100%	1,068	100%

18. Liquidity risk

Liquidity is managed on a daily basis to ensure the Group's liquidity requirement is covered at all times with the lowest possible level of working capital. The following are the contractual maturities in EUR million of non-derivative financial liabilities, including forecasted interest payments, and derivative financial assets and liabilities. All carrying amounts exclude the outstanding interest accruals at year end. Cash outflows are reported with a negative sign, cash inflows with a positive sign.

EUR million	2010						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
EUR floating rate loans	-329	-360	-34	-77	-43	-206	0
EUR fixed rate loans	-703	-891	-25	-22	-93	-244	-507
EUR financial leases	-1	-1	0	0	0	-1	0
USD floating rate loans	-89	-97	0	0	-1	-34	-62
USD fixed rate loans	-33	-60	-2	-2	-3	-9	-44
GBP fixed rate loans	-35	-72	-2	-2	-3	-10	-55
HUF fixed rate loans	-2	-2	-2	0	0	0	0
SEK fixed rate loans	0	0	0	0	0	0	0
Trade payables	-635	-635	-635	0	0	0	0
Utilised uncommitted facilities	0	0	0	0	0	0	0
	-1,827	-2,118	-700	-103	-143	-504	-668
Derivative financial assets and liabilities							
Interest rate swaps							
Liabilities/outflow	-15	-657	-33	-28	-275	-321	0
Assets/inflow	0	631	26	23	263	319	0
Cross currency interest rate swaps							
Liabilities/outflow	-3	-57	-2	-2	-3	-10	-40
Assets/inflow	0	56	2	2	3	10	39
Foreign exchange contracts							
Liabilities/outflow	0	-846	-486	-121	-40	-199	0
Assets/inflow	5	851	489	123	40	199	0
Feedstock contracts							
Liabilities/outflow	-24	-24	-24	0	0	0	0
Assets/inflow	11	11	11	0	0	0	0
Electricity contracts							
Liabilities/outflow	0	0	0	0	0	0	0
Assets/inflow	40	40	22	10	7	1	0
Natural gas hedges							
Liabilities/outflow	0	0	0	0	0	0	0
Assets/inflow	2	2	1	1	0	0	0
	16	7	6	8	-5	-1	-1

EUR million		2009					
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
EUR floating rate loans	-465	-489	-123	-163	-35	-111	-57
EUR fixed rate loans	-327	-403	-13	-33	-28	-185	-144
EUR financial leases	-1	-1	0	0	0	0	-1
USD floating rate loans	-167	-179	-85	-1	-1	-34	-58
USD fixed rate loans	-30	-58	-1	-1	-3	-9	-44
GBP fixed rate loans	-34	-72	-2	-2	-3	-9	-56
HUF fixed rate loans	-9	-10	-10	0	0	0	0
SEK fixed rate loans	-1	-1	-1	0	0	0	0
Trade payables	-542	-542	-542	0	0	0	0
Utilised uncommitted facilities	-34	-34	-34	0	0	0	0
	-1,610	-1,790	-811	-200	-70	-348	-360
Derivative financial assets and liabilities							
Interest rate swaps							
Liabilities/outflow	-24	-49	-10	-9	-15	-15	0
Assets/inflow	0	21	2	3	5	11	0
Cross currency interest rate swaps							
Liabilities/outflow	-1	-58	-2	-2	-3	-10	-41
Assets/inflow	0	56	2	2	3	9	40
Foreign exchange contracts							
Liabilities/outflow	-1	-466	-352	-114	0	0	0
Assets/inflow	4	469	357	112	0	0	0
Feedstock contracts							
Liabilities/outflow	-17	-17	-16	-1	0	0	0
Assets/inflow	7	8	7	1	0	0	0
Electricity contracts							
Liabilities/outflow	-14	-14	-6	-6	-2	0	0
Assets/inflow	2	1	0	0	1	0	0
	-44	-49	-18	-14	-10	-5	-1

19. Cash flow and fair value hedges

The following table indicates the period in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact P&L. All carrying amounts exclude the outstanding interest accruals at the year end.

EUR million		2010					
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Cash flow hedges							
Interest rate swaps							
Assets/inflow	0	631	26	23	263	319	0
Liabilities/outflow	-15	-657	-33	-28	-275	-321	0
Cross currency interest rate swaps							
Assets/inflow	0	56	2	2	3	10	39
Liabilities/outflow	-3	-57	-2	-2	-3	-10	-40
Foreign exchange contracts (forwards and options)							
Assets/inflow	5	495	173	123	40	159	0
Liabilities/outflow	0	-490	-170	-121	-40	-159	0
Electricity, feedstock and natural gas contracts							
Assets/inflow	43	43	24	10	8	1	0
Liabilities/outflow	-5	-5	-3	-2	0	0	0
Fair value hedges							
Feedstock contracts							
Assets/inflow	0	0	0	0	0	0	0
Liabilities/outflow	-3	-3	-3	0	0	0	0

EUR million		2009					
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Cash flow hedges							
Interest rate swaps							
Assets/inflow	0	21	2	3	5	11	0
Liabilities/outflow	-23	-47	-9	-8	-15	-15	0
Cross currency interest rate swaps							
Assets/inflow	0	56	2	2	3	9	40
Liabilities/outflow	-1	-58	-2	-2	-3	-10	-41
Foreign exchange contracts (forwards and options)							
Assets/inflow	0	281	169	112	0	0	0
Liabilities/outflow	-1	-282	-168	-114	0	0	0
Electricity and feedstock contracts							
Assets/inflow	4	2	1	0	1	0	0
Liabilities/outflow	-14	-14	-6	-6	-2	0	0
Fair value hedges							
Feedstock contracts							
Assets/inflow	0	0	0	0	0	0	0
Liabilities/outflow	-3	-3	-3	0	0	0	0

20. Foreign currency risk

Borealis incurs foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than EUR. The currencies giving rise to risk are primarily USD, SEK, GBP and HUF, in order of volume.

Borealis hedges its trade receivables, trade payables, cash positions and forecasted positions denominated in the foreign currencies in which it holds significant positions. 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 forward exchange contracts and foreign exchange options. The total notional value of outstanding foreign exchange forwards as of December 31, 2010, was EUR 739 million (EUR 468 million) mainly increased due to net investment hedges, of which EUR 460 million (EUR 369 million) relates to foreign currency risk management and EUR 280 million (EUR 99 million) is the notional amount of currency swaps used in liquidity management. The total notional value of outstanding foreign exchange options as of December 31, 2010, was EUR 0 million (EUR 0 million) measured at the strike rate.

Of the foreign exchange cash flow hedges, EUR -13 million (EUR -10 million) in losses were removed from hedging reserve during 2010 and were realised to net sales.

Due to partial ineffectiveness of the foreign exchange cash flow hedges, a loss of EUR 0 million (EUR 0 million) of the total fair value was recognised in financial expenses at year end.

Firm commitments and forecasted transactions

Borealis classifies its foreign exchange forward contracts and options, which are hedging a forecasted currency position, as cash flow hedges and states them at fair value. The net fair value of foreign exchange forward contracts used as hedges of firm commitments and forecasted transactions as of December 31, 2010, was EUR 5 million (EUR -1 million). EUR 5 million (EUR -1 million) has been recorded in other comprehensive income at year end from which EUR 5 million (EUR 0 million) has been recognised in other assets and EUR 0 million (EUR -1 million) in other payables.

Hedges of net investments in foreign operations

Borealis designates certain external loans, cross currency interest rate swaps and foreign exchange forwards as hedges of the Group's investments in its foreign operations. The designated USD hedge loans amounted to EUR 121 million (EUR 197 million) as of December 31, 2010. EUR/USD cross currency interest rate swaps and foreign exchange swaps of notional EUR 236 million (EUR 34 million) were classified as net investment hedges as of December 31, 2010. A foreign exchange loss of EUR -20 million (gain EUR 4 million) was recognised in other comprehensive income during 2010 on the translation of these USD liabilities to EUR (including the currency element of the fair value of cross currency interest rate swaps and foreign exchange forwards). During 2010, a net amount of SEK 1 billion (SEK 0 million) of shareholder loans to associated companies and long-term intercompany loans were repaid or reclassified. These were loans that were either net investment hedges or previously deemed as part of the permanent capital structure of the subsidiaries for which currency revaluation effects had been recognised in other comprehensive income, resulting in a net loss recognised to the financial result of EUR -6 million (EUR 0 million).

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that hedge monetary assets and liabilities in foreign currencies and the forward legs of currency swaps used in liquidity management, for which no hedge accounting is applied, are recognised in the income statement. Both changes in the fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of the financial expenses. The fair value of forward exchange contracts used as hedges of monetary assets and liabilities in foreign currencies and the forward legs of currency swaps used in liquidity management for which no hedge accounting is applied as of December 31, 2010, was EUR 0 million (EUR 3 million). EUR 0 million (EUR 4 million) was recognised in other assets and EUR 0 million (EUR -1 million) in other payables.

Sensitivity analysis

Borealis invoices most of its sales in EUR and buys most of its raw materials in USD. It is estimated that a general strengthening of one percentage point of the USD against EUR would have decreased Borealis' profit before tax by approximately EUR 10 million (EUR 12 million), if currency risk is seen in isolation. However, the prevailing polyolefin market pricing mechanisms reduce the foreign exchange risk in practice.

21. Interest rate risk

Borealis adopts a policy of managing its interest rate risk through a modified duration benchmark. Average modified duration is allowed to deviate from the benchmark within a predefined range. Interest rate derivatives denominated in EUR and USD have been entered into to achieve this objective. All interest rate derivatives are on terms following the maturity and re-pricing terms of the underlying loans or future loan requirements.

Of total interest-bearing debt, approximately 67% (41%) has a fixed interest rate, and 33% (59%) is based on a floating interest rate before applying interest rate swaps. Approximately 86% (72%) has a fixed interest rate and 14% (28%) is based on a floating interest rate after applying interest rate swaps. The floating interest rates are set by adding a spread to the reference rates (mainly EURIBOR and LIBOR).

As of December 31, 2010 Borealis had outstanding interest rate derivatives for a notional amount of EUR 390 million (EUR 522 million) with interest rates ranging from 2.86% to 4.87% (2,73% to 4,87%) and maturities up to 2014.

Borealis does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit and loss.

Borealis classifies the majority of the applied interest rate derivatives as cash flow hedges and states them at fair value. The total net fair value of the interest rate derivatives as of December 31, 2010 was EUR -15 million (EUR -23 million) comprising liabilities of EUR -15 million (EUR -23 million) and assets of EUR 0 million (EUR 0 million). These amounts were recognised in other payables and other assets.

The cross currency interest rate swaps are included as cash flow hedges and stated at fair value. The total net fair value of that swaps as of December 31, 2010 was EUR -3 million (EUR -1 million) comprising liabilities of EUR -3 million (EUR -1 million) and assets of EUR 0 million (EUR 0 million). These amounts were recognised in other payables and other assets.

Of the interest rate swaps, a loss of EUR 14 million (EUR -15 million) was realised in financial expenses during 2010. Five interest rate swaps matured over 2010. On the interest rate swaps which are used as cash flow

hedges, a net loss of EUR 0 million (EUR 0 million) was recognised in financial income and expenses at year end due to partial ineffectiveness.

Effective interest rate

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date.

EUR million	2010		2009	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
EUR floating rate loans	2.7%	-329	1.4%	-465
Effect of interest rate swaps	0.9%		2.3%	
EUR fixed rate loans	4.2%	-703	4.9%	-327
EUR financial leases	4.3%	-1	4.3%	-1
USD floating rate loans	0.4%	-89	0.4%	-167
Effect of interest rate swaps	3.9%		4.0%	
USD fixed rate loans	9.6%	-33	9.6%	-30
GBP fixed rate loans	9.4%	-35	9.4%	-34
HUF fixed rate loans	6.3%	-2	7.0%	-9
SEK fixed rate loans	0.0%	0	1.4%	-1
Utilised uncommitted facilities	0.0%	0	1.0%	-34
Total		-1,192		-1,068

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.

As of December 31, 2010 it is estimated that a general increase of one percentage point in interest rates

would have decreased Borealis' profit before tax by approximately EUR 2 million (EUR 2 million). Interest rate derivatives have been included in this calculation. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

22. Commodity risk

Feedstock contracts

At the balance sheet date, Borealis had commodity derivative contracts with maturities up to 12 months (12 months) forward to manage the price risk of feedstock. The notional volume of contracts held at December 31, 2010, was 455,000 tonnes (384,330 tonnes). Part of the contracts, 34,000 tonnes (45,000 tonnes), were entered into a fair value hedge for feedstock inventories. At the balance sheet date, the total market value of these derivatives was EUR -3 million (EUR -3 million) and the fair value adjustment to the hedged inventory EUR 3 million (EUR 3 million). Another part of the contracts, 41,000 tonnes (72,000 tonnes), have been designated as cash flow hedges for future sales and purchases. The total fair value of these contracts at the balance sheet date was EUR -3 million (EUR 1 million). No hedge accounting is applied for the remaining contracts, and changes in the fair value of the derivative contracts are recognised in the income statement as a correction to production costs. The net fair value of all derivative contracts for feedstock as of December 31, 2010, was EUR -13 million (EUR -10 million). EUR 24 million (EUR 17 million) has been recognised in other payables and EUR 11 million (EUR 7 million) in other assets.

Electricity contracts

Borealis hedges its forecasted electricity purchases with maturity up to 2013 using electricity swaps. The notional volume of the contracts held at December 31, 2010, was 4,256 GWh (1.919 GWh) with an average maturity of 11 months (11 months). Cash flow hedge accounting has been applied for these contracts. The net fair value of the electricity swap contracts used as hedges for firm commitments and forecasted transactions as of December 31, 2010 was EUR 39 million (EUR -11 million), comprising liabilities of EUR 0 million (EUR 14 million) and assets of EUR 39 million (EUR 3 million). These amounts were recognised in other payables, other assets and in other comprehensive income.

Natural gas contracts

Borealis hedges its forecasted natural gas purchases with maturity up to 2013 using natural gas swaps. The notional volume of the contracts held at December 31, 2010, was 913 GWh (0 GWh) with an average maturity of 9 months. Cash flow hedge accounting has been applied for these contracts. The net fair value of the natural gas swap contracts used as hedg-

es for firm commitments and forecasted transactions as of December 31, 2010 was EUR 2 million (EUR 0 million), comprising liabilities of EUR 0 million (EUR 0 million) and assets of EUR 2 million (EUR 0 million). These amounts were recognised in other payables, other assets and in other comprehensive income.

Of the commodity cash flow hedges, EUR -8 million (EUR -17 million) in losses were removed from hedging reserve during 2010 and were realised to production costs.

Due to partial ineffectiveness of the commodity cash flow hedges, a loss of EUR 0 million (EUR 0 million) of the total fair value was recognised in production costs at year end.

23. Securitisation

Borealis has a securitisation programme under which the company sells certain trade receivables to external parties. The Group does not retain any major interest in the trade receivables, except for foreign currency risk and interest rate risk, and thus accordingly derecognises the receivables sold. As of December 31, 2010, receivables worth EUR 427 million (EUR 367 million) were sold. The company continues to administer the relationship with debtors and will compensate the purchaser for credit notes issued subsequent to the sale. To cover that compensation, a receivable of EUR 128 million (EUR 102 million) is outstanding at the balance sheet date and reported under receivables from associated companies.

The interest element of the financing costs related to the Securitisation Programme is hedged with derivatives for a notional amount of EUR 190 million (EUR 210 million).

24. Credit risk

Trade receivables credit risk

Management has established a credit control procedure. Credit risk is monitored on an ongoing basis. Credit risk on 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 at least reviewed once per year. Approval and escalation limits are used to authorise the available credit limits to customers. At the balance

sheet date, Borealis has no large concentrations of credit risks representing more than 10% of the total outstanding trade receivables. No credit risk is retained in trade receivables sold under the Securitisation Programme.

Exposure to credit risk

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

EUR million	2010	2009
EU Countries	178	180
Non-EU in Europe	44	34
USA	16	12
Middle East and Asia	37	26
Other regions	43	47
	318	299

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

EUR million	2010	2009
Polyolefins	205	102
Base Chemicals	87	161
Other	26	36
	318	299

All customers are classified in risk categories based on criteria, such as their financial strength, ownership, size, payment behaviour and country of domicile.

The following categories exist:

Risk category 1: preferred customers, customers with excellent credit standing and financial strength

Risk category 2: medium-size customers with good reputations

Risk category 3: financially sound customers, but with history of slow payments

Risk category 4: all new customers and customers with repetitively slow payments or with weak financial situations

Others: customers with cash in advance or secured payment terms

The ageing of trade receivables at the reporting date was:

EUR million	2010 Gross	2010 Impairment	2009 Gross	2009 Impairment
Not past due				
Risk category 1	65	0	60	0
Risk category 2	37	0	11	0
Risk category 3	53	0	48	0
Risk category 4	124	0	124	0
Other	14	0	28	0
Past due 0-30 days				
Risk category 1	4	0	1	0
Risk category 2	4	0	0	0
Risk category 3	1	0	3	0
Risk category 4	4	0	12	0
Other	-2	0	0	0
Past due 31-120 days				
Risk category 1	2	0	1	0
Risk category 2	1	0	0	0
Risk category 3	0	0	1	0
Risk category 4	2	0	4	0
Other	0	0	1	0
Past due over 120 days				
Risk category 1	4	0	1	0
Risk category 2	2	-2	0	0
Risk category 3	2	-1	1	-1
Risk category 4	9	-6	9	-6
Other	1	0	1	0
Total	327	-9	306	-7

EUR million	2010	2009
The movement in the allowance for impairment in respect of trade receivables		
Balance as of January 1	7	6
Impairment loss recognised	2	1
Balance as of December 31	9	7

In 2010, the Group did not renegotiate the terms of trade receivables (EUR 1 million).

The total guarantees received (including bank guarantees and parental guarantees) in respect of above receivables amount to EUR 83 million (EUR 94 million).

Other credit risk

Borealis cash balances are put on deposit with relationship banks or invested in liquid securities only with counterparties that have a credit rating above a predefined 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. Management does not expect any counterparty to fail to meet any of its current obligations.

EUR million	2010	2009
Available for sale financial assets	15	14
Held to maturity investments	2	2
Financial assets at fair value through profit and loss	9	10
Loans and receivables	0	66
Cash and cash equivalents	134	37
Interest rate swaps used for hedging		
Assets	0	0
Foreign exchange contracts used for hedging		
Assets	5	0
Total	165	129

The loans and receivables cover loans given to associated companies and were repaid in 2010.

25. Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

EUR million	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial assets for which hedge accounting is not applied				
Commodity derivative contracts	9	9	6	6
Interest derivative contracts	0	0	0	0
Foreign exchange derivative contracts	0	0	4	4
Financial assets at fair value through profit or loss	9	9	10	10
Financial assets for which hedge accounting is applied				
Commodity derivative contracts	43	43	4	4
Interest derivative contracts	0	0	0	0
Cross currency interest rate swaps	0	0	0	0
Foreign exchange derivative contracts	5	5	0	0
Long-term receivables on associated companies	0	0	0	0
Hedging instruments	48	48	4	4
Other investments	15	15	14	14
Available for sale financial assets	15	15	14	14
Bonds	2	2	2	2
Held to maturity investments	2	2	2	2
Deposits	16	16	17	17
Trade receivables	318	318	299	299
Long-term receivables on associated companies	0	0	66	66
Loans and receivables	334	334	382	382
Derivative financial liabilities for which hedge accounting is not applied				
Commodity derivative contracts	-16	-16	-14	-14
Interest derivative contracts	0	0	-1	-1
Foreign exchange derivative contracts	0	0	-1	-1
Financial liabilities at fair value through profit or loss	-16	-16	-16	-16

EUR million	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities for which hedge accounting is applied				
Commodity derivative contracts	-7	-7	-17	-17
Interest derivative contracts	-15	-15	-23	-23
Cross currency interest rate swaps	-3	-3	-1	-1
Foreign exchange derivative contracts	0	0	-1	-1
Long term liabilities to associated companies	0	0	0	0
Hedging instruments	-25	-25	-42	-42
Floating rate loans and borrowings	-418	-418	-633	-633
Fixed rate loans and borrowings	-774	-790	-435	-462
Trade payables	-635	-635	-542	-542
Interest accruals	-14	-14	-4	-4
Financial liabilities	-1,841	-1,857	-1,614	-1,641
Fair value over carrying amount		-16		-27

Basis for determining fair values

Fair value has been determined in accordance with Level 2, so either based on observable market data at the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments.

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 markets that are considered less than active, 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.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates at 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 contract and using market interest rates for a similar instrument at the reporting date.

The fair value of commodity derivative contracts is estimated by discounting the difference between current forward price and contractual forward price.

Non-derivative financial liabilities

We estimate that the carrying amount of the long and short-term loans and borrowings that are based on variable interest rates equals fair value as it corresponds to the current market rate of interest.

Fair value for fixed rate loans and borrowings is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest at the reporting date. All fair values are excluding the outstanding interest accruals at year end. The fair value of trade and other payables is estimated to equal the carrying amount.

Investments

In absence of a quoted market price for investments in other companies, the fair value is estimated to equal historic cost.

Trade and other receivables

The fair value of trade and other receivables, is estimated to equal the carrying amount.

26. Operating leases

The Group has operating leases relating to certain operational assets. Total rental during the non-terminable periods amounted to:

EUR million	2010	2009
Operating leases		
1 year	14	15
2-5 years	29	33
Thereafter	8	5
Total	51	53
Operational lease payments during current year	18	19

The Group leases machinery, cars and office buildings under operating leases. The leases typically run for an initial period of 3 to 5 years, with an option to renew the lease after that date.

The Borealis Group has no intention to terminate contracts for which contractual termination payments would materially affect the Group's financial position.

27. Transactions with related parties

EUR million		2010						
	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans	Borrowings	Interest received	Interest paid
Associates	70	521	230	1	0	0	0	0
Parent company	1	0	0	0	0	36	0	1
Companies with significant influence	1,414	55	2	135	0	36	0	1
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	1	4	1	0	0	0	0	0
	1,486	580	233	136	0	72	0	2

EUR million		2009						
	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans	Borrowings	Interest received	Interest paid
Associates	3	363	160	0	66	0	0	0
Parent company	0	1	1	0	0	36	0	1
Companies with significant influence	1,188	48	0	121	0	36	0	1
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	0	0	0	0	0	0	0	0
	1,191	412	161	121	66	72	0	2

The sales to associates include mainly sales of finished goods and services. Purchases from companies with significant influence mainly relate to purchase of feedstock and utilities from OMV group companies at market rates.

The receivables from associates include amongst other securitisation related transactions as per note 23.

Borealis has received a subordinated loan. All of the current outstanding amount under this loan has been provided by the current shareholders and is subordinated to the payment in full of all other liabilities. Repayment of the principal will be made in full in 2011. Interest is based on the EURIBOR rate plus a margin. Payment of interest is contingent upon meeting certain financial ratio tests.

28. Commitments and contingencies

While the Borealis Group has certain lawsuits pending, it is the Management's opinion that these proceedings will not materially affect the Group's financial position.

Financial guarantees

The Borealis Group has EUR 16 million (EUR 24 million) of financial guarantees outstanding by the end of the year. They consist mainly of commercial bank guarantees, which serve as assurance that Borealis will make payment to a beneficiary in the event that it fails to fulfil its financial obligation. The guarantees have various maturity dates. The stated amount represents the maximum potential payment out of these obligations.

29. Subsequent events

Borealis has had no significant events after the balance sheet date.

30. Acquisition and disposal of subsidiaries

In December 2010 Borealis has acquired 100% of the company KB Munkeröd 1:72, Stenungsund, Sweden. The total assets acquired amounts to EUR 0 million.

In 2010 Borealis has not sold any subsidiaries.

On February 2, 2009 Borealis sold 100% of the shares in Agrolinz Melamine International Italia S.r.l.

EUR million	2009
Consideration received (paid)	1
- Cash included in the current assets disposed of	-15
- Other current assets disposed of	-10
- Non-current assets disposed of	0
+ Current liabilities disposed of	24
+ Non-current liabilities disposed of	0
- Net assets disposed of	-1
Profit on the sale of operations	0

31. Subsidiaries included in the consolidated accounts

Company name	Country, City	Currency	Issued share capital	Percentage of shares owned
Borealis AG				
• Borealis A/S	Denmark, Copenhagen	DKK	500,000	100
• Borealis Sverige AB	Sweden, Stenungsund	SEK	1,063,000	100
•• Borealis AB	Sweden, Stenungsund	SEK	65,000,000	100
••• Etenförsörjning i Stenungsund AB	Sweden, Stenungsund	SEK	5,000,000	80
••• KB Munkeröd 1:72*	Sweden, Stenungsund	SEK	0	100
•• Borealis Group Services AS	Norway, Bamble	NOK	1,000,000	100
• Borealis Polymers Oy	Finland, Porvoo	EUR	108,321,644	100
• Borealis Technology Oy	Finland, Porvoo	EUR	43,728,860	100
• IOB Holding A/S	Denmark, Copenhagen	DKK	500,000	100
• Borealis Financial Services N.V.	Belgium, Mechelen	EUR	99,189,000	100
• Borealis Polymers N.V.	Belgium, Beringen	EUR	359,445,611	100
•• Borealis Kallo N.V.	Belgium, Kallo	EUR	40,575,176	100
•• Borealis Antwerpen Compounding N.V.	Belgium, Zwijndrecht	EUR	277,054	100
• Borealis Brasil S.A.	Brazil, Itatiba	BRL	94,743,513	80
• Borealis UK Ltd	UK, Manchester	GBP	15,000	100
• Borealis Funding Company Ltd	Isle of Man, Ramsey	EUR	10	100
• Borealis Insurance A/S	Denmark, Copenhagen	DKK	52,795,000	100
• Borealis France S.A.S	France, Suresnes	EUR	207,408	100
• Poliolefinas Borealis Espana S.A.	Spain, Barcelona	EUR	60,000	100
• Borealis s.r.o.*	Czech Rep., Prague	CZK	500,000	100
• Borealis Polska Sp Z.o.o.*	Poland, Warschau	PLN	50,000	100
• Borealis Portugal SGPS S.A.	Portugal, Sines	EUR	50,000	100
• Borealis Polymere GmbH	Germany, Burghausen	EUR	18,406,508	100
• Borealis Polyolefine GmbH	Austria, Schwechat	EUR	46,783,928	100
• Borealis Plasticos S.A. de C.V.*	Mexico, Mexico	MXN	50,000	100
• Borealis Asia Ltd	Hong Kong, Hong Kong	HKD	500,000	100
• Borealis Italia S.p.A.	Italy, Monza	EUR	13,725,600	100
• Borealis Compounds Inc.	US, Rockport	USD	2,000	100
• Borealis Agrolinz Melamine GmbH	Austria, Linz	EUR	70,000,000	100
•• Borealis Agrolinz Melamine Deutschland GmbH	Germany, Wittenberg	EUR	500,000	100
•• Borealis Melamine International Asia Pacific Pte.Ltd.*	Singapore, Singapore	SGD	100,000	100
•• LINZER AGRO TRADE GmbH	Austria, Linz	EUR	35,000	100
••• LINZER AGRO TRADE Hungary Kft.	Hungary, Budapest	HUF	500,000,000	100
••• LINZER AGRO TRADE Czech Republic spol. s.r.o.*	Czech Rep., Budweis	CZK	2,000,000	100
••• LINZER AGRO TRADE Slovakia s.r.o.*	Slovakia, Chotin	EUR	497,909	100
••• LINZER AGRO TRADE d.o.o.*	Serbia, Belgrade	EUR	800,000	100
••• LINZER AGRO TRADE ROMANIA S.R.L.*	Romania, Bucharest	RON	5,306,650	100
••• LINZER AGRO TRADE d.o.o. za trgovinu*	Croatia, Klisa	HRK	21,200	100

* Excluded from the consolidation due to immateriality

32. Auditor's fees

The following fee information relates to the auditors of Borealis AG, Vienna, the parent company of the group, only.

EUR	2010	2009
Audit of consolidated financial statements	260,600	162,164
Other audit related services	185,000	234,875
Other services	31,000	63,020

33. Management and Supervisory Board

Management: Mark Garrett, Daniel Shook, Henry Sperle (until May 31, 2010), Herbert Willerth, Lorenzo Delorenzi (until September 30, 2010), Gerd Löbbert (since January 1, 2010), Markku Korvenranta (since September 22, 2010)

Supervisory Board: Khadem A. Al-Qubaisi (chairman as of February 23, 2010), Gerhard Roiss (chairman until February 23, 2010, deputy chairman since February 23, 2010), Mohamed A. Al-Azdi (member until February 23, 2010 and from August 3, 2010), Mohamed H. Al Mehairi, Mohamed Al Khaja (deputy chairman until February 23, 2010, member until August 3, 2010), David C. Davies

Vienna, February 17, 2011

Management



Mark Garrett
Chief Executive




Daniel Shook
Chief Financial Officer



Markku Korvenranta



Herbert Willerth



Gerd Löbbert



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