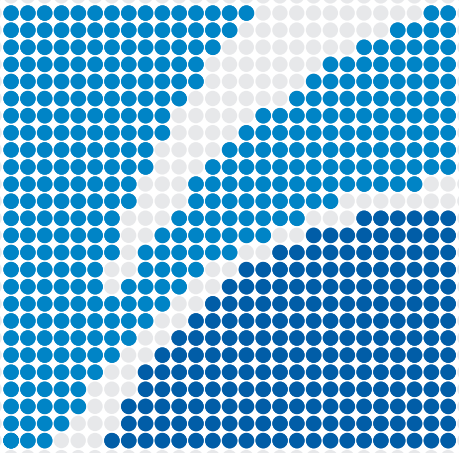


Borealis Annual Report 2011

Milestones

1. Borealis managed to deliver strong results in 2011, despite an increasingly challenging market environment

2. The Borouge 2 plant expansion project in Abu Dhabi has reached full performance levels with start-up in record time

3. All major contracts for the Borouge 3 expansion project are awarded and construction is well underway

4. Expansion of the Base Chemicals business – Borealis has acquired French fertilizer producer PEC-Rhin

5. Groundbreaking of a new semi-commercial catalyst plant in Linz, Austria

6. Advancements in sustainable water management practices – Pilot-test of the European Water Stewardship (EWS) Standard

7. Borealis Social Fund dedicated to social projects in Europe, Asia and the Middle East

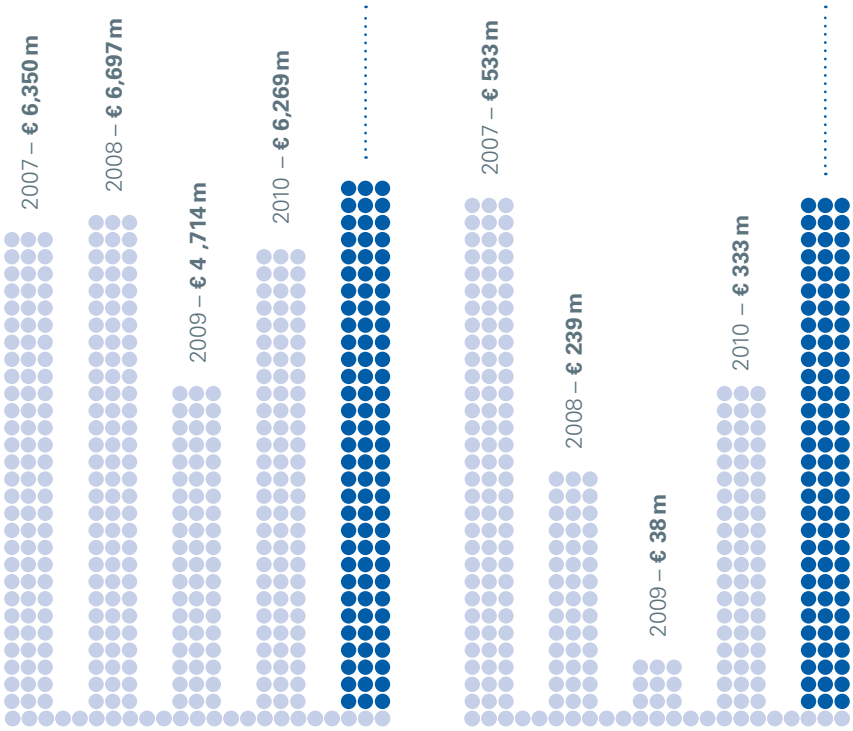
8. Borealis received the Frost & Sullivan 2011 European Product Leadership Award in the HVDC Cable Insulation Market

9. Continued focus on the four pillars of innovation, operational and commercial excellence and, most importantly, safety

2011 at a glance

€ 7,096 m
NET SALES

€ 507 m
NET PROFIT

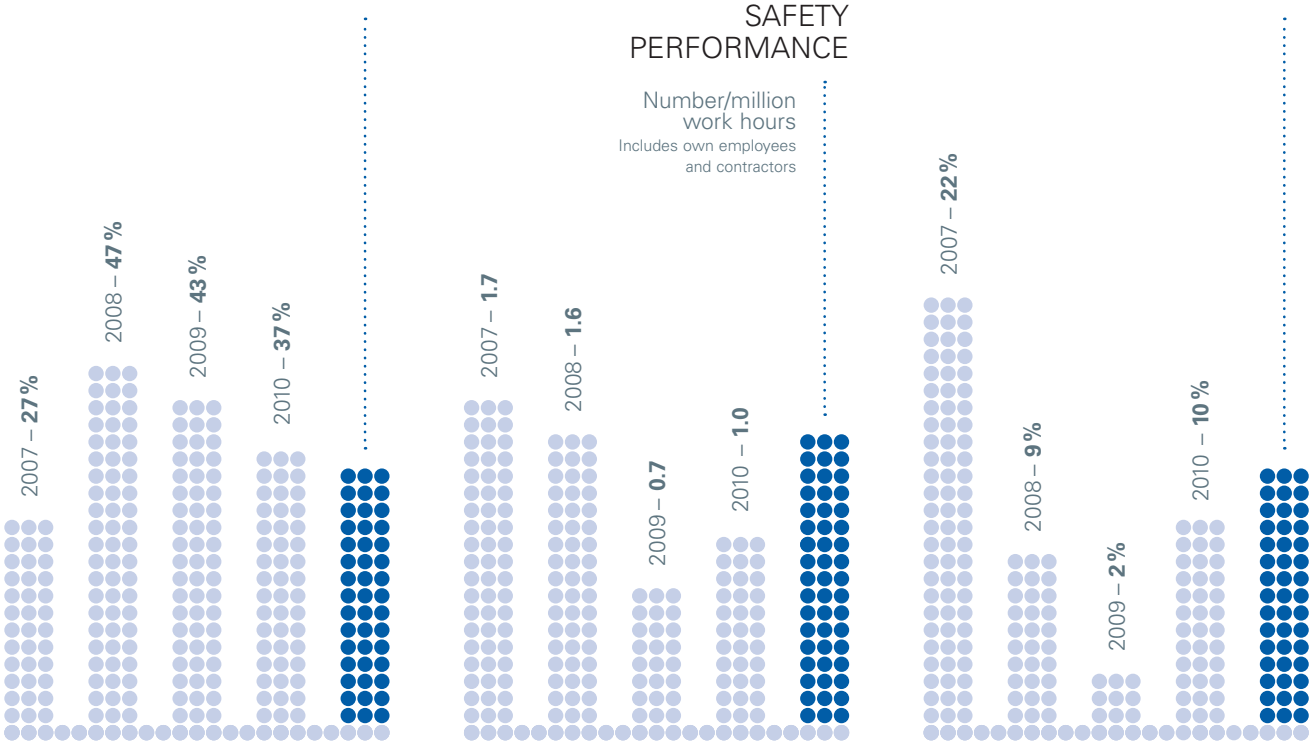


35 %
GEARING

1.6
OCCUPATIONAL SAFETY PERFORMANCE

Number/million work hours
Includes own employees and contractors

13 %
ROCE



Borouge 2
Ruwais, Abu Dhabi

ABOUT US

OUR BUSINESS

CARE

FINANCE

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

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

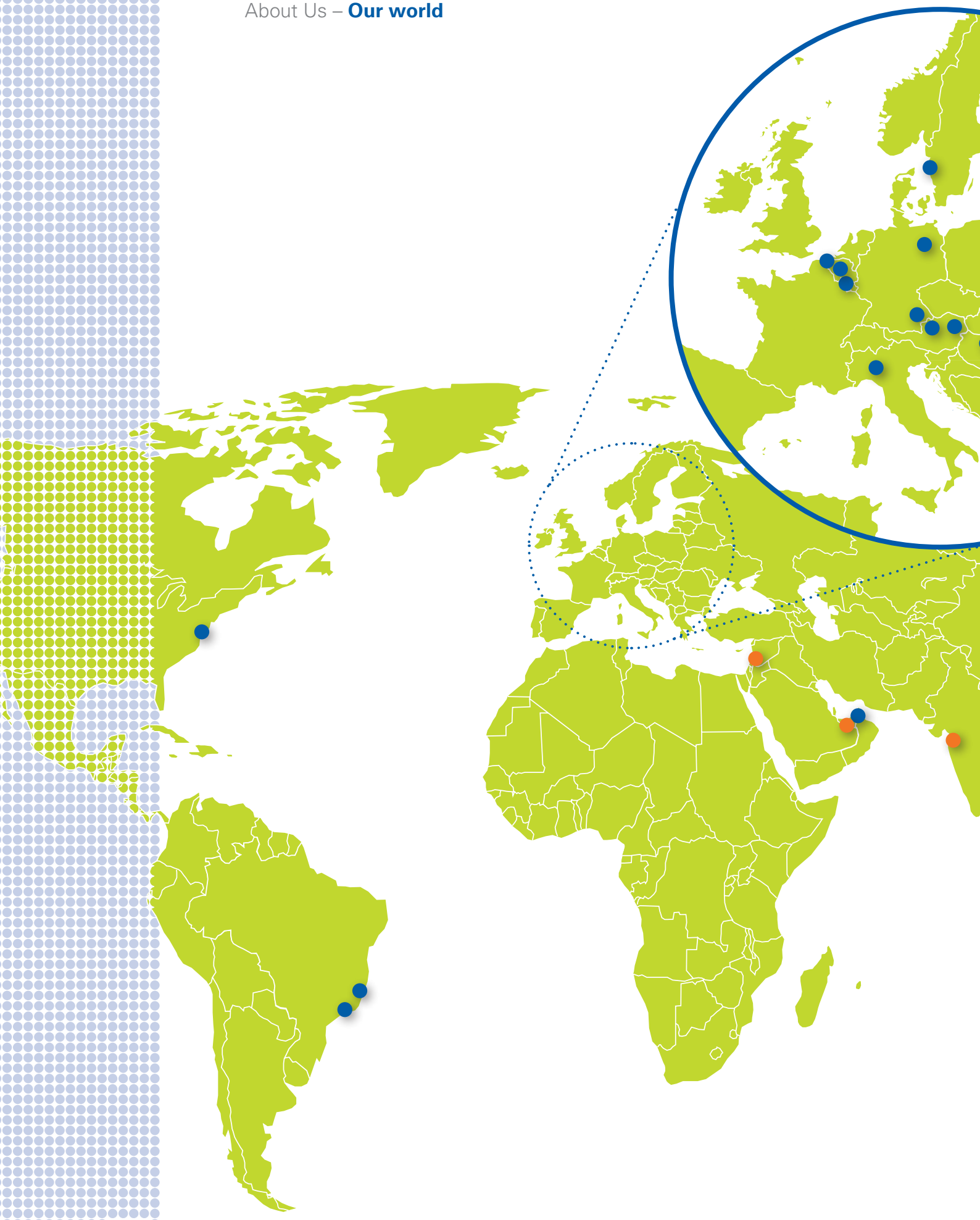
Mark Garrett
Chief Executive

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

Markku Korvenranta
Executive
Vice President,
Base Chemicals

Gerd Löbbert
Executive
Vice President,
Polyolefins

Daniel Shook
Chief Financial
Officer



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

2011 was influenced by high volatility in the economic environment. We had an improving situation in the first half of the year only to be confronted with strong deterioration in the second half, due to the unresolved sovereign debt crisis. Despite the changing market environment, Borealis delivered strong financial results, benefiting from its long term strategy to develop the Base Chemicals business segment and expand the Borouge joint venture. Both businesses contributed significantly to the overall results, offsetting the more challenging market conditions in the European polyolefins segment.

Throughout the year, Borealis continued to invest for the future, celebrating the groundbreaking of the new catalyst plant in Linz, Austria and the completion of the investment in a butane cavern at its facility in Stenungsund, Sweden. Together with the successful ramp-up of Borouge 2 and the Borouge 3 expansion project, these investments will support future growth and Borealis' mission to be the leading provider of chemical and innovative plastic solutions that create value for society.

Committed to Safety and Corporate Social responsibility

Borealis' safety performance remained world class in 2011, however, the total number of recordable injuries increased compared to the previous year. Given Borealis' commitment to be a world leader in this field, this increase in injuries is disappointing and the company will continue to work for an accident free working environment. Borealis yet again proved its commitment to Corporate Social responsibility by making donations from the Borealis Social fund to a range of charities and by further advancing its Water for the World programme. With the testing of a new water stewardship standard for industry operators and its participation in the Stockholm Water Week, Borealis continues to address the challenges of the world's water access and use.

Strong financial performance in volatile market conditions

Borealis reports a strong financial performance in 2011, improving profits compared to the previous year while maintaining a low gearing. The Polyolefins business segment contributed positively to the overall results, but achieved lower profits compared to the previous year as the second half of 2011 was impacted by an increasingly challenging market environment, which reduced industry margins. The Base Chemicals business segment was less impacted by this change in market sentiment, and improved profits compared to the previous year. In addition to the improvements in the Base Chemicals business segment, Borealis also benefited from Borouge, as the Borouge 2 expansion successfully ramped up to its full production capacity, delivering an increased contribution to Borealis.

Continuing to invest for the future

During the year all major contracts for the Borouge 3 expansion project were awarded. This investment will increase the annual production capacity of Borouge by 2.5 million tonnes to 4.5 million in 2014 and create the largest integrated olefins/polyolefins site in the world. The semi-commercial catalyst plant under construction in Linz, Austria will contribute to Borealis' innovation capabilities in plastics and demonstrates Borealis' commitment to its strategy of Value Creation Through Innovation. Borealis also announced a firm offer to acquire the French fertilizer producer PEC-Rhin. This acquisition complements Borealis' existing fertilizer business and will enable the company to further grow in Central and Eastern Europe. This transaction closed on January 31, 2012.

A leading provider of chemical and plastic solutions

Borealis and its employees have performed well in 2011 by remaining focused on the company's four pillars of safety, innovation, operational and commercial excellence. The Supervisory Board expects the coming year to be challenging, but is confident that Borealis will also be able to deliver solid results in 2012 by staying committed to the company's mission of being the leading provider of chemical and plastic solutions that create value for society.

Khadem Al Qubaisi
Chairman

Gerhard Roiss
Vice Chairman

Mohammed A. Al-Azdi
Board Member

David C. Davies
Board Member

Mohamed H. Al Mehairi
Board Member

Some see a road trip.

We see lighter vehicles using less energy, and emitting less pollution and CO_2.

Borouge 2 has been an incredible success this year and is not simply a highlight for Borealis – it is a real highlight for the entire global industry.

Borealis showed a very strong performance in 2011, but the first half was much better than the second. How would you describe the development during the year?
There is no doubt that 2011 was a year of two contrasting halves. The first half saw a continuation of the world economic recovery that began in 2010. Then suddenly, towards the middle of the year, the various players in the global economy began to realise the enormity of the sovereign debt issue. It became apparent that the political system was not going to be able to provide a solution quickly, and with increasing austerity we saw increasing social unrest. When markets see this, they get nervous, they seek security and safety, demand slows and producers reduce inventories – this all has a negative impact on manufacturing industries. In total, Borealis has performed very well throughout 2011, and we can be very satisfied with the result, given the circumstances. The proper execution of our strategy differentiated us from our competitors. Sometimes timing is everything in life, and as European markets began to hit difficulties, the growth of Borouge and their push into Asia really came to the fore and contributed significantly to our profitability in the second half of the year.

The safety performance in Borealis had a negative trend, even though it still remains world-class. How do you plan to reverse this?
We are not satisfied with our safety performance. Whilst it is still world-class by any measurement, it is not good enough for Borealis. We had an increase in the frequency of minor incidents – slips, trips, falls and the like. We were lucky that the severity was low, but an increasing frequency logically increases the probability of a more severe incident happening. We have worked very hard throughout the year to get the total recordable injuries (TRI) rate back to Borealis' outstanding levels. But it is not just about reinforcing the message; it is also about getting to our people at an emotional level. One should never think an accident is only something that happens to others but not to me – we have to have people working safely every single day of the year, day in and day out. This message came across very strongly and emotionally in the absolute highlight session of our annual Leadership Forum in October. That is our goal, not simply to tell people but to win their hearts and minds; this is what makes our safety culture so strong.

The expansion of Borealis' joint venture in Abu Dhabi, Borouge 2, has reached its full performance level and contributes positively to Borealis' performance. How do you see the role of Borouge in Borealis' future?
Borouge 2 has been an incredible success this year and is not simply a highlight for Borealis – it is a real highlight for the entire global industry. Borouge 2 was a highly complex project with, at the peak of construction, over 23,000 contractors on site. The numerous individual plants all started up in record time and have been in continuous learning and improving mode for the whole of 2011. I believe that, as Borouge continues to grow and develop, with Borouge 3 coming on line in 2014, we will see Borealis and Borouge cooperate even more closely, not just in building and running plants but also – and perhaps more importantly – in innovation as well as sales and marketing.

How do you see the role of the Base Chemicals business in relation to the Polyolefin business?
Within Base Chemicals, Business Unit Feedstock, Olefins and Energy is internally linked to the Polyolefins business as a supplier of monomers for our Polyolefin plants. But Base Chemicals is more than just Feedstock, Olefins and Energy. Base Chemicals also encompasses the Business Units Phenol, Melamine and, of course, Fertilizer. These businesses have all made great contributions to our company this year, we are working hard to develop them further and are

continuously looking into growth opportunities. We therefore made a firm offer to Total's subsidiary GPN S.A. in November to acquire PEC-Rhin in its entirety as we are convinced that this will enable us to strengthen our Fertilizers business in our Central European core market and realise synergies with the Eastern European market. This transaction was closed on January 31, 2012.

How is Borealis going to retain its leading position in innovation?
Borealis is, without doubt, the leading innovator in the field of Polyolefins. Many of our competitors have chosen commodity strategies, which, when executed properly, naturally incur a lower R&D spend. The important thing to maintain our leading position is to continue to invest, continue to have the understanding throughout the company that innovation is at the heart of all we do and continue to measure our success. Measurements such as R&D spend as a percentage of sales are silly in our industry, where sales values are so volatile. We prefer to look at things like patent filings and our metric innovation value, which shows us how much value we create with innovative products, and the number of products in the portfolio younger than five years.

From your point of view, what are the most important topics to focus on looking ahead?
We believe that the secret to success is constancy to purpose. We have had the same strategy now for five or six years and many elements of it existed already ten years ago. Naturally, we keep making refinements on an ongoing basis but we don't do a 180° about-face every two years. Instead, we actually execute consistently against our strategy and that has been key to our success. Now, with our 'Winning through Excellence' initiative, we really want to enhance our skills at getting things done and enhance our ability to execute the strategy. If you look at our strategy and the work streams of Winning Through Excellence, you will find perfect alignment.

We believe that Borealis makes the world a better place to live, whether through our products for water or energy distribution or those in the mobility sector or in advanced packaging or fertilizer for the growing food requirements. Companies like Borealis, which are responsible to and respectful of the world around them, make a significant contribution to quality of life and standards of living.

What importance do you give to Corporate Social Responsibility (CSR) and how do you see the role of Water for the World™?
Our Corporate Social Responsibility (CSR) dovetails perfectly with my previous answer. We are very lucky to have shareholders who support us and contribute a portion of our net profit to our social goals. This enables us to support communities where we have a significant presence. Through "Water for the World," probably the best and most distinctive CSR programme I have ever seen,we uniquely link our values, our business capabilities and our desire to contribute positively where we see people in need in order to make a real difference. So far we have managed to bring access to fresh water to more than a quarter of a million people who did not have it before. Even the United Nations got involved last year, declaring water, and access to it, a basic human right!

Some see light in the dark.

We see optimised transmission of reliable energy.

Borealis is a leading provider of chemical and innovative plastics solutions with well over 50 years of experience. Operating two business groups, Polyolefins and Base Chemicals, the company sets out to excel in quality and reliable execution while offering products that enhance society in general and address global challenges in particular.

From simple everyday products that make life more comfortable to step-changing technological advancements, Borealis is leading the way, together with Borouge, its joint venture with the Abu Dhabi National Oil Company (ADNOC).

Polyolefins

Infrastructure: pipe systems

Borealis is a well-established and highly experienced market leader in materials for 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 coating solutions for oil and gas exploration and transportation.

Infrastructure: energy and communication cables

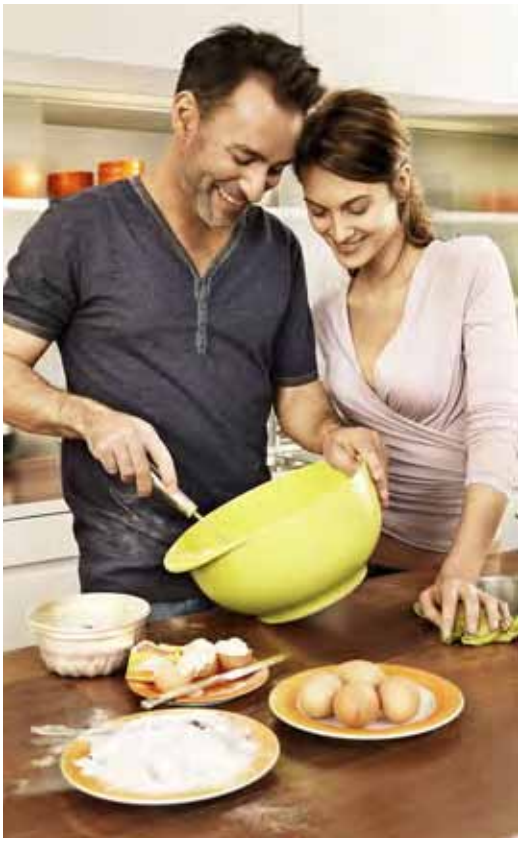
Borealis is the leading provider of polyolefin compounds for the global wire and cable industry. The company delivers effective solutions that are widely applied in low, medium, high and extra high voltage energy transmission and distribution cables, in data and communication cables as well as in building and automotive wires and cable products.

Automotive

Top automotive manufacturers all over the world continue to select Borealis' advanced polyolefin plastics for a wide range of exterior, interior and under the bonnet applications. These include bumpers, body panels, trims, dashboards, door cladding, climate control units, air intake manifolds as well as battery cases.

Advanced packaging

Thanks to their superior properties and excellent flexibility, Borealis polyolefins are the advanced packaging material of choice for applications in healthcare, courier bags, food packaging, flexible and rigid transport packaging, bottles, crates, boxes, trays, large containers and pallets.



Borstar® – Cutting-edge technology
Borealis' cutting-edge Borstar® technology is a crucial contributor when it comes to meeting today's growing demand for advanced plastics and the development of next generation innovative, value-creating products.

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

Borstar PE 2G and Borstar PP 2G are both manufactured using Borealis' next generation technology. They represent a leap forward in process technology, allowing flexible polymer design from bi-modal to multi-modal PE/PP and facilitate 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, making it possible to create more sophisticated, customer-oriented solutions, characterised by a unique combination of outstanding 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 industry and converts these into ethylene and propylene through its olefin units. Steam crackers in Finland, Sweden and Abu Dhabi – the latter operated by Borouge – produce both ethylene and propylene, while propylene is also produced in a propane dehydrogenation plant in Kallo, Belgium. Feedstock and olefins required for Borealis' plants and those of its joint ventures are sourced from its owners or joint venture partners; any surplus requirement is purchased from the markets. A range of co-products from the steam cracking process, including pygas and butadiene, is 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 a leading provider of fertilizer in the Danube region and melamine market leader in Europe.


Rucola
RUCOLA
Salatería de LUXE

Some see modern convenient packaging.

We see less waste from farm to fork.

Throughout the year, the Polyolefins business group continued to focus on delivering solutions that help selected markets meet the global challenges of climate change, water and energy access, communication, healthcare and food safety. By delivering added value to customers throughout the value chain, Borealis is making a significant contribution to society, whilst at the same time underpinning its international growth potential.

BorShape™ meets several packaging challenges with one solution

The packaging market faces the key challenges of cost competitiveness, advanced performance and sustainability. Following the launch of the step change film innovation BorShape™, Borealis is able to provide a revolutionary solution.

BorShape is a new generation of film material based on Borealis' Borstar® bimodal technology, offering unparalleled performance without compromising manufacturing efficiency.

The BorShape family of polyolefins consolidates the differing needs of the packaging value chain in a single product solution. It creates new opportunities to develop innovative films with less material, greater efficiency and consequently improved environmental and lifecycle performance. The potential value generated by using BorShape-based film solutions spans the entire value chain, from the converter of the film to the end user.

BorShape responds to the industry's demands for more efficient packaging. These materials provide for lower energy usage during processing with less material consumption. The weight reduction that can be achieved provides for more economical transport costs, and the ease of recycling corresponds to a lower environmental impact when compared to other packaging options.

Borshape is a trademark of the Borealis group.

Mobility: polypropylene, the engineering plastic of the future

Polyolefins are increasingly used in automotive applications due to their ability to provide both form and function while reducing costs and CO_2 emissions. Engineering polymers such as polyamides (PA) have a well-established position in high end automotive applications. However, recent Borealis polypropylene (PP) product development and service offerings have clearly demonstrated that PP is a strong contender for the effective substitution of PA in many car parts.

The main drivers for this trend include the high innovation power of Borealis PP to meet end customer specifications such as the reliable supply of tailor-made PP and the capability to support customers with state-of-the-art part simulation technologies to reduce development costs significantly.

As a result, Borealis' highly-engineered PP products, based on our brands Xmod™ and Nepol™, are increasingly proving to be the material of choice for a range of automotive applications, including air intake manifolds, pedal carriers, front end modules and many more. The availability of current and future fibre-reinforced Borealis PP offerings ensure that automotive market trends, including lightweight car concepts, can be fully supported.

Bormed™ – Because We Care

In the healthcare market, growth will be driven by a number of existing and emerging global trends, such as the growing and aging global population, increasing lifestyle-induced allergies and lifestyle-linked diseases, as well as rising awareness of infectious disease and many more.

The healthcare market represents around 1-2% of the total polyolefin market and is extremely demanding, with a strong emphasis on compliance, regulations, quality and continuity. It is for these reasons that customers are looking for strong partners as suppliers with a value-added strategy, such as Borealis' 'Value Creation through Innovation.'

Borealis and Borouge offer a range of Bormed™ polyolefins for the healthcare market. These are ideally suited for use in medical devices as well as pharmaceutical and diagnostic packaging applications. Dedicated Bormed Polyolefins are delivered globally and underpinned by a long-term commitment to reliability and safety, ensuring peace of mind for customers.

With over 30 years of experience in this highly-specialised market segment, Borealis and Borouge offer an expanding range of products with built-in regulatory compliance, dedicated production and quality control procedures, delivered by a professional global healthcare team.

Business Unit Pipe supplies Nord Stream project

In November, the Nord Stream pipeline became operational making a significant contribution to Europe's long-term energy security. The Nord Stream's twin 1,224 kilometre gas pipelines through the Baltic Sea have the capacity to transport 55 billion cubic metres of gas per year into the EU for at least 50 years.

Since 2007, Borealis has been in the pipe coating specification business, meeting with the various stakeholders as well as identifying requirements and possible solutions. A Borcoat™ high-density polyethylene (HDPE) 3-layer coating system was chosen, as this met the

tough requirements of the project. Borealis supplied a major share of the Nord Stream project to Russian coater Vyksa and German coater Mülheim Pipe Coatings.

Using its polymer production plants in Finland and Sweden, Borealis successfully applied its multi-sourcing capability and, even in a peak-demand period, was able to supply all its other customers.

Wire & Cable Academy

As a leading supplier to the global wire and cable industry, Borealis understands that its customers' success is a main driver for growth. It is for this reason that the company maintains an intensive dialogue with the entire value chain.

One of the prime initiatives is the Borealis and Borouge Wire & Cable Academy global programme, which was established in 2008. Its objective is to share knowledge with value chain stakeholders, enhance industry standards and support future developments of innovative wire and cable solutions, tailored and specific to each region.

Within the Wire & Cable Academy programme, leading industry players and technical experts from Borealis and Borouge facilitate an industry-wide debate, share know-how with customers and business partners and demonstrate commitment to the global wire and cable industry.

The Wire & Cable Academy staged successful events in Russia, Brazil, China, South Africa and the United States, with between 70 and 180 stakeholders taking part each time. This ongoing dialogue is set to drive future developments in the wire and cable industry.

Supply chain: improving processes and extending logistics coverage

Throughout the year, Borealis improved its supply chain and product management processes through a structured excellence approach. Main objectives and achievements include the generation of an even more prepared supply chain to act upon market changes, an improved working capital position and the ability to adapt to different customer needs.

The company's logistic coverage has been reviewed, improved and expanded, which enables Borealis to serve market needs better with shorter lead-times.


Some see a bountiful harvest.
We see advanced fertilizers contributing to a secure food supply.

The Base Chemicals business group continued to make a significant contribution to Borealis' EBIT throughout the year, driven by the fertilizer and melamine businesses, as well as successful commercial olefins operations. Highlights of the year included an acquisition in the fertilizer business and investments in facilities in Linz, Austria and Stenungsund, Sweden. It was a special year for the production plants in Porvoo, Finland, as the Company marked 45 years of ethylene and 30 years of phenol production at this location.

Fertilizer business growth
Borealis is fully committed to its international fertilizer business activities. This was borne out by the company's offer to acquire PEC-Rhin, based in Ottersheim, France, and Borealis' expansion into Bulgaria.

- **Acquisition of PEC-Rhin**
  In November, Borealis made a firm offer to acquire PEC-Rhin in its entirety from GPN S.A., 100% subsidiary company of Total S.A. Following this firm offer, the relevant employee representatives were informed and consulted on the proposed sale to Borealis. The acquisition brings a position for Borealis in the French market and strengthens the existing position in Germany. This transaction closed on January 31, 2012.

- **Base Chemicals business expansion into Bulgaria**
  Borealis further extended its LINZER AGRO TRADE (LAT) network with the opening of a new subsidiary in the Bulgarian capital, Sofia. The new sales office is part of the company's expansion programme into Southeastern Europe. It will sell fertilizers that the company produces itself as well as traded products from other producers in Central Eastern European countries and elsewhere. The foundation of LINZER AGRO TRADE BULGARIA is driven by the high growth potential for the fertilizer business in the country. Borealis has also invested in a new import hub in neighbouring Romania. A bulk warehouse of 7,000 tonnes with necessary packaging and palletising facilities will serve both the Bulgarian and Romanian markets.

Investments at Borealis Agrolinz Melamine
In November 2011, Borealis announced an investment project of EUR 150 million for the renewal of the production facilities of its fertilizer and melamine operations in Linz, Austria. This is a strategically important investment. Once this investment project has been completed, the Linz, Austria site will be one of the absolute best fertilizer production plants in terms of production efficiency, emission levels and safety in Europe, contributing significantly to Borealis' competitiveness.

New butane storage cavern in Stenungsund
Borealis has invested EUR 7.8 million to convert a 100 kilotonnes (KT) underground naphtha cavern in Stenungsund for butane use in its Stenungsund steam cracker plant. The new cavern can handle both ambient and refrigerated butane cargos. Thanks to its size, the facility is able to receive the largest butane carriers available and ensure feed flexibility all year round. The cavern is the largest in Europe and will further optimise the plant's feed flexibility, improve its competitiveness and add to Borealis' feedstock flexibility.

Licensing of melamine high-pressure technology
Borealis has a long history and excellent track record of more than 40 years in the development of melamine process technology. Licensees of Borealis' melamine high-pressure (HP) technology gain access to proprietary melamine HP technology. This ensures top melamine product quality, maximum efficiency in investment and manufacturing costs as well as high safety standards. Licensees also benefit from an extensive range of project services, market know-how and direct support from one of the world's leading and most experienced producers of melamine.

30 years of Phenol production
In June, Borealis Porvoo marked the 30th anniversary of its 200 KT phenol unit. The Porvoo, Finland unit is the northernmost phenol plant operating globally, yet despite the challenges this brings for many months of the year, it enjoys one of the best reputations for reliability.

More than 40 customers, service providers, technology partners and suppliers joined Borealis to mark the anniversary. Hosted by the BU and phenol operations, the guests enjoyed an overview of the phenol unit's history before joining plant tours and a walk through the 600 year old town of Porvoo.


BOREALIS


Some see
state-of-the-art facilities.
We see room for great ideas.

As part of Borealis' overall growth strategy, management is committed to the sustained development of innovation capabilities. Borealis invests heavily in long-term Research & Development projects, combining both core competence with leading technology processes.

Innovation to create value
Innovation is a fundamental pillar in Borealis' strategy of sustainable and profitable growth. The company focuses strongly on developing innovative products and technologies that create value for society.

Borealis has progressed with the construction of a semi-commercial catalyst plant in Linz, Austira, is working together with Borouge to finalise the construction of the Abu Dhabi Innovation Centre and has introduced many product innovations. Moreover, the company, continuing to build on its great innovation culture, has held its annual Innovation Day and staged its third annual Student Innovation Award in Porvoo.

Linz Catalyst Plant
Sirius™ is a unique, leading-edge processing technology, protected by nearly 50 international patents, which enables the manufacture of catalysts engineered specifically for the production of functionalised polymers for Borealis and its customers. Last year, Borealis announced that it planned to build a semi-commercial plant in Linz, Austria to scale-up and manufacture polyolefin catalysts based on its proprietary Sirius technology platform.

Just over one year later, the main control building has been completed and handed over to operations personnel. All key building structures have been erected, main pipe racks are complete, key equipment items are installed and electrical installations are well underway. Mechanical completion of the plant will take place in the second half of 2012, and with continued close collaboration between plant operations, catalyst researchers and process engineers in Porvoo, Finland and Linz, Austria, commissioning and start-up of the plant will follow soon afterward.

Abu Dhabi Innovation Centre
Borealis' joint venture Borouge is in the final stage of the construction of a USD 70 million innovation centre in Abu Dhabi. More than 70 employees from around the world will conduct research and development activities on innovations for compounding as well as plastics solutions for infrastructure, automotive and advanced packaging markets. Personnel will work closely with Borouge's customers throughout the value chain to ensure that specific customer requirements are met.

Product innovations
Borealis continued to work closely with its customers to deliver innovative, value creating, tailor-made solutions in infrastructure, automotive, healthcare and advanced packaging. In 2011, a number of products were successfully launched and a few examples are highlighted here.

Infrastructure

Borealis Wire & Cable receives Frost & Sullivan European Product Leadership Award
Borealis has consolidated its leading position in the high-voltage direct current (HVDC) cable insulation market by introducing a crosslinked polyethylene-based (XLPE) insulation compound, LE4253DC.

LE4253DC brings performance reliability improvements to HVDC cables, as well as faster installation, lower electric losses, higher operating temperatures, improved transmission reliability and a lower environmental impact compared to traditionally used insulation systems.

In recognition of its pioneering role, Borealis was awarded the Frost & Sullivan European Product Leadership Award 2011. This prestigious award recognises Borealis' in-depth understanding of HVDC cable applications, its contribution to the future of the HVDC cable insulation market and its concrete focus on developing products specifically to match the unmet needs of the industry.

Upgraded polyethylene performance for gas pipes
Borealis has extended its range of high performance, high-density polyethylene (PE) pipe material by introducing a new "PE 100" type grade for the gas market, BorSafe™ HE3492-LS-H.

BorSafe™ LS-H grades enable pipe installation companies to use the latest high-speed, lower-cost installation techniques without fear of the pipe being damaged during installation or in use. BorSafe HE3492-LS-H meets a growing need for safety in the gas sector, and its outstanding features contribute to the reliability and longevity of gas pipes, delivering a sustainable solution to customers and consumers alike.

Automotive

In-mass metallic polypropylene for Peugeot's 206+ front grill
The restyled model of the famous Peugeot 206, the 206+ has a unique and innovative modified front grill. After indicating that it was looking for a high-quality metallic effect in this application, car maker PSA opted for a plastic in-mass solution, which could deliver the same high-quality result as painting the grill. Borealis Daplen™ EH104AE-0515, a grade developed for car exteriors, contains a special pigment and UV stabilisers, which provided the effect the company was looking for without the painting process. With the final surface effect already incorporated into the material, the car producer is able to save on painting costs and energy – making the process more environmentally-friendly. With this innovation, Borealis is able to deliver on its key merits of innovation, value creation and sustainability.

Advanced packaging

New Borsoft™ polypropylene grade delivers squeezable tube innovation for cosmetics packaging
This year, Borealis introduced its first polypropylene (PP) grade for squeezable cosmetics tubes. Borsoft™ SL600MO is the material innovation that helped deliver an inspirational, sustainability-focused packaging solution for the cosmetics sector called CLUBE®.

CLUBE, developed by Plasticum Group, is a one-piece squeezable tube with an integrated closure and in-mould label that cuts material usage by up to 40%. Furthermore, it is unique in enabling all three elements to be produced in one single bi-injection moulding production step, instead of the traditional three. By simplifying the production process and creating savings in material usage, waste is reduced and energy usage lowered. Moreover, the all-in-one closure and tube construction offers unlimited design differentiation possibilities to brand owners. Additional partners in the CLUBE development process are machinery and moulding specialists Engel, Otto Hofstetter AG and Beck Automation.

Borealis created the feature characteristics of Borsoft SL600MO specifically for the CLUBE application and these now help to meet the package manufacturers' need for both cost-efficiency and sustainability.

High-productivity moulding innovation for healthcare market

New high-flow Bormed™ HE9601-PH high-density polyethylene (HDPE) from Borealis and Borouge is helping to deliver productivity improvements for converters in the healthcare market without compromising the performance of medical devices and pharmaceutical and diagnostic packaging. The melt flow rate improvement of up to 2.5 times that of comparable alternatives facilitates injection moulding at higher speed with decreased pressure and lower temperatures. This in turn helps to reduce both energy costs and mould maintenance, gives a cost advantage and simplifies the moulding process as well as providing the full range of benefits valued by converters for highly demanding medical applications.

To meet the strict demands of healthcare original equipment manufacturers, the Bormed product range combines regulatory compliance and full traceability with special production and quality control measures, technical support and the assurance of supply.

Rewarding talent in innovation

Borealis Innovation Day

The annual Borealis Innovation Day event was held in January in Porvoo, Finland. During this event, the company recognises its employees and project teams for their efforts in developing innovative and yet practical solutions that create value for customers and society while improving operational excellence.

Borealis Student Innovation Award

Borealis makes an ongoing effort both to recognise the achievements of post-graduate polymer science students and to target future leaders in research and technology. It is for this reason that the company presented its third annual Borealis Student Innovation Award this year for the two most innovative research papers on polyolefines, olefins or modelling, one for a master's degree graduate and one for a doctorate degree graduate. The two awardees, Jukka Räsänen and Dr. Vassileios Touloupides, presented their theses at the Innovation Day event and received their awards – a certificate and a prize totalling EUR 5,000 for the doctorate graduate and EUR 3,000 for the master's graduate.

Intellectual Property

Borealis continues to protect its key developments. In 2011, out of 200 inventions, 90 priority patent applications were filed, leading to an overall Borealis patent portfolio of 5700 national patents.

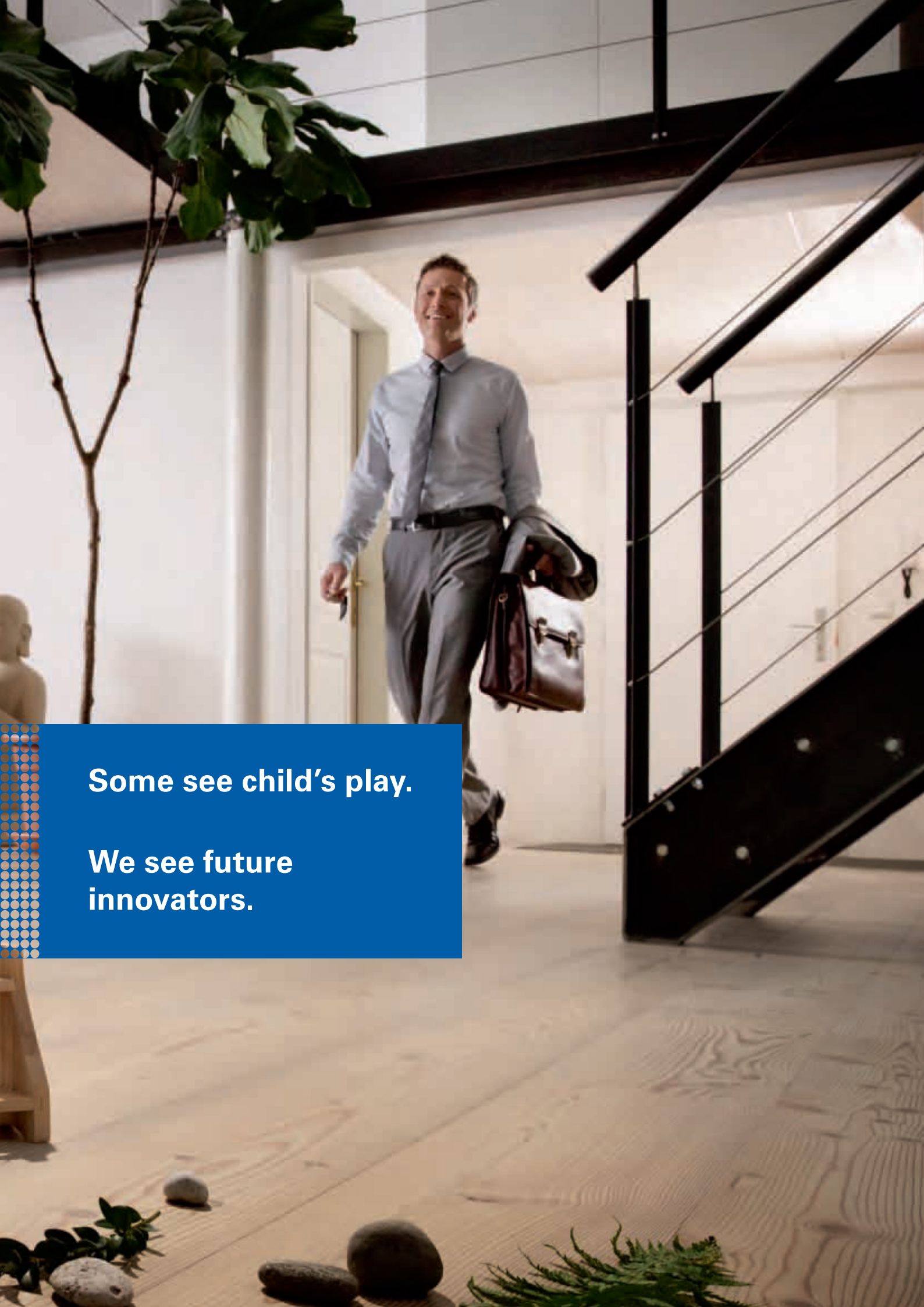
The Customer's Voice

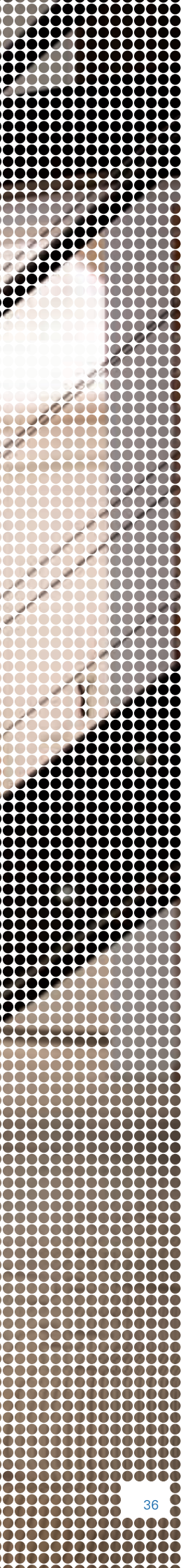
Advanced Packaging Innovation

Innovative Borealis BorShape™ manages to address several packaging challenges with one solution. The BorShape family of polyolefins consolidates the differing needs of the packaging value chain in a single product solution. It creates new opportunities to develop innovative films with less material, greater efficiency and improved environmental and lifecycle performance. Two grades were introduced and tested at pilot customers in several applications.

Thanks to their unique property profile, BorShape-based films are able to match or even outperform the features of comparable advanced metallocene-based PE materials in multilayer structures. BorShape supports sustainability within the packaging film industry by facilitating the developments that result in less packaging waste. The easy-to-recycle materials have a low environmental impact and offer a lightweight alternative with lower material consumption compared to other packaging concepts.

Rani Plast, a Borealis key customer based in Finland, was among the first to develop and launch packaging solutions based on BorShape in a number of applications, including multilayer films for transparent consumer packaging and lamination. According to Rani Plast, BorShape provides the company with a range of benefits that address the issues of cost-competitiveness, support outstanding performance in advanced film solutions and deliver the levels of sustainability demanded by converters, packers, brand owners and final end-users.


Some see child’s play.
We see future innovators.



The future of Borealis depends on its people and on their dedication to consistently delivering the quality solutions that exceed customer expectations and drive value. Maintaining the status quo is not an option. Instead, the company continuously seeks to become better every day in everything it does. This mindset provides a strong platform for further developments and is applicable in its Borouge joint venture partnerships.

Winning through Excellence
The 'Winning through Excellence' programme was launched as an umbrella programme supporting Borealis' improvement initiatives in its core innovation, operations, and commercial areas. Along with projects focused on these specific areas, a number of cross-functional projects have also been initiated in order to ensure optimal alignment. The programme also includes an over-arching 'Behavioral Excellence' initiative which focuses on driving an overall mind set change within the organisation to ensure that the programme deliverables become fully embedded and sustained for the future.

Human Resources

Borealis continuously works towards its strategic goal of being a truly cross-cultural organisation.

Developing United Arab Emirates and Chinese national trainees for Borouge
Seven United Arab Emirates (UAE) national trainees from Borouge's Innovation Centre in Abu Dhabi attended a 42-day training programme at the Borealis Innovation Headquarters in Linz, Austria. This inter-company training programme is in line with the strategy of the UAE National Development Department of Borouge's Human Capabilities function. It forms a crucial part of the competence development of the Borouge Innovation Centre, which requires a continuous build-up of skills from its staff so that the Innovation Centre is fully able to support the commercial growth and expansion of Borouge throughout Asia, the Middle East and Africa. In addition, three representatives from Borouge Shanghai were also trained at the Borealis Innovation Headquarters in Linz, Austria.

Relationship building between Borealis and Borouge
The Human Resources (HR) departments of both Borealis and Borouge work closely together to facilitate and encourage active relationship-building and cooperation in order to jointly develop and implement core people-related processes between both companies. Key examples of recent initiatives are:

- Regular top-level Manpower Supply Planning meetings between Borealis Middle East and Asia (MEA), Borouge ADP and Borouge Pte respectively to assess, define and agree on the manpower requirements and those positions where talent sharing support is beneficial.
- Re-invigoration of expertise networks across the companies to enhance the exchange of information, sharing of best practices, joint efforts, etc.
- Joint Borouge 3 manpower-supply road show to all Borealis locations in Europe between July and September in order to recruit over one hundred operators for the Borouge 3 project for those positions where Borealis know-how is beneficial.
- Joint development and implementation between Borealis and Borouge with IMD of an executive-level leadership programme entitled "Excellence in Leadership." The first group of 15 participants from each organisation attended the inaugural programme at the end of November. In 2012, additional cross-company groups will attend, enhancing the interaction and cooperation between key employees of the various organisations.

Some see the health and well-being of future generations.

We see our vital role in ensuring this.

Responsible Care® reflects Borealis' founding value of responsibility and its ethics policy principles. It also ensures that the company's ambition to foster product stewardship and advance sustainable development across its value chains, and society at large, is an integral part of its overall strategy. Water for the World™ is Borealis' and Borouge's flagship Corporate Social Responsibility (CSR) programme – a joint corporate social responsibility initiative to advance solutions, expertise and know-how to address the global water challenge.

This 2011 report gives a comprehensive review of Borealis' performance and the main developments in the following areas: health, safety and environment (HSE), energy efficiency and greenhouse gas emissions (GHGs), product stewardship and chemicals management, corporate social responsibility (CSR) – with the landmark Water for the World™ programme, the ethics policy as well as External Relations and Public Affairs.

Implementing Responsible Care® in the organisation
Responsible Care is the global chemical industry's commitment to improve performance in HSE. It was launched in 1985 and seeks to build confidence and trust in an industry that is essential to improving living standards.

Borealis signed onto the updated Responsible Care Global Charter when it was launched in 2006, and since 2008 Responsible Care has been one of the ten governing policies in the company. The company has continued to implement Responsible Care principles throughout the organisation in order to further develop its activities and products to enhance sustainability.

In 2011, Borealis rolled out several communication and e-learning campaigns across the company to increase awareness of both the Responsible Care principles and HSE. In addition, the company-wide operational excellence (OPEX) programme was established as the new way of working. The OPEX programme improves working processes so that risks and changes are managed proactively and employees learn from incidents and share this learning across the company. It has improved leadership and technical skills throughout the company.

Caring for people
World-class HSE performance in all of Borealis' activities remains the cornerstone and a prerequisite for leadership in Responsible Care.

Borealis' safety performance, measured by the number of Total Recordable Injuries (TRI) per million hours worked, remained world class in 2011, but increased to 1.6 versus 1.0 in 2010. Although none of the accidents resulted in serious consequences – most were slips, trips and falls – any increase in the number of injuries is disappointing as Borealis focuses strongly on safety with a "zero accident mindset" principle, or a desire to reach zero accidents in its work places. Borealis will continue to work with all employees and contractors to improve the company's safety performance in order to achieve this objective.

Chemical safety in operations and across the value chain is at the centre of Borealis' product stewardship activities. During 2011, the implementation of the European Union Regulation on the Registration, Evaluation and Authorisation of Chemicals (REACH) was finalised as a project, and by applying extensive change management, the new processes and acti-

vities were transferred from the project team to the line organisation. In January 2011, Borealis fulfilled its Classification, Labelling and Packaging (CLP) notification obligations to the authorities as per the new regulations.

Borealis takes measures to minimise disturbances that the company's operations may cause in local communities as well as listening and responding to any concerns that may arise. In 2010, initial operations of the new high-pressure low-density polyethylene plant, LD5 in Stenungsund, Sweden, caused more noise, flaring and volatile organic compound (VOC) emissions than anticipated. In 2011, the operation was stabilised and its reliability significantly improved, although some issues still remain to be resolved.

Caring for the environment

More reliable operations in 2011 contributed to minimising the company's environmental impact. In Schwechat, Austria, a project was started to recover raw material for reuse in the production process. This will have a positive impact on overall flaring as well as CO_2 and VOC emissions from late 2012 onwards. In our melamine and fertilizer operations in Linz, Austria, a new catalyst change and process modifications, implemented in 2010, delivered a further reduction in nitrous oxide (N2O) emission levels.

Energy efficiency and the reduction of green house gases (GHGs) are among the most important sustainability challenges facing the industry, both from an environmental responsibility and a cost-competitiveness standpoint. In 2011, Borealis' energy platform continued to participate in industry working groups, preparing for the new European Union carbon dioxide emissions trading scheme (EU CO_2 ETS). This scheme will cover all Borealis operations from 2013 onwards.

In 2007, washing water containing industrial detergent was released into the creek at the Borealis facility in Stenungsund, Sweden, impacting the local trout population. Together with a fishery consultant, Borealis restored the creek with habitat improving actions after the incident.

The 2011 Townsend Survey of polypropylene customers' satisfaction gave market recognition to Borealis' ambition in environmental care and ranked the company at the top of its peer group for sustainability performance. This serves as further encouragement to continue advancing sustainable developments.

RESPONSIBLE CARE 2010 KEY PERFORMANCE INDICATORS

Issue	Definition	2011	2010	2009	2008	2007	2006	2005	Notes
Total Recordable Injuries	number/million work hours	1.6	1.0	0.7	1.6	1.7	1.7	1.7	1
Response rate on HSE incidents	% of approved and closed cases	99	99	98	95	93	90		1
Sick leave rate	% of total planned working days	3.4	3.4	3.4	3.1	2.9	2.9	2.9	2
Response rate on process safety incidents	% actions timely completed	99	99	97	98	95	100	91	3
Flaring losses	tonnes	52,200	50,800	46,000	51,000	57,600	59,600	49,400	4
Volatile organic compound emissions	tonnes	3,250	3,762	3,440	3,250	3,800	4,160	4,210	5
NOx emissions	tonnes	1,710	1,740	1,500	1,230	1,330	1,580	1,620	6
Water consumption	m^3 (million)	187	188	183	16.8	18.7	15.9		7
Waste generation	tonnes	18,200	16,140	16,100	15,010	15,560	15,140	15,800	8
Primary energy consumption	GWh	20,500	22,300	19,300	15,100	15,500	16,200	15,900	9
EU ETS CO_2 emissions	kilotonnes	1,530	1,600	1,310	1,360	390	450	420	10
N_2O emissions	tonnes	152	198	530	1,050	870	900		10
Direct carbon dioxide emissions	kilotonnes	*	*	*	1,480	1,540	1,600	1,630	*

Note: 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.

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.

Sick leave rate
The sick leave rate indicates the amount of time employees stayed away from work due to sickness or injury. The overall sick leave rate is calculated as a percentage of the total number of planned working days in 2011.

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.

Flaring losses
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).

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.

Nitrogen Oxide (NOx) emissions
Emissions of all nitrogen oxides from all relevant sources, including flares. The emissions are quantified as NO_2. When NOx measurements are not done, emission factors correlated to the fuel type and heating value are used.

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

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.

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).

EU Emission Trading Scheme (ETS) CO_2 emissions
All greenhouse gases emissions (GHG) under the scope of the European ETS expressed in CO_2 equivalents (as of 2009 this indicator replaces the reporting of direct carbon dioxide emissions).

Nitrous Oxide (N_2O) emissions
Emissions of N_2O (also known as laughing gas) are generated by the production of nitric acid in the fertilizer plants. N_2O is a GHG with a global warming potential (GWP) 310 times higher than CO_2.

*** Direct carbon dioxide CO_2 emissions**
CO_2 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 CO_2e emissions under EU ETS).

HEALTH, SAFETY AND ENVIRONMENT IN OPERATIONS

1. Personal safety – Total Recordable Injuries (TRIs) and HSE response rate

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 all injuries that result in lost work time, the need to do a different type of work or any other case in which medical treatment is required. The Total Recordable Injuries (TRI) indicator measures the number of such injuries per million working hours.

In 2011, TRI frequency reached a level of 1.6 with a total number of 21 injuries. While largely minor incidents, the company is not satisfied with any increase and will continue to work with employees and contractors to improve results.

To raise awareness and prevent accidents, regular training and observation tours are conducted and open discussions are held on safety issues and practices. In 2011, more than 12,800 observation tours were performed across all operations and departments. In 2011, 99% of all recorded HSE incidents were investigated and, where required, action plans were developed and executed.

2. Health and saftey – sick leave

Businesses measure employee health mainly by using the sick leave rate. Borealis targets a sick leave rate of 3.2% or lower, which is generally below the average rate for the industry in the countries where the company operates. In 2011, the sick leave rate remained stable compared to 2010 at 3.4%. Various health programs, with specific focus on cardiac prevention, back pain and prevention of ergonomic risks, are underway in the company's locations in order to bring the sick leave rate down to the target level.

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 the Autumn while healthy eating, stress management, sports programmes and anti-smoking campaigns were run throughout 2011.

3. Process safety

Borealis' petrochemical operations handle large amounts of flammable materials 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.

In 2011, 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. In total 551 incidents were reported. Actions were then defined and followed up. A response rate of 98.7% was reached.

A retrospective hazard review plan was finalised for older plants to ensure full compliance with Borealis' strict operational safety requirements. A review of risks associated with overpressure scenarios was carried out for employees working in buildings located in operational areas, and the buildings identified as the highest risk 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, both of which were designed to increase the knowledge of risk identification and standard setting for accident prevention.

The sharing of best practices continued throughout 2011 and included the kick-off of an electronic work permit system, standard operational practice documents, volatile hydrocarbons in polymer pellets, the reliability of safety valves in reactors and teal fire prevention. A best practices 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.

Regular and thorough audits on occupational health and safety risks are conducted at all locations. These are based on Borealis' audit procedure, called Borealis Blue. Additional 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.

4. 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 issues. Flares are also used for burning more continuous streams with various components, like purge streams, where there are no efficient recovery options available. Borealis aims to minimise flaring losses by continuously seeking better alternatives.

The flaring losses increased from 50,800 tonnes in 2010 to 52,200 tonnes in 2011. This was largely due to the major turnarounds that were conducted at several locations during the year. Some disturbances in cracker operations also contributed to an increase in flaring losses.

5. Volatile organic compound (VOC) emissions
VOC emissions have stayed at a fairly stable level in the last years. Borealis conducts ongoing activities to detect hydrocarbon leaks in its piping and equipment and repairs such leaks whenever they are detected. Borealis continued its evaluation and gained experience with a new leak detection technique by using an infrared camera technology.

6. Nitrogen oxide (NOx) emissions
NOx are air pollutants emanating from emissions created by the burners in steam boilers and cracker furnaces. NOx emissions in 2011 were at a level of 1,710 tonnes compared to 1,740 tonnes in 2010. Better control of the steering parameters of the catalyst unit for reducing N_2O emissions at one of the Linz, Austria nitric acid plants made it possible to reduce the NOx emissions by 40% at the plant.

7. Water consumption
In 2011, Borealis' water consumption was 187 million cubic metres which was roughly at the same level as the previous year. The water consumption metric measures Borealis' water withdrawal, and in many cases, the water used is ultimately returned to its source again. A prime example is Borealis' fertilizer production facility in Linz, Austria. The facility is a major user of water yet returns the majority of water back to the Danube river. Borealis' activities in 2011 focused on furthering the water impact assessment after having reviewed its major production locations back in 2010.

A key activity in 2011 was the pilot-testing of the newly developed voluntary European Water Stewardship (EWS) standard in Borealis' Beringen location. The pilot provided developers with practical feedback and guidance as well as demonstrated the applicability of the standard in polymer production. It also highlighted the high performance of the location's environmental management in a water-stressed area, where water efficiency and pollution prevention are essential. As a next step, Borealis will now implement the EWS in its Water Management System.

8. Waste generation
Production waste is created from routine operations and project activities. Borealis seeks to limit waste production to a level of approximately 2 kilogrammes per tonne of product produced. The overall waste volume had been on a fairly steady level in previous years but was higher in 2011 at 1.8 kg per tonne compared to 1.7 kg in 2010. The main reason for this increase were activities related to the maintenance stops in the plants in Kallo, Belgium.

ENERGY EFFICIENCY AND GREENHOUSE GAS EMISSIONS

Borealis continued its efforts throughout 2011 to reduce the impact of its operations on the climate. 2011 also marked the introduction of a refined efficiency reporting tool, which will support the Borealis operations organisation to drive for further energy efficient.

9. Primary energy consumption

The company strives 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 6.3 million in 2011.

Borealis' primary energy consumption consists of fuel used by the plants to generate heat and steam as well as imported electricity and steam. At 20,500 GWh, the energy consumption was lower than in 2010. The major contributing factor, along with ongoing energy saving measures, was the changes in production rates that accompanied the major turnarounds. In addition, some production was shifted from older to newer, more energy efficiency units.

10. European Union Emissions Trading Scheme (EU ETS) emissions

The vast majority of company operations in Europe will fall under the scope of the new EU ETS 2013-2020. Borealis therefore continued its active preparations for the new ETS phase. Key activities in 2011 focused on the extensive process of data collection and verification for setting the benchmark-based allocation.

Total direct CO_2 equivalent emissions from Borealis group operations under the EU ETS decreased to 1.53 million tonnes in 2011 from 1.60 million tonnes in 2010. This reduction is mainly an effect of less N_2O emissions due to the catalyst change and process modifications implemented in 2010 in both the melamine and fertilizer operations in Linz, Austria.

Following the step change made in 2009 in the reduction of N_2O emissions, Borealis Agrolinz Melamine operations continued to focus on lowering N_2O emissions in 2011. Emissions from nitric acid plants were reduced to 152 tonnes compared to 198 tonnes in 2010.

PRODUCT STEWARDSHIP

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 2011, 43% 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 process also includes an evaluation of the environmental performance of contractors.

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 and reduction of bag slitting. Borealis fulfils its obligations regarding producer responsibility in the countries in which it operates by partnering with the national organisations for collection and recycling of packaging material. In some of these organisations, Borealis also takes an active part as a board member.

Chemicals safety and management

The Borealis Product Stewardship department leads chemicals management and the implementation of REACH for the company. In order to check the effectiveness of the REACH and CLP preparations, an internal audit was performed confirming overall compliance, as well as highlighting some 20 recommended areas for further improvement. Robust action plans were developed to address these improvement areas and delivered to all departments for implementation.

Safety Data Sheets and Exposure Scenarios

The SDS is the main tool for communicating chemical safety information along the value chain. REACH registrations of high-volume substances have required much new information, and Borealis has actively developed internal systems and provided state-of-the-art SDS for customers and stakeholders. The new SDS includes Exposure Scenarios (ES) that give information on risk management measures and operating conditions related to specific end uses of the substance. This ensures the safe use of the chemical throughout its life cycle, from manufacturing to the disposal of the finished goods.

Classification, Labelling and Packaging (CLP)

The CLP regulation concerns all chemicals produced, imported and placed on the European market and coordinates requirements on an international level. It also requires that classification information regarding all substances used within Borealis be provided to the European Chemicals Agency (ECHA) 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.

In 2011, Borealis met the deadline of January 3 for CLP notification of all substances placed on the market. Altogether 139 individual notifications were submitted for 77 substances for 12 legal entities. This was a major effort considering that the CLP regulation requires that all substances, even less than one gramme, trigger the obligation to notify. An online multi-lingual e-learning package for employee training was developed by Borealis and completed by more than 3,400 employees.

Black and grey list

Borealis' product stewardship team further updated the company's "black list" of banned hazardous substances and extended the "grey list" of restricted substances which are subject to substitution plans. The actual Borealis' black and grey lists of banned and restricted substances are available on the Borealis website.

WATER FOR THE WORLD™

Water for the World is Borealis' and Borouge's flagship corporate social responsibility (CSR) programme, a joint initiative to advance solutions, expertise and know-how to address the global water challenge.

Since its launch in 2007, Water for the World has actively supported water access projects around the world, reaching over a quarter million people, whilst building a unique platform for partnerships with stakeholders from the plastics industry, renowned organisations, non-governmental organisations (NGOs) and agencies.

The programme spans a full range of activities at global and regional levels, encompassing social, environmental and business dimensions and focusing on the following key areas:

Improving access to water and sanitation
More than one-third of the world population currently lacks access to safe drinking water or sanitation. Providing access to water and sanitation is therefore one of the key focus areas of the programme. In 2011, Water for the World developed a number of projects in close partnership with pipe customers and NGOs such as Water and Sanitation for the Urban Poor (WSUP).

In addition, Borouge has been involved in a number of initiatives in various countries including Pakistan, where they have supported the replacement of flood damaged water supply systems in mountain villages. In Vietnam, Borouge has also worked with the local NGO Lien Aid to improve water access to a children's hospital. In both countries cooperation and support began in 2010 and was continued and extended in 2011.

Borealis also supported x-runner, an innovative sanitation venture that offers an urban, private, water-neutral and low-cost solution for the global sanitation crisis. X-runner is a compact mobile toilet made from plastics which can be used at home, does not require any connection to a sewage system and fits into small spaces. In 2011, Borealis financed the finalisation of the prototype design and provided support with material and technical expertise.

Protecting and preserving water resources
Whereas in Asia and the Middle East and Africa (MEA), the challenge is to provide access to water, the focus in European countries is on protecting and preserving available water resources.

Working together with partners and local communities, Borealis is engaged in various initiatives to preserve the local ecosystem. For example, Borealis partners with the Waste Free Oceans (WFO) initiative, which is committed to bringing together industry, the fishing community, brand owners and European politicians to combat the issue of marine litter through innovative debris collection techniques and greater awareness. WFO was initiated by the Association of European Plastics Converters (EuPC) which is working to provide solutions to the problem of floating marine debris. WFO engages Europe's fishing community in the clearing of floating marine debris by using existing fishing trawls and new technology to collect and return the debris to land for recycling. The launch of WFO took place in Cap Ferrat, France in May 2011, followed by various events at the EU Parliament in October and at the ports of Ostend, Belgium, and Barcelona, Spain in November. A further roll-out in other European countries is planned for 2012.

Furthermore, Borealis is a partner of the Business Friends of the Danube - an initiative to protect the resources and ecosystems of Europe's second longest river. In Finland, Borealis has committed to support the River Janitors project, an initiative by the Finnish Federation of Fly Fishers to revitalise the natural trout and salmon species in seven regional rivers.

Advancing best practices and supporting research
Borealis collaborates with and supports various 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), and being the co-chair of the WBCSD Water Group, Borealis has become a recognised leader in the development of water stewardship practices.

In 2011, Borealis piloted the European Water Stewardship (EWS) Standard, an initiative by the European Water Partnership (EWP) to develop a standard system that enables business and agriculture to assess, verify and communicate sustainable water management practices. The EWS sets out to provide a system designed to change the behaviour and practices of all water users towards sustainable water management. The pilot was rolled out at the Borealis location in Beringen, Belgium, and subsequently, Borealis received a recognition award for its support during the EWS launch event in Brussels in November.

The United Arab Emirates (UAE) is one of the world's most water-stressed countries. Water sources are highly valued and must be safeguarded for the future well-being of the population. To support this aim, the Emirates Foundation for Philanthropy provides grants for research contributing to the better understanding and management of the country's vital water assets. Borealis has partnered the Emirates Foundation for Philanthropy to support their work.

Sustainable water management in business and agriculture
70% of the world's water resources are needed for food production. As the population grows, an increase in food production is necessary and this puts our resources further under pressure. In 2011, Borealis initiated and co-sponsored a study with the aim of underpinning the need for more sustainable irrigation practices and to find solutions that prevent the unnecessary waste of water.

The optimisation of crop quality through precise fertilizers usage prevents excess rinse-off of nutrients and therefore plays a key role in sustainable farming. Borealis is working closely with farmers to create awareness and support them in applying so-called "precision farming methods."

Education and raising awareness
Educating and raising awareness for sustainable water management is at the core of Water for the World. In 2011, Borealis and Borouge continued touring their local communities with the Water for the World photo exhibition, based upon the "Troubled Waters" photography published by the renowned Belgian photographer Dieter Telemans. Launched in November 2008, the exhibition completed its tour of Borealis locations in 2011 and started its tour of Borouge locations in Abu Dhabi, followed by Shanghai and Singapore.

The 'virtual' Water School, a web-based learning environment for school children, launched in 2010 in Finland, was further rolled out in Stenungsund, Sweden. The roll-out of the Virtual Water School in Stenungsund took place at the science centre Molekylverkstan. 20,000 people visited the science centre during the summer period where they could experience the Borealis Virtual Water School and carry out water experiments.

Stockholm Water Week
Throughout the year, the company participated in many international forums, notably the 21st Stockholm World Water Week, with a focus on "Water in an Urbanising World." More than 2,000 experts from science, business, policy and civil society discussed the challenges of, and possible solutions for, water and sanitation management due to the rapid growth of the population. Borealis has been an active participant every year since 2005 and attends several sessions of the extensive programme. In addition, this year Borealis joined Water & Sanitation for the Urban Poor (WSUP) on their booth.

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

ETHICS POLICY

A commitment to ethics is part of Borealis' core values, and 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 represent different locations and functions, and their ethics responsibilities are in addition to their regular work. Both the QuestionLine telephone service and an option to send written questions and concerns anonymously are available to all employees.

Borealis' Executive Board took the lead for ethics in their annual tour across Borealis entities and emphasised the importance and necessity of ethics in all their operations and dealings. They also introduced the local Ethics Ambassadors in Open Forums organised for all employees and held discussions about ethics with the various audiences.

The anti-corruption programme that was launched in 2009 continued throughout 2011. Special focus was put on awareness of the updated UK Bribery Act and various implementation actions to become fully compliant with it. The programme was a combination of e-learning courses, the Borealis anti-corruption booklet and various presentations. The programme was supported by ethics and compliance reviews in several Eastern and Central European entities, where business-related risks were assessed, ethics workshops held for all employees and essential governance topics reviewed.

All new employees were given details of the Borealis ethics programme 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 business units were conducted during the year. 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 regarding recently tightened legislation and strict public opinion against unethical behaviour was discussed and welcomed by the audience.

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

It is not only important that Borealis operates ethically but also that business partners and anyone acting on the company's behalf also act ethically. Therefore special attention is given to ethics and compliance matters when assessing existing and potential business partners. They are made aware of Borealis' expectations and their responsibility to follow the Borealis Ethics Policy when dealing with the company.

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

EXTERNAL RELATIONS AND PUBLIC AFFAIRS

As part of its Responsible Care policy, Borealis is committed to listening to and working with stakeholders in order to understand and address their concerns as well as to advance sustainable development within the entire industry value chain. The company recognises the importance of providing open and transparent communication, whether for expert audiences or for the general public. Initiatives such as the publication of the company's black and grey lists of banned chemicals or publications covering the carbon footprint of operations and products aim to bridge this gap and will be pursued in the future.

Sweden: newsletter to the Stenungsund Community
More than 10,000 households living in the vicinity of the Borealis plant in Stenungsund, Sweden, received the first issue of a newsletter, which is scheduled for bi-annual distribution. In addition to providing information, the newsletter also included a brief survey and provided readers with an opportunity to give feedback. Reactions have been very positive and survey respondents indicated that they are interested in learning more about topics such as the environment, future plans, safety and Borealis products and their benefits for society, as well as local measures to prevent noise and flaring from the plants.

Finland: plastic littering initiative
Borealis has started an initiative in its location in Porvoo, Finland, to address the issue of plastics littering. The aim is to engage with local stakeholders, openly discuss the issue, identify real local needs for improvement and seize the opportunities for measures that can be led by Borealis.

In 2011, local analysis, dialogue and idea generation sessions were conducted on plastics and pellet littering. Input and opinions were gathered from Borealis' neighbours, and combined with ideas from Borealis' own employees. The work is set to continue in 2012 and will focus on co-operation with external stakeholders, recording of improvement measures and follow-up of agreed key improvements to demonstrate further the company's commitment to protect our common environment.

Year of Chemistry 2011
The chemical cluster in Stenungsund, Sweden, which includes Borealis, AkzoNobel, Ineos, Perstorp, AGA Gas and Vattenfall, organised a range of activities every month for schools and/or the public throughout 2011 to mark the Year of Chemistry. Activities included:

- Inauguration/kick-off in January 2011 attended by 250 people.
- Monthly science cafés, during which scientists and companies, over a cup of coffee, made presentations to students with a specific theme. More than 500 students attended these sessions.
- 70 companies met for a breakfast meeting – with a presentation about Sustainable Chemistry 2030.
- 1000 people visited the "Summer Chemistry" exhibition in the city centre of Stenungsund.
- 20,000 people visited Molekylverkstan to learn more about water, waste water and the Borealis Virtual Water School.
- Over 1000 people visited CHIMICA in the Stenungsund cultural centre, an exhibition about plastics, covering clothing, furniture, jewellery, among other things.

In December, the series of events were closed with a seminar of approximately 80 participants discussing the future of the petrochemical industry in Stenungsund, Sweden.

Borealis Social Fund (BSF)
A portion of the company's profits are contributed every year to the Borealis Social Fund (BSF). In 2011, the BSF made a number of significant donations, including a contribution to the Emirates Foundation for Philanthropy to support two water sustainability research initiatives and donations to the Emirates National School, the Zayed Higher Organisation for Humanitarian Care, Special Needs and the Family Development Foundation in Abu Dhabi.

In Europe, Borealis established the Borealis Social Scholarship (BSS), a programme designed to ensure the sustained promotion of pupils, students and international research programmes, years into the future. In 2011, long-term contracts were signed with the Johannes Kepler University Linz, Austria and the TGM Vienna (School of Technology) along with the GFKT – Society for the Advancement of Plastics Technology.

Financial Statements

Safety a top priority

Borealis' safety performance, measured by the number of Total Recordable Injuries (TRI), remained world class in 2011, but increased to 1.6 per million hours worked, compared to 1.0 in 2010. Although the severity of injuries was low, any increase in the number of injuries is disappointing as Borealis focuses strongly on safety and is one of the world's leading companies in this area. Borealis will continue to work with all employees and contractors to continuously improve the company's safety performance in order to achieve the ultimate objective of an accident free working environment.

Volatile economic environment

In the first half of 2011, the market environment was characterised by continued economic recovery from the global financial crisis. However, in the second half of 2011, markets became increasingly challenging due in part to the uncertainty related to the sovereign debt crisis. Feedstock prices increased rapidly in the beginning of 2011, largely driven by the political turmoil in the Middle East, where the situation in Libya caused disruptions to the oil supply and led to an oil price peak of 127 USD/bbl in April. For the remainder of the year, the oil price softened but remained at a high level, resulting in an average price of 111 USD/bbl in 2011, compared to 80 USD/bbl in 2010. The price of Naphtha, the main raw material used for production of olefins, also increased substantially compared to the previous year, averaging 931 USD/t in 2011 compared to 713 USD/t in 2010, and a similar development was seen in ethylene and propylene contract prices.

The European Polyolefins (PO) industry recorded slightly lower sales volumes in 2011 compared to 2010, with polyethylene and polypropylene sales volumes decreasing 1% and 2% respectively. Average PO market prices increased by roughly 10%, which was insufficient to fully offset the higher feedstock prices and led to lower margins in the polyolefins industry. The melamine market continued its recovery from 2010, driven by a particularly high demand and a balanced supply in the first half of the year, which allowed increased prices and higher margins. The fertilizer market also experienced favourable market conditions in 2011, where a globally tight supply-and-demand balance improved industry prices and margins. In phenol, the by-product acetone continued to be over-supplied, but margins largely remained at similar levels to 2010 as a result of European capacity outages.

Strong financial results

Borealis reports a 2011 net profit of EUR 507 million compared to EUR 333 million in 2010. Return on capital employed after tax improved to 13% compared to 10% in 2010. The Polyolefins business segment delivered lower profits compared to 2010, as the challenging market environment in the second half of 2011 led to lower volumes and margins. In the Base Chemicals business segment, the business unit Feedstock, Olefins & Energy achieved improved profits, with higher margins compensating for lower sales volumes. The business units Melamine and Fertilizer benefitted from favourable industry market conditions, delivering higher margins and results compared to 2010, and in the business unit Phenol, profits improved as both volumes and margins increased. The increase in net profit was also supported by the Borouge joint venture, as the Borouge 2 expansion came fully on stream, increasing its contribution to Borealis.

Borealis maintained a strong financial position in 2011, reflected in a gearing of 35%, undrawn committed bank lines in excess of EUR 1.1 billion and minimal debt maturities over the coming years. Net debt increased by EUR 84 million compared to the end of 2010 and closed at EUR 1,142 million. The increase in debt was largely driven by a dividend payment of EUR 100 million and investments in tangible and intangible assets of EUR 282 million.

Committed to Corporate Social Responsibility
Borealis and Borouge continue to advance the Water for the World programme. The partnership programme to advance solutions, expertise and know-how to address the global water challenge has reached over 260,000 people since its launch in 2007. In March, Stephen R. Carpenter, professor of Zoology and Limnology at the University of Wisconsin-Madison, was awarded the 2011 Stockholm Water Prize, which is co-founded by Borealis and Borouge. During the third quarter Borealis also tested a new water stewardship standard for industry operators together with the European Water Partnership (EWP) and participated in the Stockholm Water Week.

Borealis Corporate Social Responsibility is not limited to the Water for the World programme. It also includes the Borealis Social fund, which promotes social projects in Europe, Asia and the Middle East. In 2011 donations were made to a number of charities, including the Zayed Higher Organisation for Humanitarian Care and the Borealis Social Scholarship Programme, which supports students and international research programmes in Europe.

Investing for future growth
In March 2011, Borealis celebrated the groundbreaking of a new semi-commercial catalyst plant in Linz, Austria. The new plant will contribute to Borealis' innovation capabilities in plastics and supports the company's strategy of Value Creation Through Innovation. To improve long term competitiveness, Borealis closed its two low pressure melamine plants in Linz, Austria. These closures are part of the company's strategy to improve global competitiveness and to focus on high pressure plants. Borealis also completed its investment to convert a naphtha cavern to butane use at its plant in Stenungsund, Sweden, thus improving competitiveness and feedstock flexibility at the site.

In November, Borealis made a firm offer to acquire French fertilizer producer PEC-Rhin, which was officially acquired on January 31st, 2012. The company is located in Ottmarsheim, France and produces nitrogen fertilizers, ammonia and nitric acid. This acquisition will complement Borealis' existing fertilizer business and will enable the company to further grow in Central and Eastern Europe. Borealis also further expanded its Base Chemicals business into Southeast Europe, where the company's fertilizer distribution subsidiary, LINZER AGRO TRADE, opened a new subsidiary in the Bulgarian capital, Sofia.

The Borouge joint venture continued to perform successfully throughout 2011, maintaining an excellent safety performance while bringing the Borouge 2 project fully on stream. In addition, all major packages were awarded for the expansion project Borouge 3. This investment will create the largest integrated olefins/polyolefins site in the world with an annual production capacity of 4.5 million tonnes, supporting the ambitions of Borouge and Borealis for future growth.

Focus on people
The 78th meeting of Borealis Corporate Co-operation Council (CCC) took place in December 2011 in Vienna, Austria. Throughout 2011, Borealis management continued to build a strong relationship with the CCC, by actively sharing and discussing the most important business topics with employees. Following the bi-annual People Survey conducted in 2010, management on group and local/functional levels has initiated a range of activities that will result in making Borealis an even better place to work.

Expecting a challenging year
Despite a volatile market environment, Borealis managed to deliver strong results in 2011. The second half of 2011 showed that the global financial system is still under stress, in this case related to the sovereign debt crisis, which unfortunately also impacts the real economy. Despite this, Borealis proved yet again that the company can perform well in a difficult market environment. Borealis senior management expects the coming year to be challenging, but is confident that the company will be able to deliver a solid performance in 2012 by remaining focused on the four pillars of safety, innovation, operational and commercial excellence.

Review of results

Sales
European polyolefins industry experienced in 2011 a modest decrease in sales volumes, with polyethylene and polypropylene sales volumes decreasing 1% and 2% respectively, compared to 2010. In this market environment Borealis sold over 3.2 million tonnes of polyolefins in 2011 (an increase of 0.4 % vs. 2010). Fertiliser remained at a sales volume similar to prior year, of 1.6 million tonnes, whereas melamine sales volumes decreased from 166 kt in 2010 to 140 kt in 2011 due to the closure of two low pressure melamine plants. The closure will further improve the cost competitiveness of the melamine business.

Cost development
As a result of higher feedstock costs, production costs increased by approx. 17% versus 2010. Sales and distribution cost remained constant following the stable volume development, administration costs of EUR 186 million reduced year-on-year by EUR 5 million. Research and development costs amounted to EUR 91 million, compared to EUR 84 million in 2010. The number of full-time equivalent employees (FTE) for 2011 was 5,160, an increase of 85 compared to 2010.

Operating profit
Operating profit amounted to EUR 285 million compared to EUR 349 million in 2010.

Return on capital employed
The return on capital employed after tax reached 13%, compared to 10% in 2010, mainly as a result of increased profits from the Borouge joint venture.

Financial income and expenses
Net financial expenses decreased to EUR 61 million, compared to EUR 64 million in 2010, mainly driven by a positive development in the foreign exchange effects.

Taxes
The provision for income taxes reduced to EUR 51 million, compared to EUR 72 million in 2010, in line with the development of the profitability of the European operations. Borealis paid income taxes of EUR 74 million in 2011, compared with EUR 51 million in 2010.

Net profit and distribution of dividend
The net profit for the year amounted to EUR 507 million, compared to a net profit of EUR 333 million in 2010. During 2011, Borealis distributed a dividend of EUR 100 million. The Executive Board proposes a dividend of EUR 100 million to be paid from the results of 2011.

Financial position

Total assets/capital employed
At the year-end, total assets and capital employed stood at EUR 6,128 and EUR 4,524, respectively, compared to EUR 5,630 million and EUR 4,090 million at year-end 2010.

The solvency ratio was 53% at year end 2011, up by 2 % from year-end 2010. The gearing ratio improved to 35% at year-end 2011, compared to 37% in 2010, where the increase of the debt driven by capital expenditures and dividends paid, was more than compensated by an increase in equity.

Cash flows and liquidity reserves
Cash flow from operations was EUR 242 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 1,204 million at year-end 2011, compared to EUR 1,445 million at year-end 2010.

Net interest-bearing debt increased to EUR 1,142 million at year-end, up from EUR 1,058 million at the end of 2010. The change in net interest-bearing debt is analysed in the following table.

EUR million	2011	2010
Change of net interest-bearing debt		
Cash flow provided by operating activities	242	268
Capital expenditure	-282	-136
Capital contributions to associated companies	0	-213
Repayment of loans by associated companies	0	70
Repayment of capital contributions by associated companies	69	0
Acquisition of new companies	0	0
Other (mainly relating to foreign exchange differences)	-13	-16
Dividend paid	-100	0
Total decrease/increase	**-84**	**-27**

Capital expenditure
Investments in tangible assets amounted to EUR 242 million in 2011, compared to EUR 97 million in 2010. The largest portion of the total investment spent was related to the new catalyst plant being built in Linz, Austria, the turnaround of the polyolefine plants in Schwechat, Austria and the Licence to operated project in Linz, Austria. HSE capital expenditure amounted to EUR 32 million (EUR 17 million in 2010). Depreciation and amortisation amounted to EUR 284 million, compared to EUR 261 million in 2010.

Shareholders' equity
The shareholders' equity at year-end 2011 was EUR 3,276 million.

EUR million	2011	2010
Equity development		
Net result attributable to the parent	506	331
Exchange and fair value adjustment (net)	-17	168
Gross increase/decrease	489	499
Dividend paid	-100	0
Contribution by shareholders	0	0
Net increase/decrease	389	499
Opening equity	2,887	2,387
Ending equity	**3,276**	**2,887**

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 operating risk are assessed according to documented guidelines and procedures that are administered by the respective business functions. The list of operational risks below is not exhaustive:

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 Treasury shall be responsible for reporting and for coordinating the management of all financial risks.

Health Safety and Environment risks are assessed according to the procedures and framework described in the Borealis' Risk-Based Inspection Manual. The Vice President HSE shall be responsible for managing all HSE-related risks and shall 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, including financial, market, technical, legal, patent infringement, strategic, operational, country risk, and political factors, are assessed. The risk assessment shall also reflect the probability that the project will be completed within the estimated time frame and with the estimated resource requirements as well as the probability that the key project objectives will be achieved. Project-related risks shall be managed by the Project Manager and reported to the Project Steering Committee.

Information security risk relates to confidentiality, integrity and availability, being the primary elements of information security risks. The Head of IT and the General Counsel support line managers with the assessment of information security risk and the development and implementation of risk mitigation actions.

The Executive Board periodically reviews the Group's key risks, defines the Group's risk tolerance levels, monitors the implementation of mitigation actions and reports the key risks and mitigation steps to the Supervisory Board. The Executive Board 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 shall be responsible for managing risk, within their authority, in their 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.

		2011	2010	2009	2008
Safety, Health and Environment					
Total Recordable Injuries	number/million work hours	1.6	1.0	0.7	1.6
Sick leave	% of total hours worked	3.4	3.4	3.4	3.1
EU ETS CO_2 emissions	kilotonnes	1,530	1,600	1,310	1,360
Primary energy consumption	GWh	22,500	22,300	19,300	15,100
Volatile organic compounds emissions	tonne	3,250	3,762	3,440	3,250
Waste generation	tonne	18,200	16,140	16,100	15,010
Number of employees (Full-time equivalent at year-end)		5,160	5,075	5,215	5,395
Income and profitability					
Net sales	EUR million	7,096	6,269	4,714	6,697
Operating profit	EUR million	285	349	24	163
Operating profit as percentage of net sales	%	4	6	1	2
Net profit for the year	EUR million	507	333	38	239
Return on capital employed, net after tax	%	13	10	2	9
Cash flow and investments					
Cash flow from operating activities	EUR million	242	268	395	144
Investments in tangible assets	EUR million	242	97	308	445
Financial position					
Net interest-bearing debt	EUR million	1,142	1,058	1,031	1.087
Equity attributable to owners of the parent	EUR million	3,276	2,887	2,387	2,323
Gearing	%	35	37	43	47

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 16, 2012

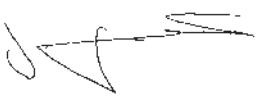
Executive Board:

Mark Garrett
Chief Executive

Daniel Shook
Chief Financial Officer

Markku Korvenranta

Herbert Willerth



Gerd Löbbert

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, 2011 to December 31, 2011. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2011, 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 fiscal year ended December 31, 2011, and the 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.

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 evalu-ating 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, 2011 and of its financial performance and its cash flows for the fiscal year from January 1, 2011 to December 31, 2011 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the consolidated 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 and whether the disclosures pursuant to Section 243a (2) UGB (Austrian Commercial Code) are appropriate.
In our opinion, the consolidated management report is consistent with the consolidated financial statements.

The disclosures pursuant to Section 243a (2) UGB (Austrian Commercial Code) are appropriate.

Vienna, February 16, 2012

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 to-gether 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.

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

The 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 material group companies, including risk conditions and risk management.

The Executive Board of Borealis AG submitted the financial statements as of December 31, 2011, including Management Report and the consolidated financial statements as of December 31, 2011, 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, Wien, 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 statements 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 2012, the consolidated financial statements. and the Consolidated Management Report were approved/acknowledged.

Vienna, February 21, 2012

Khadem Al Qubaisi
Chairman of the Supervisory Board

Consolidated income statement

EUR million	2011	2010	Note
Net sales	**7,096**	**6,269**	1
Production costs	-5,991	-5,104	5, 10
Gross profit	1,105	1,165	
Sales and distribution costs	-543	-541	5, 10
Administration costs	-186	-191	5, 10
R&D costs	-91	-84	2, 5, 10
Operating profit	**285**	**349**	
Net results in associated companies after tax	333	120	6
Financial income	10	9	15
Financial expenses	-71	-73	15
Profit before taxation	**558**	**405**	
Taxes	-51	-72	7
Net profit for the year	**507**	**333**	
Attributable to:			
Non-controlling interest	1	2	
Equity holders of the parent	506	331	

Consolidated statement of comprehensive income

EUR million	2011	2010	Note
For the period ended December 31			
Net profit for the year	**507**	**333**	
Net gain/loss on translation of financial statements of foreign operations	33	143	
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 foreign operations	0	26	16
Reclassifications during the period to the income statement	1	6	16
Tax effect recognised in other comprehensive income	0	-9	
Net gain/loss on loans and financial contracts to hedge investments in foreign operations	-11	-17	16
Reclassifications during the period to the income statement	0	0	
Tax effect recognised in other comprehensive income	3	4	
Fair value adjustment of cash flow hedges	-76	24	16
Reclassifications during the period to the income statement	4	36	16
Tax effect recognised in other comprehensive income	18	-16	
Actuarial gains and losses	15	-38	11
Tax effect recognised in other comprehensive income	-5	10	
Net income/expense recognised in other comprehensive income	**-18**	**169**	
Total comprehensive income	**489**	**502**	
Attributable to:			
Non-controlling interest	0	3	
Equity holders of the parent	489	499	

Consolidated balance sheet

EUR million	31.12.2011	31.12.2010	Note
Assets			
Non-current assets			
Intangible assets	220	214	2, 3
Tangible assets			4
Production plants	2,243	2,315	
Machinery and equipment	34	38	
Construction in progress	168	111	
	2,445	2,464	
Investments in associated and jointly controlled companies	1,382	1,003	6, 25
Other investments	16	15	6, 25
Other receivables and other assets	13	16	6, 25
Deferred tax assets	175	149	7
Total non-current assets	**4,251**	**3,861**	
Current assets			
Inventories	938	856	8
Receivables			
Trade receivables	352	318	23, 24, 25
Receivables from associated companies	227	230	25 ,27
Income taxes	33	9	7
Other receivables and other assets	231	222	18, 25
	843	**779**	
Cash and cash equivalents	96	134	
Total current assets	**1,877**	**1,769**	
Total assets	**6,128**	**5,630**	

Consolidated balance sheet

EUR million	31.12.2011	31.12.2010	Note
Total Equity and Liabilities			
Shareholders' equity			
Share capital and contributions by shareholders	1,799	1,799	9
Reserves	-34	-17	
Retained earnings	1,511	1,105	
	3,276	2,887	
Non-controlling interest	10	11	
Total equity	**3,286**	**2,898**	
Liabilities			
Non-current liabilities			
Loans and borrowings	1,016	1,072	17, 18, 25
Deferred tax	301	288	7
Employee benefits	224	229	11
Provisions	68	83	12
Government grants	25	35	13
Other liabilities	24	0	18, 25
	1,658	1,707	
Current liabilities			
Loans and borrowings	222	120	17, 18, 25
Trade payables	620	635	25
Income taxes	11	13	7
Provisions	5	5	12
Other liabilities	326	252	18, 25
	1,184	1,025	
Total liabilities	**2,842**	**2,732**	
Total equity and liabilities	**6,128**	**5,630**	
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, 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
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**
Profit of the period	0	0	0	0	506	506	1	507
Other comprehensive income	0	10	-54	27	0	-17	-1	-18
Total comprehensive income	0	10	-54	27	506	489	0	489
Dividend payment by subsidiaries	0	0	0	0	0	0	-1	-1
Dividend payment	0	0	0	0	-100	-100	0	-100
Capital in/decrease	0	0	0	0	0	0	0	0
Transfer of reserves	0	0	0	0	0	0	0	0
Balance as of December 31, 2011	**1,799**	**-63**	**-34**	**63**	**1,511**	**3,276**	**10**	**3,286**

The Executive Board proposes to distribute a dividend of EUR 100 million for 2011.

* Share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (EUR 300,000.00).

Consolidated cash flow

EUR million	2011	2010	Note
Cash flows from operating activities			
Payments from customers	7,004	6,170	
Payments to employees and suppliers	-6,626	-5,782	
Interest received	9	9	15
Interest paid	-68	-63	15
Other financial expenses paid	-3	-15	15
Income taxes paid	-74	-51	7
	242	**268**	
Cash flows from investing activities			
Investments in tangible assets	-242	-97	4
Capital contribution to associates	0	-213	6
Loan repayment of associates	0	70	6
Repayment of capital contribution by associates	69	0	
Investments in intangible assets and other investments	-40	-39	3, 6
	-213	**-279**	
Cash flows from financing activities			
Long-term loans obtained	42	554	
Short-term loans obtained	123	2	
Long-term loans repaid	0	-52	
Short-term loans repaid	-130	-397	
Dividends paid	-100	0	
Dividends paid to non-controlling interest	-1	0	
	-66	**107**	
Net cash flow for the year	**-37**	**96**	
Cash and cash equivalents as of January 1	134	37	
Effect of exchange rate fluctuations on cash held	-1	1	
Cash and cash equivalents as of December 31	**96**	**134**	

Reporting entity
Borealis AG (the "Company" or Group) 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.

In our Polyolefins segment we focus on three specific market sectors: infrastructure (including pipes for utilities such as water, gas and sewage and oil transport as well as power and communication cables), automotive (components that enhance safety and bring lightweight energy saving and corrosion-proof solutions) and advanced packaging (niche and specialised applications in rigid moulded and flexible film packaging as well as highly advanced medical applications).

Base Chemicals is the other reporting segment and includes the following product ranges: phenol/aromatics (phenol and acetone), feedstock (naphtha, LPG, olefins, etc), olefins (ethylene, propylene, butadiene, etc), melamine and fertilizer.

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 Executive Board on February 16, 2012.

Basis of preparation
The consolidated financial statements are presented in Euro (EUR), rounded to the nearest million. According to that rounding differences may arise. The consolidated financial statements are prepared on the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments and 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 (revenues and costs), 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 is capitalised as goodwill and is subject to an annual impairment test. Any gain from a bargain purchase is recognised in the income statement.

Investments in associated companies and investments in jointly controlled operations are recorded under the equity method in the consolidated financial statements.

Significant accounting judgements, estimates and assumptions
The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The judgements, estimates and assumptions relate to the following material accounts – intangible and tangible assets, non-current assets held for sale, provisions, deferred taxes, employee benefits, financial instruments and trade receivables - and are included in the description of the respective position.

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 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.

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

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 and impairment losses. 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 and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the expected useful life of the asset of 3-10 years. Development costs not yet amortised are subject to an annual impairment test.

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

Emission rights are reported as intangible assets. They are measured at cost, if purchased 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 are recognised at purchase price and any directly attributable costs.

Depreciation is made on a straight-line basis over the expected useful life of the components of the assets. The useful lives of major assets are determined individually, while the lives of other assets are 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.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

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

Impairment losses
The carrying 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.

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 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.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost.

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 carryforwards can be utilised, based on the business plan and similar forward-looking information available to Executive Board (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 intercompany loans, hedge loans and the equity of foreign operations. The hedging reserve contains fair value adjustments to financial instruments held for hedging purposes. The reserve for actuarial gains/losses recognised in equity contains the actuarial gains and losses on employee benefit plans.

Employee benefits

Defined contribution plans

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

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.

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

Expected return on plan assets reflects company's best estimate of the long-term returns of individual investment categories, weighted by the asset allocation, based on the historical returns and future expectations.

The Group has the following plans in place: defined benefit pension plans, post-employment medical plans, termination indemnity plans and jubilee schemes. Pension plans in place are both funded and unfunded. The plan asset funds are kept predominantly in a form of debt securities. The parameters of the pension promises vary from country to country; there are both plans open and closed to new entrants, contributory as well as non-contributory.

Post-employment medical plans cover the medical expenses of retirees in Belgian companies. They are non-contributory and closed to new entrants.

Termination indemnity plans cover employees of Austrian companies who started their service before December 31st, 2002. They are entitled to receive severance payments upon termination of their employment or on reaching their pension age. The benefits depend on the years of service and remuneration level. These plans are non-contributory and unfunded.

Jubilee schemes entitle the members to benefits in form of a payment and/or additional paid holiday when reaching a defined time of service. These plans are non-contributory and unfunded.

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 assets.

Derivative financial instruments

In accordance with its treasury procedure, 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 creditworthiness 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 attributable to 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 of a recognised asset or liability, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised 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.

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.

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 fair value and subsequently measured at amortised cost.

Loans and borrowings

Interest-bearing borrowings are recognised initially at fair value, 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 operations 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 Executive Board (chief operating decision maker) and are taken to make decisions about resources to be allocated to the segment and assess its performance 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 Executive Board concluded to show

next to the reportable segment also the geographical segment.

New accounting standards

In 2011, the following accounting standards and interpretation became effective and have been adopted by the Company:

- 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 IAS 24 Related Party Disclosures (revised) became 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. The adoption of the amendment IAS 24 Related Party Disclosures (revised) had no significant impact on the consolidated financial statements.

The amendments to IAS 32 Classification of Rights Issues (amended) address the requirements, under which the rights, options and warrants issued by an entity are to be classified as equity instruments. The adoption of the amendment became effective for annual periods beginning on or after February 1, 2010 and had no impact on the consolidated financial statements.

The amendments to IFRIC 13 Customer Loyalty Program (amended) became effective for annual periods beginning on or after February 1, 2010. 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 had no impact on the consolidated financial statements.

The amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement (amended) became effective for annual periods beginning on or after January 1, 2011. The amendments 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 had no 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 adoption of this interpretation did not result in any further impact on the consolidated financial statements.

In May 2010, 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 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (amended), effective July 1, 2011*
- IFRS 7 Enhanced Derecognition Disclosure Requirements (amended), effective July 1, 2011
- IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities (amended), effective January 1, 2013*
- IFRS 9 Financial Instruments: Classification and Measurement of Financial Assets (amended), effective January 1, 2015*
- IFRS 9 Incorporation of requirements on the Accounting for Financial Liabilities (amended), effective January 1, 2015*
- IFRS 10 Consolidated Financial Statements (new standard), effective January 1, 2013*
- IFRS 11 Joint Arrangements (new standard), effective January 1, 2013*
- IFRS 12 Disclosure of Interests in Other Entities (new standard), effective January 1, 2013*
- IAS 27 Separate Financial Statements (revised), effective January 1, 2013*
- IAS 28 Investments in Associates and Joint Ventures (revised), effective January 1, 2013*
- IFRS 13 Fair Value Measurement (new standard), effective January 1, 2013*
- IAS 1 Presentation of Items of Other Comprehensive Income (amended), effective July 1, 2012*
- IAS 12 Deferred tax: Recovery of Underlying Assets (amended), effective January 1, 2012*
- IAS 19 Employee Benefits (amended), effective January 1, 2013*
- IAS 32 Offsetting Financial Assets and Liabilities (amended), effective January 1, 2014*
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (new interpretation), effective January 1, 2013*

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

* not yet endorsed by the EU

The amendments to IFRS 1 in respect to Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters will become effective for annual periods beginning on or after July 1, 2011. These amendments shall provide guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation respectively removes the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transaction. The amendment may provide entities that have been subject to severe hyperinflation to recommence reporting under IFRS, respectively may provide relief to first-time adopters by reducing the cost and resources required to retrospectively restate past transactions. Borealis is currently evaluating the impact of these amendments on the consolidated financial statements.

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.

Due to the amendment of IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities (amended) additional quantitative and qualitative disclosures relating to transfers of financial assets are required in case when financial assets are derecognised in their entirety, but the entity has a continuing involvement in them, as well as in case when financial assets are not derecognised in their entirety. The amended disclosures are more extensive and onerous than previous disclosures. Borealis may need to modify its management information systems in order to be able to extract the necessary quantitative information to prepare the disclosures. This amendment will be effective for annual periods beginning on or after 1 January 2013. 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, 2015 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 host financial assets that are not at financial assets at fair value through profit or loss will instead by measured at financial assets 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.

IFRS 10 Consolidated Financial Statements (new standard) replaces the portion of IAS 27 Separate Financial Statements (revised 2011), that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation

— Special Purpose Entities resulting in SIC-12 being withdrawn. The new standard is to be applied retrospectively in accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for changes in accounting policy.

IFRS 10 does not change consolidation procedures. IFRS 10 changes whether an entity is consolidated by revising the definition of control, which is brother defined than under current IAS 27. This may result in changes to a consolidated group, by having more or fewer entities being consolidated than currently. Assessing control will require a comprehensive understanding of an investee's purpose and design, and the investor's rights and exposures to variable returns, as well as rights and returns held by other investors.

IFRS 11 Joint Arrangements (new standard) replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 establishes two types of joint arrangements: joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) and joint ventures (equivalent to the existing concept of a jointly controlled entity). A joint operator recognizes its share of the assets, liabilities, revenues and expenses in accordance with applicable IFRSs, while a joint venture would account for its interest using the equity method of accounting under IAS 28 (revised 2011) Investments in Associates and Joint Ventures, thus eliminating the option of proportionate consolidation for interests in joint ventures.

Since the definition of control in joint control refers to the new concepts in IFRS 10 it is possible that what is considered a joint arrangement under IFRS 11 will change. Significant judgment of facts and circumstances may be required to assess whether a joint control exists and determine the classification of the joint arrangement.

IFRS 12 Disclosure of Interest in Other Entities (new standard) combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard. Many of the disclosure requirements were previously included in IAS 27, IAS 28 or IAS 31, whilst others are new. The new disclosures shall assist users to make their own assessment of the financial impact were management to reach a different conclusion regarding consolidation. Additional procedures and changes to systems may be required to gather information for the preparation of the additional disclosures.

IAS 27 Separate Financial Statements has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements.

IAS 28 Investments in Associates and Joint Ventures has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

Borealis is currently evaluating the impact of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) on the consolidated financial statements. These new standards, respectively revisions will become effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted if the entity applies the requirements of IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) at the same time.

IFRS 13 Fair Value Measurement (new standard) will become effective for annual periods beginning on or after January 1, 2013. The new standard describes how to measure fair value where fair value is required or permitted by IFRS. Under IFRS 13 fair value is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (i.e., an 'exit price'). New disclosures about the valuation techniques and inputs used to develop fair value measurements and the effect on profit or loss will also be required. Specific requirements relating to the highest and best use and the principal market may require Borealis to re-evaluate its processes and procedures for determining fair value. Borealis is currently evaluating the impact of this new standard on the consolidated financial statements.

IAS 1 Presentation of Items of Other Comprehensive Income (amendments) will become effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI. Borealis does not expect any significant impact due to change in presentation of OCI, and is currently evaluating its impact on the on the consolidated financial statements.

IAS 12 Income Taxes (amendment) — Deferred Taxes: Recovery of Underlying Assets will become effective for annual periods beginning on or after 1 January 2012. The amendment to IAS 12 introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed, an own use basis must be adopted. This amendment is intended to give guidance on the tax rate that should be applied. Borealis does not expect any significant impact due to this amendment.

The amendments to IAS 19 Employee Benefits eliminate the 'corridor approach' and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur. The amendments will become effective for annual periods beginning on or after January 1, 2013. All actuarial gains and losses are required to be recognised immediately through Other Comprehensive Income. The amendments also introduce a new approach for the presentation of changes in defined benefit obligations and plan assets with changes being split into Service cost, Net interest and or Remeasurement. Due to these amendments Actuarial gains and losses will be excluded permanently from earnings, with no subsequent recycling.

The amendments to IAS 32 Financial Instruments: Offsetting Financial Assets and Financial Liabilities shall clarify the offsetting criteria in order to eliminate the inconsistencies in the application. The offsetting criteria under IAS 32 Financial Instruments requires an entity to offset a financial asset and financial liability when, an only when, an entity currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously. This amendment, together with the amendment of IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities will be effective for annual periods beginning on or after 1 January 2014. Borealis is currently evaluating the impact of these amendments on the consolidated financial statements.

The new interpretation IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine will become effective for annual periods beginning on or after January 1, 2013. IFRIC 20 applies to all types of natural resources that are extracted using a surface mining activity. Borealis does not expect any impact due to this amendment.

In 2011, the IASB has not issued any omnibus of amendments to its standards.

Amounts

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

1. Segment reporting

	Polyolefins		Base Chemicals		Non-Allocated		Consolidated	
EUR million	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Net sales by business:								
Total sales	4,780	4,240	5,880	5,129	98	126	10,758	9,495
Group internal sales	0	0	-3,662	-3,226	0	0	-3,662	-3,226
	4,780	**4,240**	**2,218**	**1,903**	**98**	**126**	**7,096**	**6,269**

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

Result:								
Operating profit	97	252	370	264	-182	-167	285	349
Profit/loss from sale of subsidiaries					0	0	0	0
Net result in associated companies					333	120	333	120
Net financial items					-61	-64	-61	-64
Income tax					-51	-72	-51	-72
Non-controlling interest					-1	-2	-1	-2
Net profit for the year attributable to equity holders of the parent							**506**	**331**
Other information:								
Segment assets:	3,120	3,182	1,311	1,241	1,697	1,207	6,128	5,630
thereof Austria	*1,830*	*1,828*	*742*	*726*	*1,078*	*739*	*3,650*	*3,293*
Segment liabilities					2,842	2,732	2,842	2,732
Investment in tangible assets	162	54	79	47	1	0	242	101
Depreciation and amortisation	129	120	93	93	62	47	284	261

Over 90% of the above relate to segment EU countries

Net sales by geographic segment:								
EU countries:	3,167	2,809	2,036	1,697	51	43	5,254	4,549
thereof Austria	*138*	*105*	*155*	*145*	*0*	*0*	*293*	*250*
Non-EU countries in Europe	685	567	47	108	0	0	732	675
USA	166	129	35	24	0	3	201	156
Middle East and Asia	403	438	59	39	47	80	508	557
Other regions	359	297	41	35	0	0	401	332
	4,780	**4,240**	**2,218**	**1,903**	**98**	**126**	**7,096**	**6,269**

2. Research and development

At the end of the year, 506 people were engaged in research and development, compared with 451 in 2010. The total cost of these activities amounted to EUR 91 million (EUR 84 million). Development costs amounting to EUR 23 million (EUR 27 million) were capitalised as intangible assets.

3. Intangible assets

	Goodwill		Development costs		Capitalised software		Others	
EUR million	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Cost								
As of January 1	29	29	172	148	50	53	141	112
Exchange adjustments	0	0	0	0	2	0	3	3
Additions	0	0	23	25	6	5	29	58
Disposals	0	0	0	-3	-20	-8	-32	-30
Transfers	0	0	0	2	0	0	0	-2
	29	29	195	172	38	50	141	141
Accumulated amortisation								
As of January 1	0	0	-68	-52	-35	-34	-75	-68
Exchange adjustments	0	0	0	0	0	0	0	0
Disposals	0	0	0	2	20	7	5	0
Amortisation	0	0	-16	-18	-6	-8	-8	-7
	0	0	-84	-68	-21	-35	-78	-75
Book value as of December 31	**29**	**29**	**111**	**104**	**17**	**15**	**63**	**66**

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 23 million (EUR 20 million). Intangible assets received by the way of government grant as allowances for emissions (EU Emissions Trading System) amounted to EUR 18 million (EUR 24 million). Their carrying value is in line with the fair value.

4. Tangible assets

EUR million	Production plants 2011	Production plants 2010	Machinery and equipment 2011	Machinery and equipment 2010	Construction in progress 2011	Construction in progress 2010
Cost						
As of January 1	5,205	4,356	128	134	111	489
Exchange adjustments	-4	330	-3	-1	6	68
Additions	1	0	0	0	233	121
Disposals	-34	-24	-3	-9	0	0
Transfers	175	543	7	4	-182	-567
	5,343	5,205	129	128	168	111
Accumulated depreciation						
As of January 1	-2,890	-2,435	-89	-87	0	0
Exchange adjustments	3	-259	2	0	0	0
Disposals	32	23	1	7	0	0
Depreciation	-245	-219	-9	-9	0	0
	-3,100	-2,890	-95	-89	0	0
Book value as of December 31	**2,243**	**2,315**	**34**	**38**	**168**	**111**

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

In 2011, borrowing costs amounting to EUR 2 million (EUR 6 million) have been capitalised, using a 4% (3%) interest rate. Additions to tangible assets amounting to EUR 3 million (EUR 11 million) are not paid at the end of the year.

The major part of the additions relates to the ongoing investment in the new catalyst plant and in the Licence-to-operate project in Linz, Austria and to the site turnaround project in Schwechat, Austria.

Future capital expenditure approved (tangible and intangible) by Executive Board totals EUR 304 million (EUR 299 million), out of which EUR 97 million (EUR 32 million) is contractually committed.

Assets pledged

Assets pledged amount to EUR 14 million (EUR 14 million) and relate to tangible assets. The liabilities covered by the above assets amounted to EUR 7 million (EUR 7 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	2011	2010
Production costs	230	205
Sales and distribution costs	12	13
Administration costs	22	22
Research & Development costs	20	21
Total	**284**	**261**

The 2011 depreciation charge includes impairment of EUR 24 million (EUR 5 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%), as a result of rental contract termination for the production site. The fixed assets were written down to the value in use.

It further includes an impairment of EUR 5 million (EUR 3 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 research & development costs in 2011, respectively in administration costs in 2010.

6. Investments in associated and jointly controlled companies and other non-current assets

	Shares in associated and jointly controlled companies		Other investments		Other non-current receivables and other non-current assets	
EUR million	2011	2010	2011	2010	2011	2010
Cost						
As of January 1	329	114	15	14	16	183
Investments	3	215	1	1	1	0
Disposals	0	0	0	0	-4	-167
	332	329	16	15	13	16
Adjustments						
As of January 1	674	503	0	0	0	-100
Disposals	0	0	0	0	0	96
Exchange adjustments	43	51	0	0	0	4
Net result of associated companies, after tax	333	120	0	0	0	0
	1,050	674	0	0	0	0
Carrying value as of December 31	**1,382**	**1,003**	**16**	**15**	**13**	**16**

Other investments mainly include interests in infrastructure companies in Germany. The other non-current receivables and other non-current assets 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
Chamiepark Linz Betriebsfeuerwehr GmbH	Austria	47

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

EUR million	Assets	Liabilities	Net sales	Profit after tax
2011	**3,217**	**1,840**	**1,789**	**333**
2010	2,775	1,774	967	120

Jointly controlled companies	Country	Ownership in %
PetroPort Holding 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
2011	2	10	2	5
2010	1	3	2	0

EUR million	Revenue	Cost of sales	Operating expenses	Taxes	Profit after tax
2011	0	0	0	0	0
2010	0	0	0	0	0

7. Taxation

EUR million	2011	2010
Taxes		
Income tax payable	45	47
Change in deferred tax	4	24
Adjustment to prior year's tax charge	2	1
Tax expense/benefit	**51**	**72**

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

EUR million	2011		2010	
Tax expense at statutory rates (weighted average tax rate of the Group)	**26 %**	**145**	**27 %**	**111**
Tax effect of result in associated companies	-15 %	-83	-7 %	-30
Tax effect of permanent differences	-1 %	-5	-2 %	-10
Adjustment of valuation allowance	0 %	2	0 %	1
Change due to changes in tax rates	-1 %	-5	0 %	0
Prior year's adjustments and other	-1 %	-3	0 %	0
Tax expense	**9 %**	**51**	**18 %**	**72**

	Balance sheet		Income statement	
EUR million	2011	2010	2011	2010
Deferred tax, assets				
Derivatives	15	-22	20	-6
Book values over tax values	**15**	**-22**		
Other assets and liabilities	-21	-10	-14	-6
Employee benefits and other provisions	7	14	-2	-13
Other timing differences	**-14**	**4**		
Tax losses to be carried forward	**174**	**167**	**7**	**3**
Capitalised tax assets	**175**	**149**	**11**	**-22**

	Balance sheet		Income statement	
EUR million	**2011**	**2010**	**2011**	**2010**
Deferred tax, liabilities				
Tangible assets	262	255	-6	-17
Intangible assets	25	23	-2	2
Accelerated depreciation on tangible and intangible assets	**287**	**278**		
Other timing differences	**14**	**10**	-7	13
Deferred tax liability	**301**	**288**	**-15**	**-2**
Net tax asset/liability	**-126**	**-139**	**-4**	**-24**

EUR million	**2011**	**2010**
Taxes, payable		
Payable taxes as of January 1	13	13
Income tax payable for the year	45	47
Adjustment to prior year's payable tax charge	2	1
Taxes paid (-)/received (+)	-74	-53
Movement in tax receivable	25	5
Payable taxes as of December 31	**11**	**13**

In addition to the tax assets capitalised, the Group has unrecognised tax assets of EUR 20 million (EUR 17 million), due to current forecasts indicating insufficient future profits. These tax loss carry-forwards have no expiry date.

EUR million	**2011**	**2010**
Deductible temporary differences	2	2
Tax loss carry-forwards	18	15
– Taxable temporary differences	0	0
Total unrecognised net tax assets	**20**	**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 0 million (EUR 2 million). Dividend payment to Borealis AG by one of its subsidiaries, has no tax effect for Borealis AG. The temporary differences related to investments in associated companies amount to EUR 1,051 million (EUR 674 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	2011	2010
Finished products	650	650
Raw materials and consumables	288	206
Total	**938**	**856**

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 171 million (EUR 175 million), on which a write down in the amount of EUR 17 million (EUR 15 million) has been recognised.

The costs for the consumption of inventories recognised during the period in the income statement amounted to EUR 5,288 million (EUR 4,464 million).

9. Share capital

	Share capital*		Contributions by shareholders	
EUR million	2011	2010	2011	2010
Balance as of January 1	0	0	1,799	1,899
Capital increase (decrease)	0	0	0	-100
Contribution in kind	0	0	0	0
Balance as of December 31	**0**	**0**	**1,799**	**1,799**

* The share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (EUR 300,000.00) and is divided into 300,000 (300,000) shares, of which none have special voting rights.

The share capital and contributions by shareholders amounted to EUR 1,799 million (EUR 1,799 million).

Borealis AG is owned 61% by IPIC Beta Holdings 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. None of the shares have special rights. Distribution of dividends to its shareholders does not have any tax effect for Borealis AG.

The Group's objectives are to safeguard the entity's ability to continue as a going concern and to provide an adequate return to 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	2011	2010
Cost		
Salaries and wages	334	323
Pension costs	36	33
Other social security costs	92	89
Other personnel expenses	18	17
Total	**480**	**462**
Average number of employees by country		
Austria	1,734	1,661
Belgium	821	838
Finland	921	870
Germany	303	305
Sweden	994	937
Other	387	464
Total	**5,160**	**5,075**
Remuneration included in personnel costs of former and current management		
Salaries and wages management (Executive Board)	5	4
Pension costs management (Executive Board)	0	2
Salaries and wages other key management	2	2
Pension costs other key management	0	0
Total	**7**	**8**

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

No loans were granted to actual or former members of Executive Board. 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	2011	2010
Funded benefit plans		
Actuarial present value of benefits due to past and present employees	142	156
– Plan assets held in trusts at fair value	-104	-108
Plan assets below the present value of benefits recorded as a provision	38	48
Unfunded benefit plans		
Actuarial present value of benefits due to past and present employees recorded as a provision	186	181
Unrecognised past service cost	0	0
Net liability recognised in the balance sheet	**224**	**229**
Change in benefit obligation		
Benefit obligation at beginning of year	337	265
Current service costs	11	10
Current interest costs	13	14
Immediate recognitions of (gains) / losses arising over the year	5	0
Actuarial losses/gains	-24	56
Net transfers in/(out)	0	0
Past service costs	0	-1
Curtailments	0	0
Exchange rate changes	0	11
– Benefits paid from plan	-14	-18
Benefit obligation at end of year	**328**	**337**
Change in plan assets		
Fair value of plan asset at beginning of year	108	82
Expected return on plan assets	5	4
Employer contributions	15	20
Actuarial gains/losses	-9	18
Net transfers in/(out)	0	0
Exchange rate changes	-1	2
– Benefits paid from plan	-14	-18
Fair value of plan asset at end of year	**104**	**108**

	2011	2010
Asset category		
Equity securities	7%	7%
Debt securities	86%	86%
Real estate	0%	0%
Insurance contracts	7%	7%
Total	**100%**	**100%**

EUR million	2011	2010
Movement in the net liability recognised in the balance sheet		
Net liability as of January 1	229	180
– Contributions paid by the company and settlements	-15	-20
Net transfers in/(out)	0	0
Actuarial loss/gain recognised in other comprehensive income	-15	38
Exchange rate differences	1	9
Expense recognised in the income statement	24	22
Net liability as of December 31	**224**	**229**

EUR million	2011	2010
Expense recognised in the income statement for defined benefit plans		
Service costs	11	10
Interest costs	13	14
Amortisation of the past service costs	0	1
Curtailment (gain)/loss	0	1
Immediate recognition of (gains)/losses arising over the year	5	0
- Expected return on assets	-5	-4
Total	**24**	**22**
Actual return on plan assets	-4	23

The aggregated benefit cost charged to the income statement for 2011 amounted to EUR 42 million, compared to EUR 33 million in 2010. Benefit costs relate to:

EUR million	2011	2010
Defined benefit plans	24	22
Defined contribution plans	18	11
Total	**42**	**33**

Total expense, with its constituents, in respect of the defined benefit plans is recognized in the production costs with EUR 12 million (EUR 11 million), sales and distribution costs with EUR 5 million (EUR 4 million), cost of administration with EUR 5 million (EUR 5 million) and R&D costs with EUR 2 million (EUR 2 million).

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:

	2011	2010
Discount rate	3% to 5%	3% to 4%
Projected future salary growth	2% to 4%	2% to 4%
Expected rate of return on plan assets	4% to 5%	4% to 5%
Expected pension increase	2% to 4%	2% to 4%

EUR million	2011	2010	2009	2008	2007
5-year overview of the employee benefits key figures					
Fair value of scheme assets	104	108	82	84	76
Present value of defined benefit obligation	-328	-337	-265	-249	-262
(Deficit) surplus in the scheme	**-224**	**-229**	**-183**	**-165**	**-186**
Experience adjustments arising on plan liabilities	4	-17	-5	2	8
Experience adjustments arising on plan assets	-9	19	-6	4	-9

It is estimated that the increase of the discount rate by 50 basis points would have decreased the net pension liability as of December 31, 2011 by EUR 20 million (EUR 26 million).

12. Other provisions

	Restructuring		Decommissioning		Other		Total	
EUR million	2011	2010	2011	2010	2011	2010	2011	2010
As of January 1	20	36	23	17	45	53	88	106
Additions	0	1	3	5	13	6	16	12
Utilised	-9	-15	-2	0	-15	-7	-26	-22
Reversed	-5	0	0	0	-1	-7	-6	-7
Interest expense	0	0	0	0	0	0	0	0
Exchange adjustments	0	-2	0	1	1	0	1	-1
Balance as of December 31	**6**	**20**	**24**	**23**	**43**	**45**	**73**	**88**
Current	2	3	0	0	3	2	5	5
Non-current	4	17	24	23	40	43	68	83
	6	**20**	**24**	**23**	**43**	**45**	**73**	**88**

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

Decommissioning
The provision for decommissioning covers the expected clean-up and dismantling costs for plants situated on rented land, mainly in Germany, Austria and Sweden.

Other
Other provisions mainly cover the best estimate of company's 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 EU ETS emission allowances. During the year EUR 44 million (EUR 29 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. Counterpart 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 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	2011	2010
Interest income from:		
Cash and cash equivalents	6	5
Derivatives	4	4
	10	9
Interest expenses to:		
Financial institutions	-53	-44
Derivatives	-16	-19
Capitalised interest	2	6
Exchange adjustments, net	6	-3
Other financial expenses and income	-10	-12
	-71	-73
Total	**-61**	**-64**

16. Gains and losses from financial instruments

EUR million	2011	2010
Recognised in profit or loss		
Change in fair value of commodity derivative contracts	5	1
Change in fair value of interest rate derivative contracts	0	1
Change in fair value of foreign exchange derivative contracts	-1	-5
Realised result on commodity derivative contracts	-3	-9
Realised result on interest rate derivative contracts	0	-1
Realised result on foreign exchange derivative contracts	0	12
Financial assets and liabilities at fair value through profit or loss	**1**	**-1**

EUR million	2011	2010
Recognised in profit or loss		
Change in fair value of fair value hedge instruments	3	-10
Ineffective portion of change in fair value of cash flow hedge instruments		
Commodity derivative contracts	0	0
Interest derivative contracts	0	0
Foreign exchange derivative contracts	0	0
Net investments hedges	0	0
Amounts recognised in profit or loss for realised cash flow hedges		
Commodity derivative contracts	10	-8
Interest derivative contracts	-10	-15
Foreign exchange derivative contracts	-4	-13
(Hedges of) Net investments in foreign operations	-1	-6
Hedging instruments	**-2**	**-52**
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	6	4
Foreign exchange effects on cash and deposits	2	1
Foreign exchange effects on receivables	0	22
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	0	-7
Loans and receivables	**8**	**20**
Interest expense on financial liabilities	-53	-38
Fee expense on financial liabilities	-10	-12
Foreign exchange effects on financial liabilities	9	-13
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	**-54**	**-63**

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	2011	2010
Recognised in other comprehensive income		
Commodity derivative contracts designated as cash flow hedge	-47	41
Interest derivative contracts outstanding	-4	-4
Foreign exchange derivative contracts	-25	-11
Foreign exchange effects on receivables part of net investment in foreign operations	0	22
Foreign exchange effects on financial liabilities and derivatives designated as (Hedge of) Net investments in foreign operations	-11	-15
Amounts removed from equity		
(Hedges of) Net investment in foreign operations	1	6
Commodity derivative contracts	-10	8
Interest derivative contracts	10	15
Foreign exchange derivative contracts	4	13
Total recognised in other comprehensive income	**-82**	**75**

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		2011					
Due		**Total**	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed facilities
After	5 years	**536**	536				
Within	5 years	**86**	86				
	4 years	**156**	155			1	
	3 years	**39**	39				
	2 years	**199**	199				830
Total long-term debt		**1,016**	1,015			1	830
Total short-term debt	1 year	**222**	222 [2)]	0	0	0	278 [1)]
Total debt		**1,238**	**1,237**	**0**	**0**	**1**	**1,108**

[1)] Borealis maintains EUR 166 million in export credit facilities (EUR 166 million undrawn at December 31, 2011). These facilities are economically evergreen in nature, but include a one year notice for cancellation.
[2)] Short term debt includes USD 160 million (EUR 123 million) drawdown under Revolving Credit Facility maturing 07/2013.

Maturities		2010					
Due		**Total**	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed 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 [1)]
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 and EUR 131 million undrawn at December 31, 2010). These facilities are economically evergreen in nature, but include a one year notice for cancellation.

The Group's financing is mainly comprised of committed credit lines, term loans, bonds, private placements and export credits. In the first half of 2011, the Group raised a new EUR 75 million financing for the catalyst plant in Linz, out of which EUR 40 million are drawn at year end.

The loans and borrowings are all measured at amortised cost. The subordinated loan of EUR 72 million matured in October 2011. At year end, the Group has committed bank credit lines (mainly syndicated) of EUR 1,105 million (EUR 1,180 million) of which EUR 163 million (EUR 0 million) has been utilised. Furthermore 166 million (EUR 160 million) export credit lines are available of which EUR 0 million (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 1 million) and payables beyond five years of EUR 0 million (EUR 0 million) less financial charges of EUR 0 million (EUR 0 million).

Currency Mix	2011	Percent	2010	Percent
Interest bearing (EUR million)				
USD*	245	20%	123	10%
EUR	957	77%	1,032	87%
GBP**	36	3%	35	3%
HUF	0	0%	2	0%
SEK	0	0%	0	0%
Interest bearing total	**1,238**	**100%**	**1,192**	**100%**

* includes short term draw down unter the Revolving Credit Facility
** entire GBP 30 million swapped into USD

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	2011						
	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	-267	-294	-40	-4	-71	-134	-45
EUR fixed rate loans	-689	-841	-78	-13	-130	-216	-404
EUR financial leases	-1	-1	0	0	0	-1	0
USD floating rate loans	-212	-223	-125	-1	-33	-3	-61
USD fixed rate loans	-33	-57	-2	-2	-3	-13	-38
GBP fixed rate loans	-36	-70	-2	-2	-3	-10	-53
HUF fixed rate loans	0	0	0	0	0	0	0
SEK fixed rate loans	0	0	0	0	0	0	0
Trade payables	-620	-620	-620	0	0	0	0
Utilised uncommitted facilities	0	0	0	0	0	0	0
	-1,858	**-2,106**	**-867**	**-22**	**-240**	**-377**	**-600**
Derivative financial assets and liabilities							
Interest rate swaps							
Liabilities/outflow	-9	-367	-157	-40	-114	-56	0
Assets/inflow	0	354	152	38	109	55	0
Cross currency interest rate swaps							
Liabilities/outflow	-2	-54	-2	-2	-3	-47	0
Assets/inflow	0	53	2	2	3	46	0
Foreign exchange contracts							
Liabilities/outflow	-15	-911	-476	-146	-38	-251	0
Assets/inflow	3	898	471	143	38	246	0
Feedstock contracts							
Liabilities/outflow	-5	-5	-5	0	0	0	0
Assets/inflow	8	8	7	1	0	0	0
Electricity contracts							
Liabilities/outflow	-25	-24	-10	-5	-7	-2	0
Assets/inflow	1	1	0	0	0	0	0
Natural gas hedges							
Liabilities/outflow	-1	-1	-1	0	0	0	0
Assets/inflow	1	1	0	0	0	0	0
	-44	**-49**	**-19**	**-9**	**-12**	**-9**	**0**

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 and other 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**

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	2011						
	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							
Liabilities/outflow	-9	-367	-157	-40	-114	-56	0
Assets/inflow	0	354	152	38	109	55	0
Cross currency interest rate swaps							
Liabilities/outflow	-2	-54	-2	-2	-3	-47	0
Assets/inflow	0	53	2	2	3	46	0
Foreign exchange contracts (forwards and options)							
Liabilities/outflow	-14	-660	-225	-146	-38	-251	0
Assets/inflow	3	648	221	143	38	246	0
Electricity, feedstock and natural gas contracts							
Liabilities/outflow	-31	-31	-15	-6	-7	-3	0
Assets/inflow	10	9	7	2	0	0	0
	-43	**-48**	**-17**	**-9**	**-12**	**-10**	**0**
Fair value hedges							
Feedstock contracts							
Liabilities/outflow	0	0	0	0	0	0	0
Assets/inflow	0	0	0	0	0	0	0

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							
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 (forwards and options)							
Liabilities/outflow	0	-490	-170	-121	-40	-159	0
Assets/inflow	5	495	173	123	40	159	0
Electricity, feedstock and natural gas contracts							
Liabilities/outflow	-5	-5	-3	-2	0	0	0
Assets/inflow	43	43	24	10	8	1	0
	25	**16**	**17**	**5**	**-4**	**-1**	**-1**
Fair value hedges							
Feedstock contracts							
Liabilities/outflow	-3	-3	-3	0	0	0	0
Assets/inflow	0	0	0	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. 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, 2011, was EUR 719 million (EUR 739 million) mainly changed due to net investment hedges, of which EUR 332 million (EUR 460 million) relates to foreign currency risk management and EUR 387 million (EUR 280 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, 2011, was EUR 0 million (EUR 0 million) measured at the strike rate.

Of the foreign exchange cash flow hedges, EUR -4 million (EUR -13 million) in losses were removed from hedging reserve during 2011 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, 2011, was EUR -11 million (EUR 5 million). EUR -11 million (EUR 5 million) has been recorded in other comprehensive income at year end from which EUR 3 million (EUR 5 million) has been recognised in other assets and EUR -14 million (EUR 0 million) in other liabilities (thereof EUR -4 million (EUR 0 million) in non current liabilities).

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 281 million (EUR 121 million) as of December 31, 2011. EUR/USD cross currency interest rate swaps and foreign exchange swaps of notional EUR 369 million (EUR 236 million) were classified as net investment hedges as of December 31, 2011. A foreign exchange loss of EUR -21 million (loss of EUR -20 million) was recognised in other comprehensive income during 2011 on the translation of these USD liabilities to Euro (including the currency element of the fair value of cross currency interest rate swaps and foreign exchange forwards). During 2011, a net amount of HUF 3 billion (SEK 1 billion) 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 -1 million (EUR -6 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, 2011, was EUR -1 million (EUR 0 million). EUR 0 million (EUR 0 million) was recognised in other assets and EUR -1 million (EUR 0 million) in other liabilities.

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 16 million (EUR 10 million), in case of weakening of one percentage point of the USD against the EUR Borealis' profit before tax would have increased by approximately EUR 16 million (EUR 10 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 61% (67%) has a fixed interest rate, and 39% (33%) is based on a floating interest rate before applying interest rate swaps. Approximately 79% (86%) has a fixed interest rate and 21% (14%) 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, 2011 Borealis had outstanding interest rate derivatives for a notional amount of EUR 350 million (EUR 390 million) with interest rates ranging from 2.86% to 4.7% (2,86% 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, 2011 was EUR -9 million (EUR -15 million) comprising liabilities of EUR -9 million (EUR -15 million) and assets of EUR 0 million (EUR 0 million). These amounts were recognised in other liabilities (thereof non-current liabilities EUR -8 million (EUR 0 million)) 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, 2011 was EUR -2 million (EUR -3 million) comprising liabilities of EUR -2 million (EUR -3 million) and assets of EUR 0 million (EUR 0 million). These amounts were recognised in other liabilities, thereof non-current EUR -2 million (EUR 0 million) and other assets.

Of the interest rate swaps, a loss of EUR -10 million (EUR -14 million) was realised in financial expenses during 2011. Two interest rate swaps matured over 2011. 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	2011		2010	
	Effective interest rate	**Carrying amout**	**Effective interest rate**	**Carrying amout**
EUR floating rate loans	3.3%	-267	2.7%	-329
Effect of interest rate swaps	0.6%		0.9%	
EUR fixed rate loans	4.2%	-689	4.2%	-703
EUR financial leases	4.3%	-1	4.3%	-1
USD floating rate loans	1.0%	-212	0.4%	-89
Effect of interest rate swaps	0.3%		3.9%	
USD fixed rate loans	9.6%	-33	9.6%	-33
GBP fixed rate loans	9.4%	-36	9.4%	-35
HUF fixed rate loans	0.0%	0	6.3%	-2
Total		**-1,238**		**-1,192**

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, 2011 it is estimated that a general increase/decrease of one percentage point in interest rates would have decreased/increased Borealis' profit before tax by approximately EUR 1 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, 2011, was 585,000 tonnes (455,000 tonnes). Part of the contracts, 0 tonnes (34,000 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 0 million (EUR -3 million) and the fair value adjustment to the hedged inventory EUR 0 million (EUR 3 million). Another part of the contracts, 540,000 tonnes (41,000 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 -3 million). No hedge accounting is applied for the remaining contracts. The net fair value of all derivative contracts for feedstock as of December 31, 2011, was EUR 3 million (EUR -13 million). EUR -5 million (EUR -24 million) has been recognised in other liabilities and EUR 8 million (EUR 11 million) in other assets.

Electricity contracts
Borealis hedges its forecasted electricity purchases with maturity up to 2014 using electricity swaps. The notional volume of the contracts held at December 31, 2011, was 5,220 GWh (4,256 GWh) with an average maturity of 13 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 forecasted transactions as of December 31, 2011 was EUR -24 million (EUR 39 million), comprising liabilities of EUR -25 million (EUR 0 million), thereof non-current EUR -9 million (EUR 0 million) and assets of EUR 1 million (EUR 39 million), thereof non-current EUR 0 million (EUR 0 million). These amounts were recognised in other liabilities, other assets and in other comprehensive income.

Natural gas contracts
Borealis hedges its forecasted natural gas purchases with maturity up to 2014 using natural gas swaps. The notional volume of the contracts held at December 31, 2011, was 1,165 GWh (913 GWh) with an average maturity of 9 months (9 months). Cash flow hedge accounting has been applied for these contracts. The net fair value of the natural gas swap contracts used as hedges for forecasted transactions as of December 31, 2011 was EUR 0 million (EUR 2 million), comprising liabilities of EUR -1 million (EUR 0 million) and assets of EUR 1 million (EUR 2 million), thereof non-current EUR 0 million (EUR 0 million). These amounts were recognised in other liabilities, other assets and in other comprehensive income.

Of the commodity cash flow hedges, EUR 10 million (EUR -8 million) in gains were removed from hedging reserve during 2011 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, 2011, receivables worth EUR 403 million (EUR 427 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 148 million (EUR 128 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 190 million).

24. Credit risk

Trade receivables credit risk
A credit control procedure has been established. 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	2011	2010
EU Countries	236	178
Non-EU in Europe	21	44
USA	13	16
Middle East and Asia	40	37
Other regions	42	43
	352	**318**

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

EUR million	2011	2010
Polyolefins	186	205
Base Chemicals	134	87
Other	32	26
	352	**318**

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: customers with repetitive slow payments or with weak financial situation
Risk category 5: customers paying cash in advance
Risk category 6: customers with secured payment terms (L/C or other)
Risk category 7: all new customers

The ageing of trade receivables at the reporting date was:

EUR million	2011 Gross	2011 Impairment	2010 Gross	2010 Impairment
Not past due				
Risk category 1	54	0	65	0
Risk category 2	55	0	37	0
Risk category 3	71	0	53	0
Risk category 4	118	0	124	0
Risk category 5	0	0	0	0
Risk category 6	20	0	12	0
Risk category 7	2	0	2	0
Past due 0-30 days				
Risk category 1	3	0	4	0
Risk category 2	2	0	4	0
Risk category 3	1	0	1	0
Risk category 4	20	0	4	0
Risk category 5	-3	0	-2	0
Risk category 6	0	0	0	0
Risk category 7	0	0	0	0
Past due 31-120 days				
Risk category 1	4	0	2	0
Risk category 2	0	0	1	0
Risk category 3	0	0	0	0
Risk category 4	1	0	2	0
Risk category 5	0	0	0	0
Risk category 6	0	0	0	0
Risk category 7	0	0	0	0
Past due over 120 days				
Risk category 1	2	0	4	0
Risk category 2	0	0	2	-2
Risk category 3	2	-1	2	-1
Risk category 4	7	-6	9	-6
Risk category 5	0	0	0	0
Risk category 6	0	0	0	0
Risk category 7	0	0	1	0
Total	**359**	**-7**	**327**	**-9**

EUR million	2011	2010
The movement in the allowance for impairment in respect of trade receivables		
Balance as of January 1	9	7
Impairment loss recognised	0	2
Written off	-1	0
Recoveries	-1	0
Balance as of December 31	**7**	**9**

In 2011, the Group did not renegotiate the terms of trade receivables.

The total guarantees received (including bank guarantees and parental guarantees) in respect of above receivables amount to EUR 125 million (EUR 83 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. Executive Board does not expect any counterparty to fail to meet any of its current obligations.

EUR million	2011	2010
Available for sale financial assets	23	22
Held to maturity investments	2	2
Financial assets at fair value through profit and loss	0	9
Loans and receivables		
Deposits	3	7
Trade receivables	352	318
Receivables from associated companies	227	230
Cash and cash equivalents	96	134
Derivative financial assets		
Foreign exchange derivative contracts	3	5
Commodity derivatives contracts	10	51
Total	**716**	**778**

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	2011		2010	
	Carrying amout	Fair value	Carrying amout	Fair value
Other investments				
Other investments	16	16	15	15
Available for sale financial assets	**16**	**16**	**15**	**15**
Other non-current receivables and assets				
Long-term deposits for tax requirements	7	7	7	7
Available for sale financial assets	**7**	**7**	**7**	**7**
Bonds	2	2	2	2
Held to maturity investments	**2**	**2**	**2**	**2**
Deposits and other receivables	3	3	7	7
Loans and receivables	**3**	**3**	**7**	**7**
Financial assets for which hedge accounting is applied				
Commodity derivative contracts	1	1	0	0
Hedging instruments	**1**	**1**	**0**	**0**
Total other non-current receivables and assets	**13**	**13**	**16**	**16**
Trade receivables				
Trade receivables	352	352	318	318
Loans and receivables	**352**	**352**	**318**	**318**
Receivables from associated companies				
Receivables from associated companies	227	227	230	230
Loans and receivables	**227**	**227**	**230**	**230**
Other current receivables and other assets				
Derivative financial assets for which hedge accounting in not applied				
Commodity derivative contracts	0	0	9	9
Financial assets at fair value through profit and loss	**0**	**0**	**9**	**9**
Financial assets for which hedge accounting is applied				
Commodity derivative contracts	9	9	43	43
Foreign exchange derivative contracts	3	3	5	5
Hedging instruments	**12**	**12**	**48**	**48**
Income taxes	33	33	9	9
Other assets	219	219	165	165
Other non-financial assets	**252**	**252**	**174**	**174**
Total current receivables	**843**	**843**	**779**	**779**

EUR million	2011		2010	
	Carrying amout	Fair value	Carrying amout	Fair value
Loans and borrowings non-current liabilities				
Floating rate loans and borrowings	322	322	389	389
Fixed rate loans and borrowings	694	709	683	699
Financial liabilities	**1,016**	**1,031**	**1,072**	**1,088**
Other non-current liabilities				
Financial liabilities for which hedge accounting is applied				
Commodity derivative contacts	10	10	0	0
Interest derivative contacts	8	8	0	0
Cross currency interest rate swaps	2	2	0	0
Foreign exchange derivative contacts	4	4	0	0
Hedging instruments	**24**	**24**	**0**	**0**
Loans and borrowings current liabilities				
Floating rate loans and borrowings current	158	158	29	29
Fixed rate loans and borrowings current	64	64	91	91
Financial liabilities	**222**	**222**	**120**	**120**
Trade payables				
Trade payables	620	620	635	635
Financial liabilities	**620**	**620**	**635**	**635**
Other current liabilities				
Interest accruals	18	18	19	19
Other financial liabilities	69	69	0	0
Financial liabilities	**87**	**87**	**19**	**19**
Derivative financial liabilities for which hedge accounting is not applied				
Commodity derivative contacts	0	0	16	16
Foreign exchange derivative contacts	1	1	0	0
Financial liabilities at fair value through profit or loss	**1**	**1**	**16**	**16**
Financial liabilities for which hedge accounting is applied				
Commodity derivative contacts	21	21	8	8
Interest derivative contacts	1	1	15	15
Foreign exchange derivative contacts	10	10	0	0
Cross currency interest rate swap	0	0	3	3
Hedging instruments	**32**	**32**	**26**	**26**

EUR million	2011		2010	
	Carrying amout	Fair value	Carrying amout	Fair value
Other liabilities	206	206	191	191
Other non-financial liabilities	**206**	**206**	**191**	**191**
Total other current liabilities	**326**	**326**	**252**	**252**
Fair value over carrying amount		**-15**		**-16**

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 less active markets , or other valuation techniques, where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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 amounts to:

EUR million	2011	2010
Operating leases		
1 year	11	14
2-5 years	23	29
Thereafter	2	8
Total	**36**	**51**
Operational lease payments during current year	18	18

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	2011							
	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans	Borrowings	Interest received	Interest paid
Associates	111	444	227	81	0	0	0	0
Parent company	1	0	0	0	0	0	0	1
Companies with significant influence	1,569	53	4	136	0	0	0	1
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	17	1	0	1	0	0	0	0
	1,698	**498**	**231**	**218**	**0**	**0**	**0**	**2**

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**

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.

For details in respect to remuneration of key management personnel please see note 10. The receivables from associates include amongst other securitisation related transactions as per note 23.

In October 2011 Borealis repaid the subordinated loan reported under Borrowings.

28. Commitments and contingencies

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

Financial guarantees
The Borealis Group has EUR 12 million (EUR 16 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 Group is subject to numerous national and local tax laws and regulations concerning its sales and environmental activities. These laws and regulations may require the Group to issue guarantee to respective authorities for the Group's payment obligations. These guarantees have been provided to the extent the authorities have requested.

The Group has committed several rental guarantees mainly for own rental agreements. The Group would be responsible if the tenant or Borealis itself fails to pay rent or causes any damages to the property. No material losses are expected to arise from such contingent liabilities.

29. Subsequent events

On January 31, 2012 Borealis AG has acquired PEC-Rhin in Ottmarsheim, France from GPN in Nanterre, France, a 100% subsidiary of Total in Paris, France. The relevant antitrust authorities have approved the acquisition. PEC-Rhin is a producer of nitrate fertilizers as well as ammonia, ammonia water and nitric acid for industrial use. This acquisition will complement Borealis' existing fertilizer business and will enable the company to further grow in Central and Eastern Europe. The recently executed transaction is still subject to finalisation.

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

30. Acquisition and disposal of subsidiaries

In 2011 Borealis has neither acquired nor sold any subsidiary.

In December 2010 Borealis has acquired 100% of the company KB Munkeröd 1:72, Stenungsund, Sweden. In 2010 Borealis has not sold any subsidiaries.

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
• 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 Poliolefinas da América do Sul Ltda*	Brazil, Itatiba	BRL	16,000	100
• 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, Suressnes	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 Feuerwehr GmbH*	Austria, Schwechat	EUR	35,000	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 Bulgaria EOOD*	Bulgaria, Sofia	BGN	10,000	100
••• LINZER AGRO TRADE d.o.o. za trgovinu*	Croatia, Klisa	HRK	21,200	100
••• LINZER AGRO TRADE Czech Republic spol. s.r.o.*	Czech Rep., Budweis	CZK	2,000,000	100
••• LINZER AGRO TRADE ROMANIA S.R.L*	Romania, Bucharest	RON	5,306,650	100
••• LINZER AGRO TRADE d.o.o.*	Serbia, Belgrade	EUR	800,000	100
••• LINZER AGRO TRADE Slovakia s.r.o.*	Slovakia, Chotin	EUR	497,909	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	2011	2010
Audit of consolidated financial statments	271,000	260,600
Other audit related services	70,000	185,000
Other services	23,275	31,000

33. Executive Board and Supervisory Board

Executive Board: Mark Garrett, Daniel Shook, Herbert Willerth, Gerd Löbbert, Markku Korvenranta

Supervisory Board: Khadem A. Al-Qubaisi (chairman), Gerhard Roiss (deputy chairman), Mohamed A. Al-Azdi, Mohamed H. Al Mehairi, David C. Davies

Vienna, February 16, 2012

Executive Board:

Mark Garrett
Chief Executive

Daniel Shook
Chief Financial Officer

Markku Korvenranta

Herbert Willerth

Gerd Löbbert

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