Financial Report 2011

Financial Statements Standalone

Borealis AG

About Borealis

Borealis is a leading provider of chemical and innovative plastics solutions that create value for society. With sales of EUR 7.1 billion in 2011, customers in over 120 countries, and 5,300 employees worldwide, Borealis is owned 64% by the International Petroleum Investment Company (IPIC) of Abu Dhabi and 36% by OMV, the leading energy group in the European growth belt. Borealis is headquartered in Vienna, Austria, and has production locations, innovation centres and customer service centres across Europe and the Americas.

Through Borouge, a joint venture between Borealis and the Abu Dhabi National Oil Company (ADNOC), one of the world's major oil and gas companies, the company's footprint reaches out to the Middle East, Asia Pacific, the Indian sub-continent and Africa. Established in 1998, Borouge employs approximately 1,700 people, has customers in more than 50 countries and its headquarters are in Abu Dhabi in the UAE and Singapore.

Building on Borealis' unique Borstar® technology and their more than 50 years experience in polyolefins, Borealis and Borouge provide innovative, value creating plastics solutions for the infrastructure (pipe systems and power and communication cables), automotive and advanced packaging markets. In addition, Borealis offers a wide range of base chemicals from melamine and fertilizer to phenol and acetone.

Today Borealis and Borouge have a manufacturing capacity of over 5.4 million tonnes of polyolefins (polyethylene and polypropylene) per year having recently completed a 1.5 million tonne expansion in Abu Dhabi. The Borouge 3 plant expansion will be completed at the end of 2013 with a further capacity of 2.5 million tonnes per year (t/y) being fully operational in mid-2014. The companies continue to invest to ensure that their customers throughout the value chain and across the globe, can always rely on product quality, consistency and security of supply.

Borouge and Borealis are committed to the principles of Responsible Care® and proactively contribute to addressing the world's water and sanitation challenges through their Water for the World™ initiative.

For more information visit:
www.borealisgroup.com
www.borouge.com
www.waterfortheworld.net

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Our values

Responsible

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

Respect

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

Exceed

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

Nimblicity™

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

Our strategy is clear

We will ...

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 business

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

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

Polyolefins

Infrastructure

Pipe systems

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

Energy and communication cables

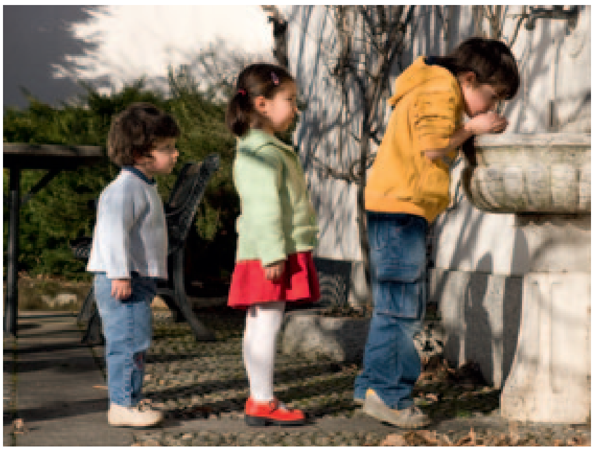
As a leading provider of polyolefin compounds for the global wire and cable industry, Borealis' solutions are widely used in low, medium and high-voltage energy transmission and distribution cables, in data and communication cables, and in building and automotive wires.

Automotive

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

Advanced packaging

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



Base Chemicals

Feedstocks and olefins

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

Phenol and aromatics

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

Fertilizer and melamine

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

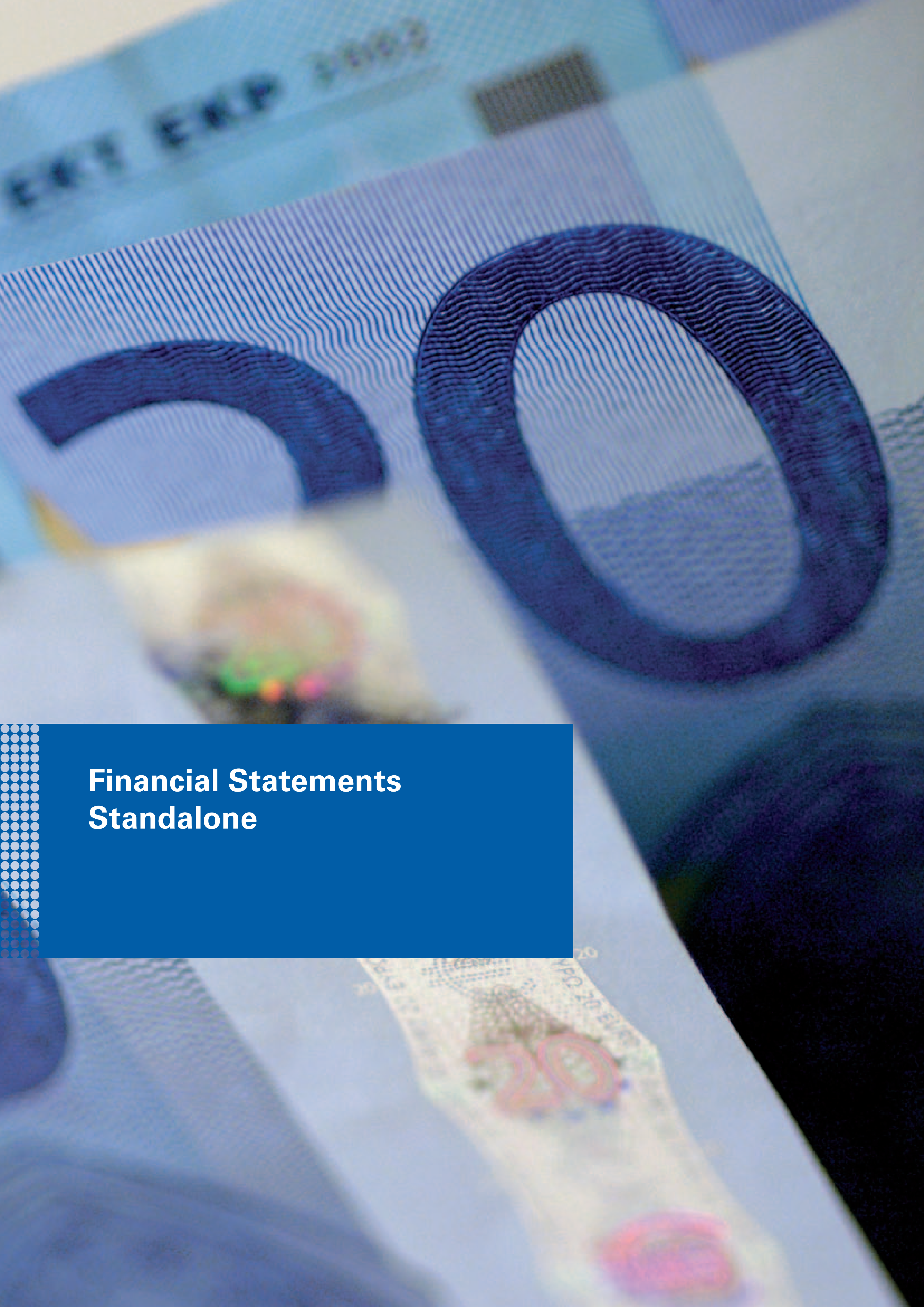
Borstar® – Our leading edge technology

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

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

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

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



Financial Statements Standalone

Balance Sheet as at December 31, 2011

Assets

	2011 EUR	2010 EUR k
A. Fixed assets		
I. Intangible assets		
1. Licenses	6,540,416.13	7,354
2. Industrial property rights	0.00	0
3. Prepayments	0.00	0
	6,540,416.13	**7,354**
II. Tangible assets		
1. Furniture and fixtures	1,072,275.07	1,457
2. Vehicles	56,955.41	76
3. Assets under construction	11,347.30	22
	1,140,577.78	**1,555**
III. Financial assets		
1. Investments in affiliated companies	1,976,398,950.05	2,348,736
2. Loans to affiliated companies	72,000,000.00	32,000
3. Investments in associated companies	662,016,716.33	662,017
	2,710,415,666.38	***3,042,753***
	2,718,096,660.29	**3,051,662**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	306,161,067.16	228,258
2. Finished goods and merchandise	471,788,066.00	509,587
	777,949,133.16	**737,845**
I. Accounts receivable and other assets		
1. Trade accounts receivable	247,025,897.68	245,045
2. Accounts receivable from affiliated companies	632,885,642.63	642,708
3. Accounts receivable from associated companies	197,252,626.28	177,662
4. Other receivables and assets	128,444,121.26	119,212
	1,205,608,287.85	***1,184,627***
II. Cash at banks	***84,879,390.34***	***41,101***
	2,068,436,811.35	**1,963,573**
C. Prepaid expenses	**11,494,689.22**	**7,182**
	4,798,028,160.86	**5,022,418**

Liabilities and Shareholders' Equity

	2011 EUR	2010 EUR k
A. Shareholders' equity		
I. Share capital	300,000.00	300
II. Capital reserves		
1. Appropriated	101,604,460.00	101,604
2. Unappropriated	1,739,783,410.00	1,739,783
III. Revenue reserves		
1. Legal reserve	30,000.00	0
IV. Net profit for the year	188,687,169.29	118,437
thereof profit carried forward: EUR 18,436,748.15 2010: EUR 604,191k		
	2,030,405,039.29	**1,960,124**
B. Provisions		
Other provisions	**136,972,046.99**	**180,623**
C. Liabilities		
1. Bonds	200,000,000.00	200,000
2. Bank loans and overdrafts	933,564,373.48	770,350
3. Trade accounts payable	376,404,941.01	456,083
4. Accounts payable to affiliated companies	1,020,879,464.66	1,452,517
5. Accounts payable to associated companies	80,176,757.00	30
6. Other liabilities	19,625,538.43	2,691
thereof taxes: EUR 11,591,268.21 2010: EUR 1,291k thereof social security: EUR 0; 2010: EUR 0k		
	2,630,651,074.58	**2,881,671**
	4,798,028,160.86	**5,022,418**
Contingent liabilities	32,000,000.00	140,334

Income Statement for the Year 2011

	2011 EUR	2010 EUR k
1. Sales	6,498,376,572.06	5,794,351
2. Increase or decrease in inventories	-37,798,666.07	509,587
3. Other operating income		
Other income	109,860,406.85	133,586
4. Cost of materials and purchased services		
a) Cost of materials	-5,192,276,449.09	-5,088,836
b) Cost of purchased services	-768,212,773.38	-760,988
	-5,960,489,222.47	-5,849,824
5. Personnel expenses		
a) Salaries	-45,820,134.25	-38,033
b) Expenses for severance payments and corporate staff and self-employment fund contributions	-1,019,431.19	*-243*
c) Pension fund contributions	-1,403,427.94	-2,553
d) Expenses for statutory social security and payroll related taxes and contributions	-4,138,935.61	-3,302
e) Other social benefits	-631,842.42	-1,468
	-53,013,771.41	-45,599
6. Amortization and depreciation of intangible and tangible assets	-1,318,884.07	-12,526
7. Other operating expenses		
a) Taxes, other than those reported in line item 17	-1,296,756.08	-1,486
b) Other expenses	-520,651,438.44	-538,774
8. Subtotal from line 1 to 7 (Operating result)	**33,668,240.37**	***-10,685***
9. Income from investments thereof affiliated companies: EUR 540,338,078.82; 2010: EUR 1,306k	540,338,078.82	1,306,127
10. Interest income on loans to affiliated companies thereof affiliated companies: EUR 1,557,471.08; 2010: EUR 1,332k	1,557,471.08	1,322
11. Other interest and similar income thereof affiliated companies: EUR 26,212,505.73; 2010: EUR 19,076k	41,123,008.82	46,281
12. Gains on disposal of investments	1,588,236.12	0
13. Expenses arising from financial assets Write-down of investments in affiliated companies EUR 313,300,000.00; 2010: EUR 1,795k	-313,300,000.00	-1,794,751
14. Interest and similar expenses thereof affiliated companies: EUR 26,215,535.56; 2010: EUR 19,972k	-134,687,614.07	-133,267
15. Subtotal from line 8 to 14 (Financial result)	***136,619,180.77***	***-574,288***
16. Results on ordinary activities	***170,287,421.14***	**-584,973**
17. Taxes on income	-7,000.00	-781
18. Net income/loss for the year	**170,280,421.14**	**-585,754**
19. Release of capital reserves	0.00	100,000
20. Allocation to revenue reserves	-30,000.00	0
21. Profit carried forward from previous years	***18,436,748.15***	604,191
22. Net profit/loss for the year	**188,687,169.29**	**118,437**

Financial Statements as at December 31, 2011

N O T E S

I. ACCOUNTING AND VALUATION POLICIES

The financial statements have been prepared in accordance with the Austrian Commercial Code (“UGB”), Austrian Generally Accepted Accounting Principles, and the general standard of presenting a true and fair view of the financial position, financial performance and cash-flows of the entity. The presentation of the financial statements also corresponds with the criteria set out in the Austrian Commercial Code.

Presentation, valuation and disclosure of financial statement items are in line with the Austrian Commercial Code and its special regulations for corporations. The financial statements have been prepared on a going concern basis and assets and liabilities have been reported using the unit account method of valuation.

Tangible and intangible assets are reported at cost less accumulated depreciation and impairment losses. Impairments of tangible and intangible assets in excess of scheduled depreciation are recognized as write-downs in case impairment is deemed to be sustainable. No impairments have been recognized during financial year.

Financial assets are carried at cost. In case of sustained and material impairment lower fair value is recognized. During the financial year, the applied write-down due to impairment on investments in affiliated companies amounted to EUR 313,300,000.00 (2010: EUR 1,794,751k).

Raw materials and supplies are capitalized at acquisition cost in line with the weighted average price method. Finished goods are carried at the lower of production cost originating company’s cost accounting and net sales value. Acquisition cost is stipulated following the first-in, first-out (FIFO) method.

Production costs comprise:

- prime costs
- special production costs
- Variable factory overheads

Accounts receivable and other assets are reported at fair value. All recognizable individual risks were accounted for by valuation allowances.

Provisions for jubilee payments are calculated in accordance with IFRS (IAS 19) using an interest rate of 4.75 % (2010: 4.25 %).

At balance sheet date all risks recognizable in the light of sound commercial judgement and contingent liabilities are provided for; including provisions for impending losses from negative fair values of derivative instruments.

Liabilities are reported at the amount repayable.

The income statement has been prepared using the expenditure format.

Obligatory disclosures on financial statements items have been omitted in case there had been no corresponding facts.

The financial statements are prepared in Euro (i.e. reporting currency). Generally receivables denominated in other currencies are valued at the lower of acquisition rate and the exchange rate prevailing on balance sheet date, whereas liabilities denominated in foreign currencies are valued at the higher of rate of origin or exchange rate prevailing at balance sheet date.

Basically, derivative financial assets are reported at the lower of acquisition cost or fair value at balance sheet date. Provisions for impending losses from unclosed transactions are measured following the imparity principle at the unit account method. Starting with 2011 due to implementation of the new AFRAC-position paper (Austrian Financial Reporting and Auditing Committee) derivative financial instruments designated for hedging purposes are presented and measured as a unit with the underlying transaction. Fair value hedges (i.e. hedges of the exposure to changes in fair value of a recognized asset or liability or unrecognized firm commitment) as well as cash-flow hedges (i.e. hedges of the exposure to changes in cash flows) are in use. A prerequisite for hedge accounting is primarily effectiveness of the hedge relationship which is represented by matching risks and chances out of hedged items or transactions and hedging instruments, matching currencies and interest maturities, matching credit ratings and durations. Hedging cash flows requires the hedge to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk (risks of transactions being matched by counter-risks of derivatives) during the period for which the hedge is designated.

Hedge accounting requires the entity to assess retrospectively whether the hedge relationship was highly or completely effective during the particular period. Hedge ineffectiveness of designated derivative instruments is recognized in profit or loss via provisions for impending losses.

Hedge accounting requires designated derivatives to form a valuation unit with the hedged transactions or items. Foreign exchange receivables and payables with its exchange risk being hedged by foreign exchange transactions are measured at the forward exchange rate. In case of effective hedge relationships, measurement of provisions for impending losses of designated derivatives is based on opposite income-related cash flows of the hedged transaction.

Applying the option not to report deferred tax assets on the balance sheet according to Section 198 Par. 10 of the Austrian Commercial Code, deferred tax assets amounting to EUR 7,929k (2010: EUR 2,481k) have not been capitalized.

The following companies signed toll manufacturing contracts with Borealis, starting business on January 1, 2010:

- Borealis Polyolefine GmbH, Austria
- Borealis Polymere GmbH, Germany
- Borealis Polymers N.V., Belgium
- Borealis Kallo N.V., Belgium
- Borealis Antwerpen Compounding N.V., Belgium
- Borealis Italia S.p.a., Italy
- Borealis AB, Sweden
- Borealis Polymers Oy, Finland

Borealis AG supplies all raw materials, consumables and other means of production to the toll manufacturers for finished goods fabrication. Finished goods as well as productive factors remain in the property of Borealis AG, with end products being marketed by Borealis itself and toll manufacturers being remunerated market rates for their services.

II. NOTES TO THE BALANCE SHEET

A S S E T S

A. Fixed assets

Movement of fixed assets in 2011 are shown in the statement of fixed assets (Annex 1 to the Notes).

Intangible assets

Intangible assets purchased from affiliated companies amount to historic values of EUR 13,453,272.85 (2010: EUR 13,453k).
Amortization/Depreciation is calculated on a straight-line basis over expected useful lives of three to fifteen years.

Tangible assets

Amortization/Depreciation is calculated on a straight-line basis over expected useful lives of three to ten years.

Financial assets

Investments in affiliates and associated companies are broken down into the following table:

Values in EUR millions	Investment in %	Equity IFRS EUR mln	Net profit IFRS EUR mln
Investments in affiliated companies			
Borealis A/S, Copenhagen, Denmark	100,00	5	-4
Borealis UK Ltd, Manchester, UK	100,00	1	0
Borealis Agrolinz Melamine GmbH, Linz, Austria	100,00	146	52
Borealis Italia S.p.A., Monza, Italy	100,00	13	0
Borealis Polyolefine GmbH, Schwechat, Austria	99,99	164	15
Borealis Compounds Inc., Rockport, USA	100,00	60	4
Borealis Polymers OY, Finland	100,00	347	22
Borealis Sverige AB, Sweden	100,00	334	78
Borealis Technology OY, Finland	100,00	214	-7
Borealis France S.A.S., Suressnes, France	100,00	2	0
Poliolefinas Borealis Espana S.A., Barcelona, Spain	100,00	1	0
Borealis s.r.o., Prague, Czech Republic	100,00	0	0
Borealis Polska Sp z.o.o., Warsaw, Poland	100,00	0	0
Borealis Portugal SGPS S.A., Sines, Portugal	100,00	18	0
Borealis Asia Ltd, Hong Kong	100,00	0	0
Borealis Insurance A/S, Copenhagen, Denmark	100,00	48	6
Borealis Polymere GmbH, Burghausen, Germany	100,00	57	5
Borealis Plasticos SA, Mexico	99,99	0	0
Borealis Brasil SA, Itatiba, Brazil	80,00	59	6
Borealis Poliolefinas da América do Sul Ltda, Brazil	99,99	0	0
Borealis Funding Company Ltd, Ramsey, Isle of Man, UK	100,00	0	0
Borealis Financial Services NV, Mechelen, Belgium	99,99	145	11
Borealis Polymers N.V., Mechelen, Belgium	100,00	531	23
Borealis Antwerpen Compounding N.V., Belgium	100,00	5	0
Borealis Kallo N.V., Belgium	99,99	74	4

Investments in associated companies

Abu Dhabi Polymers Company Ltd, Abu Dhabi	40	1,355	323
Borouge Pte, Singapore	50	13	10
Borealis Financial Services Ltd, Jersey, UK	25	0	0

Loans to affiliated companies totalling EUR 72,000,000 (2010: EUR 32,000k) will mature with an amount of EUR 32,000,000 (2010: EUR 32,000k) in three years and an amount of EUR 40,000,000 (2010: EUR 0k) in more than five years.

B. Inventories

	2011 EUR k	2010 EUR k
Raw materials and supplies	306,161	228,258
Finished goods and merchandise	471,788	509,587
	777,949	737,845

C. Current assets

Accounts receivable from affiliated companies totalling EUR 632,885,642.63 (2010: EUR 642,708k) are broken down into trade receivables of EUR 15,903,578.41 (2010: EUR 18,787k) and other receivables of EUR 616,982,064.82 (2010: EUR 623,921k). Receivables from affiliated companies with maturities of more than one year amounted to EUR 74,258,131.77 (2010: EUR 88,085k).

Accounts Receivable from associated companies of EUR 197,252,626.28 (2010: EUR 177,662k) are broken down into trade receivables of EUR 48,993,806.88 (2010: EUR 49,904k) and other receivables of EUR 148,258,819.40 (2010: EUR 127,758k). All receivables from associated companies are due within one year, same as for 2010.

All trade accounts receivable are due within one year, same as for 2010.

The increase in other receivables and assets is mainly due to receivables from VAT credits, which have risen sharply due to the switch to toll manufacturing.

Other receivables and assets do not contain any material income, which will become payment effective after balance sheet date.

SHAREHOLDERS' EQUITY AND LIABILITIES

A. Shareholders' equity

Share capital

At the Extraordinary General Meeting dated May 22, 2007, a resolution was approved for an increase in share capital by EUR 137,142.86 from EUR 142,857.14 to EUR 280,000.00. This capital increase was disclosed by reclassification of part of unappropriated additional paid-in capital.

At the Extraordinary General Meeting of Borealis GmbH, Vienna, dated June 20, 2007 it was agreed to change the company structure from a limited liability company to a joint stock company.

At the first Extraordinary General Meeting of Borealis AG, Vienna, on August 6, 2007, it was agreed to raise the share capital of the company from EUR 280,000.00 to EUR 300,000.00 issuing 20,000 new bearer shares by contributing the economic ownership of stocks in AMI Agrolinz Melamine International GmbH, Linz.

Share capital consists of 300,000 bearer shares at balance sheet date.

Capital reserves (additional paid-in capital)

The reported unappropriated additional paid-in capital results from indirect shareholder grants by OMV Aktiengesellschaft amounting to EUR 10,000 and by OMV Refining & Marketing GmbH amounting to EUR 643,990,000.

In addition, on the basis of an agreement of a contribution in kind between Borealis AG, Vienna and IPIC Denmark Holdings ApS dated December 5, 2005, relating to a 40 per cent interest in Borealis A/S and a 50 per cent interest in IOB, a sum of EUR 1,195,920,552.86 was allocated to additional paid-in capital.

An amount of EUR 137,142.86 of the additional paid-in capital was reclassified to share capital in 2007.

Furthermore, due to an agreement of a contribution in kind between Borealis AG, Vienna, International Petroleum Investment Company, Abu Dhabi, and OMV Aktiengesellschaft, Vienna, regarding AMI Agrolinz Melamine International GmbH, Linz, an amount of EUR 101,604,460 was allocated to the appropriated additional paid-in capital.

In 2010 EUR 100,000,000 of capital reserves were released.

.B. Provisions

Other provisions

	2011 EUR k	2010 EUR k
Customer rebates and bonuses	45,487	44,148
Long-term incentive scheme	6,239	2,710
Impending losses from uncompleted transactions	2,500	49,947
Restructuring	904	4,061
Outstanding invoices	45,052	48,771
Employee bonuses	6,362	7,494
Commissions	1,857	2,615
Unconsumed leave	999	917
Accrued interest	16,383	17,157
Other	11,189	2,803
	136,972	180,623

Other Provisions include a provision for employee jubilee payments amounting to EUR 555k (2010: 513k).

C. Liabilities

The maturities of all payables are shown in the following table:

	Remaining period to maturity			
	<one year	>one year	>five years	Carrying value
	EUR	EUR	EUR	EUR
Bonds	0.00	0.00	200,000,000.00	200,000,000.00
2010:	0.00	0.00	200,000,000.00	200,000,000.00
Bank loans and overdrafts	215,789,307.73	182,305,543.75	535,469,522.00	933,564,373.48
2010:	5,551,851.56	383,052,105.38	381,746,344.82	770,350,301.76
Trade accounts payable	376,404,941.01	0.00	0.00	376,404,941.01
2010:	456,082,777.19	0.00	0.00	456,082,777.19
Accounts payable to affiliated companies	988,879,464.66	0.00	32,000,000.00	1,020,879,464.66
2010:	1,420,516,521.85	0.00	32,000,000.00	1,452,516,521.85
Accounts payable to associated companies	80,176,757.00	0,00	0.00	80,176,757.00
2010:	29,895.83	0,00	0.00	29,895.83
Other liabilities	19,625,538.43	0.00	0.00	19,625,538.43
2010:	2,690,756.92	0.00	0.00	2,690,756.92
	1,680,876,008.83	182,305,543.75	767,469,522.00	2,630,651,074.58
2010:	1,884,871,803.35	383,052,105.38	613,746,344.82	2,881,670,253.55
Contingent liabilities	0.00	0.00	32,000,000.00	32,000,000.00
2010:	45,012,523.25	63,321,000.00	32,000,000.00	140,333,523.25
hereof affiliated companies	0.00	0.00	32,000,000.00	32,000,000.00
2010:	45,012,523.25	63,321,000.00	32,000,000.00	140,333,523.25

Accounts payable to affiliated companies totalling EUR 1,020,879,464.66 (2010: EUR 1,452,517k) consist of financial payables of EUR 908,618,077.11 (2010: EUR 1,329,898k) and trade payables of EUR 112,261,387.55 (2010: EUR 122,619k).

Accounts payable to associated companies amounting to EUR 80,176,757.00 (2010: EUR 30k) are trade payables.

In April 2010 a 7-year bond was issued with a nominal value of EUR 200,000k and a fixed interest rate of 5.375%. The bond is listed at the secondary market of the Vienna Stock Exchange.

Other liabilities do not contain any material expenses that will become payment effective after balance sheet date.

D. Obligations from the use of fixed assets not stated in the balance sheet (i.e. lease and rental agreements)

	expenses for the next year **EUR k**	expenses for the next five years **EUR k**
Obligations from lease agreements	259	646
Obligations from rental agreements	2,315	7,354
	2,574	8,000

E. Notes to Financial instruments

According to the financial policy of Borealis Group, inter alia, derivative instruments are designated to hedge relationships in order to reduce the risks of operating, finance and investment activities, i.e. risks of foreign exchange rates, interest rates and commodity prices.

Financial risk management is centralised in the Treasury and Funding Department where foreign exchange risks out of short-term cash-flows are hedged and limits for long-term foreign exchange exposures are set. The majority of borrowings are based on variable interest rates, which are transformed into fixed interest rates using interest rate swaps. Part of its forecast feedstock purchases and finished goods sales are hedged by feedstock swaps. Commodity price risks are managed by feedstock traders and monitored by Trade Support and Risk Management. Forecast energy purchases are hedged by using electricity and natural gas swaps.

At balance sheet date financial instruments were broken down as follows and reported in the respective balance sheet items:

	notional value		fair value		carrying value	balance sheet item
			positive	negative		
		unit	EUR k	EUR k	EUR k	
Derivatives						
Forward Exchange Transactions	907,620	EUR k	3,033	-14,050	-	
thereof valuation unit with hedged transaction	*907,620*	*EUR k*	*3,033*	*-14,050*		
Interest Rate Swaps	367,000	EUR k	-	-7,265	-229	Other Provisions
	30,000	USD k	-	-1,395	-	
thereof valuation unit with hedged transaction	*297,000*	*EUR k*	-	*-7,036*		
	30,000	*USD k*	-	*-1,395*		
Foreign Exchange Derivative Contracts	48,740	USD k	-	-2,271	-2,271	Other Provisions
thereof valuation unit with hedged transaction	-		-	-		
Commodity Futures	540	kt	7,956	-4,653	-	
	6,385	GWh	1,975	-26,089	-	
thereof valuation unit with hedged transaction	*540*	*kt*	*7,956*	*-4,653*	-	
	6385,0	*GWh*	*1,975*	*-26,089*	-	

Fair value of forward exchange contracts is the quoted market price at balance sheet date, i.e. the present value of the quoted forward price. Fair value of interest rate swaps is the calculated amount the Group would receive or pay in case of closing of the position at balance sheet date, with current interest rates taken into account. Fair value of commodity futures is the market price quoted at balance sheet date.

Impending losses from negative fair values of derivative instruments not presented as valuation units have been provided for in provisions amounting to EUR 2,500k at balance sheet date. Previous year provisions for impending losses from negative fair values of derivative instruments amounted to EUR 43,463k and have mainly been released during the year 2011.

Forward exchange transactions mature at an average of 12 months, with a few isolated transactions maturing in the year 2015. At balance sheet date Borealis had outstanding interest rate derivatives with maturities until 2014 and a foreign exchange derivative contract maturing in the year 2016. Commodity futures mature at an average of 12 months up to the year 2014.

Provisions for impending losses are accrued for forward exchange transactions and commodity futures, respectively, in case those transactions show a negative fair value at balance sheet date and are not designated as hedging instruments or the hedge itself (i.e. valuation unit) shows a negative fair value. Interest rate swaps for interest bearing loans are not capitalized as they are regarded to form a valuation unit with the underlying loan.

Expenses and income from derivative instruments not designated to hedge relationships are generally disclosed in profit and loss items other operating expenses and other operating income, respectively. Equally, results from derivative instruments related to financing or financial investments are generally disclosed in financial result. In case derivatives are designated hedging instruments, results thereof are disclosed in the same profit and loss item as the results of the hedged transaction.

Hedge effectiveness of all existing hedges is assessed prospectively using the critical term match method. The retrospective assessment uses the cumulative dollar-offset-method. For a hedge to be classified highly effective the actual results of the hedge (retrospective hedge effectiveness assessment) have to be within a range of 80 to 125 per cent.

F. Contingent Liabilities

Borealis AG furnished guarantees amounting to EUR 32,000k (2010: EUR 140,334k) to affiliated companies for their external loans.

III. NOTES TO THE INCOME STATEMENT

1. Sales and cost of materials

Sales and cost of materials relate to the sale of Borealis Group products predominantly to external customers.

Sales by market and business areas		**2011**		
in EUR k	Polyolefins	Base chemicals	Other	Total
EU countries	3,197,431	1,686,417	78,183	4,962,031
non-EU countries	682,347	5,797	-	688,144
Total Europe	3,879,778	1,692,214	78,183	5,650,175
North America	111,584	55,421	-	167,005
South America	161,790	-	-	161,790
Middle East (excl UAE)	77,982	13,461	-	91,443
United Arab Emirates	64,455	-	14,818	79,273
Asia	240,909	34,161	-	275,070
Australia, New Zealand	2,546	-	-	2,546
Africa	71,075	-	-	71,075
Total	4,610,119	1,795,257	93,001	6,498,377

Sales by market and business areas		**2010**		
in EUR k	Polyolefins	Base chemicals	Other	Total
EU countries	3,069,679	1,200,757	-	4,270,436
non-EU countries	623,662	73,210	-	696,872
Total Europe	3,693,341	1,273,967	-	4,967,308
North America	84,334	17,556	-	101,890
South America	156,528	7,289	-	163,817
Middle East (excl UAE)	24,729	454	-	25,183
United Arab Emirates	135,253	-	26,871	162,124
Asia	303,765	10,207	797	314,769
Australia, New Zealand	2,848	1,795	-	4,643
Africa	53,898	720	-	54,618
Total	4,454,696	1,311,988	27,668	5,794,351

2. Personnel expenses

The average number of employees was 174 (2010: 153) as at December 31, 2011.

Pension fund as well as corporate staff and self-employment fund contributions are broken down as follows:

	2011 EUR	2010 EUR k
Board of Management	434,669.74	1,851
Managerial Employees	156,766.81	139
Other Employees	1,831,422,58	806
	2,422,859,13	2,796

Severance payments amounted to EUR 269k (2010: EUR 26k):

	2011 EUR	2010 EUR k
Board of Management	0.00	0
Managerial Employees	0.00	0
Other Employees	269,347.00	26
	269,347.00	26

3. Other operating expenses

	2011 EUR k	2010 EUR k
Other		
Freight	265,386	257,049
Storage	16,661	17,433
Insurance	8,701	8,775
Consulting services	12,980	10,227
Charged management expenses	70,134	71,670
Commission	14,813	16,971
Rents	4,340	4,590
Travel expenses	3,387	2,515
Trainings, seminars	1,637	1,405
Royalties	96,348	100,215
Results from commodity derivatives	-	20,579
Sundry	26,264	27,345
	520,651	**538,774**

Realized results from commodity derivatives (raw materials) amounting to EUR 10,234k are part of the profit and loss item “Cost of materials”.

4. Audit expenses

	2011 EUR	2010 EUR k
Audits of statutory national and consolidated financial statements	271,420.00	261
Other assurance services	70,000.00	185
Other services	23,275.00	31
	364,695.00	477

5. Financial result

Financial result is broken down as follows:

	2011 EUR k	2010 EUR k
Income from investments		
Borealis A/S, Denmark	-	402,500
IOB Holdings A/S, Denmark	-	402,452
Borealis Polska	25	95
Borealis Polymers OY, Finland	391,000	-
Borealis Polymere GmbH, Germany	9,780	-
Borealis Brasil S.A., Brazil	2,099	2,314
Borealis Italia S.p.A.,Italy	1,300	-
Borealis Sverige AB, Sweden	106,004	-
Borealis s.r.o.	130	152
Borealis France S.A.S	-	181
Borealis GmbH (Austria) Aps, Denmark	-	25,433
Borealis N.V. (Belgium) Aps, Denmark	-	473,000
Borealis Agrolinz Melamine GmbH, Austria	30,000	-
	540,338	1,306,127
Interest income on loans		
Borealis Technology Oy, Finland	1,322	1,322
Borealis Polyolefine GmbH, Austria	236	-
	1,558	1,322
Income from disposal of financial investments		
IOB Holding A/S, Denmark	1,588	-
Other interest and similar income		
Interest and other income from interest rate swaps and foreign exchange hedges	13,671	24,411
Interest income from intercompany financing	24,655	19,076
Interest income from securitization for forfaiting	1,843	592
Other	954	2,202
	41,123	46,281

Interest and similar expenses

Interest expense from intercompany financing	26,216	14,942
Interest expense from interest rate swaps and foreign exchange hedges	15,714	29,406
Write-down of financial assets	313,300	1,794,751
Results from foreign exchange translations	35,336	45,136
Interest from banks	42,610	32,441
Interest expense from securitization for forfaiting	6,311	2,326
Other	8,501	9,016
	447,988	1,928,018
Financial result	**136,619**	**-574,288**

The write-down of financial assets relates exclusively to the partial write-down for the affiliated companies Borealis A/S, IOB Holdings A/S, Borealis GmbH (Austria) Aps and Borealis N.V. (Belgium) Aps due to dividend payments.

6. Income taxes

Since 2008 the company has been the tax parent in a tax group in line with Section 9 of the Austrian Corporation Tax Act. Group member is Borealis Polyolefine GmbH, Schwechat.

According to the group tax contract the group is charged with the related corporation tax expense attributable to any positive result. Negative results have to be documented by the group parent and offset against positive future results without immediate tax charges to be paid.

Provisions for notional accumulated losses brought forward from Borealis Polyolefine GmbH amounting to EUR 260,033k (2010: 242,013k) have not been accrued for in 2011 since the termination of the tax group or withdrawal of the group member is being not planned and these existing losses carried forward have not been utilized against profits yet.

IV. OTHER INFORMATION

Board of Management

Mark Garrett
Daniel James Shook
Herbert Willerth
Gerd Löbbert
Markku Korvenranta

Supervisory Board

Khadem Al Qubaisi
Gerhard Roiss
Mohamed Abdulla Al Azdi
Mohamed Al Mehairi
David Charles Davies

Salaries of Board of Management members amounted to EUR 5,034k (2010: 3,771k) along with additional payments into pension funds amounting to EUR 435k (2010: EUR 1,851k).

Active members of the Supervisory Board received a remuneration totalling EUR 836k (2010: EUR 836k).

Members of the Company Boards have not been granted advances, loans or guarantees.

Borealis AG is a large joint stock company pursuant to Section 221 of the Austrian Company Code.
Borealis AG prepares consolidated financial statements in compliance with International Financial Reporting Standards (IFRS) issued by the International Reporting Committee (IFRIC) as adopted by the EU. The consolidated financial statements are filed under FN 269858a at the Commercial Register in Vienna.

Borealis AG is included in the consolidated financial statements of the International Petroleum Investment Company (IPIC), Abu Dhabi.

Vienna, February 16, 2012

Executive Board

Mark Garrett

Daniel Shook

Markku Korvenranta

Herbert Willerth

Gerd Löbbert

Statement of Fixed Assets for the Year 2011

	Acquisition Cost						Carrying Value		
	Balance as at Jan. 1, 2011 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	Balance as at Dec. 31,2011 EUR	Depreciation/ Amortization accumulated EUR	as at Dec. 31, 2010 EUR	as at Dec. 31, 2011 EUR	Depreciation EUR
Intangible assets									
Licences	38,307,023.32	0.00	0.00	0.00	38,307,023.32	31,766,607.19	7,354,301.81	6,540,416.13	813,885.68
Industrial property rights	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	38,307,023.32	**0.00**	**0.00**	**0.00**	**38,307,023.32**	**31,766,607.19**	**7,354,301.81**	**6,540,416.13**	**813,885.68**
Tangible assets									
Furniture and fixtures	3,194,263.74	78,881.27	0.00	22,379.83	3,295,524.84	2,223,249.77	1,456,650.22	1,072,275.07	485,636.25
Vehicles	117,823.97	0.00	0.00	0.00	117,823.97	60,868.56	76,317.55	56,955.41	19,362.14
Assets under construction	22,379.83	11,347.30	0.00	-22,379.83	11,347.30	0.00	22,379.83	11,347.30	0.00
	3,334.467.54	**90,228.57**	**0.00**	**0.00**	**3,424,696.11**	**2,284,118.33**	**1,555,347.60**	**1,140,577.78**	**504,998.39**
Financial assets									
Investments in affiliated companies	3,808,577,911.48	4,683,058.28	63,720,039.71	0.00	3,749,540,930.05	1,773,141,980.00	2,348,735,931.48	1,976,398,950.05	313,300,000.00
Loans to affiliated companies	32,000,000.00	40,000,000.00	0.00	0.00	72,000,000.00	0.00	32,000,000.00	72,000,000.00	0.00
Investments in associated companies	662,016,716.33	0.00	0.00	0.00	662,016,716.33	0.00	662,016,716.33	662,016,716.33	0.00
	4,502,594,627.81	**44,683,058.28**	**63,720,039.71**	**0.00**	**4,483,557,646.38**	**1,773,141,980.00**	**3,042,752,647.81**	**2,710,415,666.38**	**313,300,000.00**
	4,544,236,118.67	**44,773,286.85**	**63,720,039.71**	**0.00**	**4,525,289,365.81**	**1,807,192,705.52**	**3,051,662,297.22**	**2,718,096,660.29**	**314,618,884.07**

Management Report as at December 31, 2011

Operational Review

The first half of 2011 was influenced by the economic recovery from the global financial crisis in 2008. However, the second half of 2011 saw a decrease in the overall market conditions due to the effects of the ongoing sovereign debt crisis.

Prices of feedstock experienced a sharp increase at the beginning of 2011, due in part to events in the Middle East. Oil prices reached their peak in April 2011 at 127 USD/bbl. Subsequently, oil prices declined. With an average price of 111 USD/bbl in 2011, however, prices exceeded 2010 levels of 80 USD/bbl. The increase in oil prices in turn led to an increase in Naphtha prices, the most significant raw material for Borealis in the course of production of olefins. Naphtha prices rose from an average 713 USD/t in 2010 to an average price of 931USD/t in 2011. Market prices for ethylene and propylene displayed a similar picture.

Price trends within the feedstock market could not be fully passed on to buyers of polyolefins. As a consequence, profit margins declined for Borealis as they did for other European producers of polyolefins.

The overall picture of the segment “Feedstock, Olefins & Energy” was a more positive one with contribution margins generated exceeding those in 2010, despite the decline in the overall sales volume.

The segment “Phenol” saw an increase, both in margins as well as in sales volumes, compared to 2010.

Overall, Borealis AG obtained a net income amounting to EUR 170.3 million compared to a net loss amounting to EUR -585.8 million in 2010.

Operating result increased from EUR -10.7 million in 2010 to EUR 33.7 million in 2011. A major factor of influence that contributed to this increase was the adaptation to the change in market conditions of toll manufacturing expenses of Borealis AG paid to the European locations acting as toll manufacturing service providers in accordance with the terms of the contract.

Financial result encompasses write-downs of investments due to dividend payments amounting to EUR 313.3 million (2010: EUR 1,794.8 million) relating to a Finnish affiliated company.

In spite of the increase of the overall interest rate level, interest expenses amounting to EUR 134.7 million only marginally surpass last year's interest expenses (2010: EUR 133.3 million) due to a high amount of long-term fixed rate borrowings.

Strategic financing initiatives of 2010 were supplemented by long-term borrowing amounting to EUR 75 million in 2011, which is designated to the set-up of a catalyst production site in Linz. Borealis AG benefits from its very well diversified financing activities and the beneficial maturities profile of those refinancing sources. Furthermore, Borealis has well established access to capital markets as well as private placements which serve as additional sources of financing. Overall, the company has sufficient liquidity headroom, which offers extensive flexibility and supports further corporate growth.

By liquidating Danish IOB Holding A/S Borealis' group structure was further simplified. Borealis was able to improve its liquidity by means of dividend payments and capital reduction of its German based subsidiary.

Borealis AG has representations in Abu Dhabi, Moscow, Saint Petersburg, Croatia, Romania as well as a branch office in Turkey.

Non-financial performance indicators are not monitored separately for Borealis AG, but rather within the context of the entire Borealis Group. Average workforce numbers (in terms of full-time equivalents) rose by 21 compared to the preceding year. This increase can be attributed to the still growing significance of centralized activities within the scope of group management. .

Risk management

The internal control systems as well as the risk management in relation to accounting processes define all processes used to ensure economic viability and accuracy of accounting systems, thereby reducing the proneness to error, protecting assets against losses due to damage or fraud, and guaranteeing the conformity of company procedures with its articles, group directives and current law.

The control environment for the accounting process is characterized by a clearly defined operational and organizational structure. Accounting guidelines are laid down in a group manual, which is continuously revised, and is subject to obligatory implementation by Borealis AG and local companies.

SAP provides standardized corporate software which is used throughout the group. This enables management to have an overview of the companies development at all times. Close cooperation with the group auditors, who guarantee the application of uniform accounting standards by means of an international network, ensures the comprehensive and efficient external auditing of the group's financial statements.

Monitoring of the internal control system takes place by means of regular reporting to the Supervisory Board and audits by the Internal Audit Department.

In addition to the accounting process, Borealis AG is also subject to other risks for which an adequate risk management system has been implemented.

Strategic risks are risks that may negatively impact the company's strategy or its reputation. To counteract these risks appropriate contingency plans are in place, which are intended to ensure that strategies can be implemented as planned. Strategic risks usually relate to long-term trends such as market and industry shifts, strategic moves in relation to competitive conditions (e.g. innovations, mergers and acquisitions, etc.), or attacks on the company's reputation that have long-lasting effects.

Operative risks include health, safety and the environment as well as price risks related to finished products, which frequently occur in the course of daily business activities. They are managed through a wide range of control mechanisms.

Subsequently, potential financial risks and corresponding risk mitigation measures are discussed. Risk management for the individual group companies is taken over by Borealis AG. Contracts for derivative financial instruments are concluded by Borealis Funding Company Ltd (long-term contracts) and Borealis Financial Services N.V. (short-term contracts).

Credit Risk

The management has set up processes to continuously monitor default risk. The level of default risk relating to a specific debtor consists of the sum of all outstanding trade receivables and is reconciled with the individually agreed credit limit. Evaluations of credit limits take place on a daily basis and, in addition, the entire customer portfolio is reviewed at least once a year. Changes to the credit limits must be approved on a case-by-case basis. On the balance sheet date Borealis AG was not exposed to any significant concentrations of default risks (up to 10 percent of the outstanding trade receivables). No significant default risks associated with trade receivables sold under the securitization program remain with Borealis.

Liquidity Risk

Liquidity reserves are managed on a day-to-day basis, in order to ensure that sufficient liquidity is available at all times, while at the same time keeping working capital at the lowest level possible.

Foreign currency risk

Borealis AG is exposed to foreign currency risks through transactions like sales, purchase or financing denominated in other currencies than the EUR. The key foreign currency risks are associated with the fluctuations of the USD, SEK, NOK and GBP against the EUR (ranking reflects materiality).

Borealis AG hedges trade receivables and payables, cash positions and other forecasted positions denominated in currencies other than the EUR. The company can also hedge long-term business risks within pre-defined limits at any time. Positions held in foreign currencies are generally hedged through a combination of forward exchange contracts and foreign currency options.

Interest rate risk

Borealis AG uses modified duration as a means of reducing interest rate risk, whereby average modified duration may only deviate from a pre-defined value within a given range. Therefore, Borealis AG has purchased interest rate derivatives denominated in EUR and USD to reach this target. Terms and conditions of interest rate derivatives purchased must conform to the underlying current or future loan requirements with regard to maturity or other conditions.

Additional risks emanating from the switch to toll manufacturing

The switch to toll manufacturing has been accompanied by the transfer of market and price risks for finished products, raw materials and the inventory risk.

The company uses large quantities of petrochemical raw materials and energy in its various production processes. These materials can also be resold, where appropriate. Borealis AG has entered into long-term agreements with various suppliers and customers, respectively, to hedge against price risks relating to raw material. In addition, derivative instruments are used to smooth effects of price fluctuations of raw material on the income statement and, thus, on the company's shareholders' equity in the long term.

Research and Development

Since 2008, research and development for Borealis AG has been carried out by group companies and external service providers on a contractual basis, whereby existing intellectual property of the group are focused within the company.

Current projects focus on innovation with regard to market-oriented production of compound and polymer solutions. Efforts have been intensified to achieve a favourable competitive position. This is effort is in line to the company's mission statement "Value creation through innovation" and is supported by innovation clusters in Sweden and Finland as well as the innovation headquarter in Linz.

Outlook for 2012

Management of Borealis AG expects the year 2012 to be challenging for the company. An enhanced focus on safety, innovation combined with the implementation of initiatives to enhance excellence within the operational and commercial area should contribute to solid results at year-end, in spite of difficult overall market conditions.

Significant events after the balance sheet date

On January 31, 2012 Borealis AG acquired PEC-Rhin, a fertilizer production company. The company is located in Ottmarsheim, France. The relevant antitrust authorities approved the acquisition. This acquisition will complement the existing base chemical segment and lay the foundation for further growth in Central and Eastern Europe.

No further events of material significance took place at Borealis AG after the balance sheet date.

Borealis AG Group management report as at December 31, 2011

(The following financial information is based on the consolidated financial statements from December 31, 2011, prepared in accordance with IFRS and accepted by the EU).

Management report – Annual report 2011

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.

Change of net interest-bearing debt EUR million	2011	2010
Cash flow provided by operating activities	242	268
Capital expenditure	-282	-136
Capital contribution to associated companies	0	-213
Repayment of loans by associated companies	0	70
Repayment of capital contribution 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.

Equity development EUR million	**2011**	**2010**
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 & Environment					
Total Recordable Injuries	number/million workhours	1.6	1.0	0.7	1.6
Sick leave	% of total hours worked	3.4	3.4	3.4	3.1
EU ETS CO2 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)		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

Daniel Shook

Markku Korvenranta

Herbert Willerth

Gerd Löbbert

Auditor's Report*

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of Borealis AG, Vienna, for the fiscal year from January 1, 2011 to December 31, 2011. These financial statements comprise the balance sheet as of December 31, 2011, the income statement for the fiscal year ended December 31, 2011, and the notes.

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

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and 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 financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2011 and of its financial performance for the fiscal year from January 1, 2011 to December 31, 2011 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the consolidated Management Report
Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the 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 management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a (2) UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the 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 financial statements together with our auditor's opinion may only be made if the financial statements and the management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

Statement of the Executive Board according to § 82 (4) (3) Vienna Stock Exchange Act

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

23.February 2012

Executive Board:

Mark Garrett

Daniel Shook
Officer

Markku Korvenranta

Herbert Willerth

Gerd Löbbert