STANDALONE AND GROUP

Borealis AG
Financial Report
2021

Keep Discovering

BOREALIS

Contents

Gender Disclaimer
For reasons of better readability and easier comprehension, the male form used refers equally to all gender identities (without any judgemental distinction).

About Borealis

Executive Board

Thomas Gangl
Chief Executive
Appointed: April 2021

Prior to joining Borealis as new CEO in April 2021, Thomas Gangl was a member of the OMV Executive Board and in charge of Refining & Petrochemical Operations at OMV from 2019.
In his 20 years at OMV, Thomas Gangl helped shape the company's refining and petrochemicals business. He played a crucial role in laying the foundation of the OMV circular economy strategy, most notably by establishing chemical recycling at OMV. Since starting in 1998 as a process engineer, his OMV career positions include General Manager of OMV Deutschland GmbH and Senior Vice President, Business Unit Refining & Petrochemicals.

Mark Tonkens
Chief Financial Officer
Appointed: November 2014

Mark Tonkens joined Borealis in 2009. Before assuming the position as Borealis CFO in November 2014, he had served as Borealis Senior Vice President Group Controlling. Mark Tonkens came to Borealis after holding a number of senior management roles in the Royal Philips group, acting as CFO and Senior Vice President of major business units and country organisations around the globe, from the Netherlands and Greece in Europe, to Taiwan and Hong Kong in Asia.

Lucrèce Foufopoulos-De Ridder
Executive Vice President Polyolefins & Innovation & Technology
Appointed: January 2019

Lucrèce Foufopoulos-De Ridder was appointed to the Borealis Executive Board as Executive Vice President Polyolefins and Innovation & Technology in January 2019. She joined Borealis after a career of more than 20 years in the chemical and petrochemical industry, most recently at Eastman, where she served as Vice President & General Manager of the Rubber Additives business unit. Prior to that, Lucrèce Foufopoulos-De Ridder held a variety of positions at multinationals, including Dow Chemical, Rohm and Haas, Dow Corning and Tyco. She currently serves on the supervisory board of Royal Vopak.

Wolfram Krenn
Executive Vice President Base Chemicals & Operations
Appointed: July 2021

Wolfram Krenn was appointed Executive Vice President Base Chemicals and Operations and member of the Borealis Executive Board in July 2021. Immediately prior to joining Borealis, Wolfram Krenn had held the position of Senior Vice President for Refining Assets at OMV since 2019. Having started his career at OMV in 1998 as a process engineer, he gained international experience in production and operations as lead for OMV Petrom's Petrobrazi Refinery in Romania. In 2018, he was appointed Senior Vice President Site Management Schwechat, Austria.

Philippe Roodhooft
Executive Vice President Joint Ventures & Growth Projects
Appointed: November 2017

Philippe Roodhooft was appointed Executive Vice President Middle East and Growth Projects in November 2017, after having served since 2013 as Chief Operating Officer of Borouge ADP in the UAE. Prior to that, Philippe Roodhooft held Vienna-based senior management positions, including Senior Vice President Supply Chain and Product Management for Polyolefins, Senior Vice President Operations for the Borealis Group and General Manager for the Central European production sites.

Highlights 2021

Safety first – TRI rate of 2.3 in 2021 compared to 3.9 in 2020.

Record-breaking results despite ongoing market volatility due to COVID-19:
- Net profit of EUR 1.4 billion
- 133 priority patents filed

#strongertogether enables closer collaboration and realisation of synergies with majority owner OMV.

USD 6.2 billion investment agreement to build Borouge 4 extends and deepens partnership with ADNOC and is cornerstone of Borouge 2030 Strategy.

Geographic footprint expansion on track as construction on growth projects continued apace in Belgium (Kallo), the UAE (Ruwais) and the US (Baystar™), despite ongoing pandemic.

Project STOP to be extended to serve 2 million Indonesians by 2025, establishing around 1,000 new jobs and collecting 25,000 tonnes of plastic waste annually.

Driving the circular economy: acquisition of minority stakes in innovative recycler Renasci and sustainable packaging innovator Bockatech; value chain co-operation results in numerous circular food packaging innovations, from Emmi's Caffè Latte to Greiner Packaging's food cups.

Borealis and TOMRA open state-of-the-art demo plant for advanced mechanical recycling in Germany.

The Bornewables™ portfolio of circular polyolefins can help reduce CO_2 emissions, says Life-Cycle Assessment study conducted in Germany.

Total amount of renewable power secured for European production operations via multiple power purchase agreements provides enough energy to power 160,000 households for an entire year and makes up around 20% of the Borealis Group's power consumption.

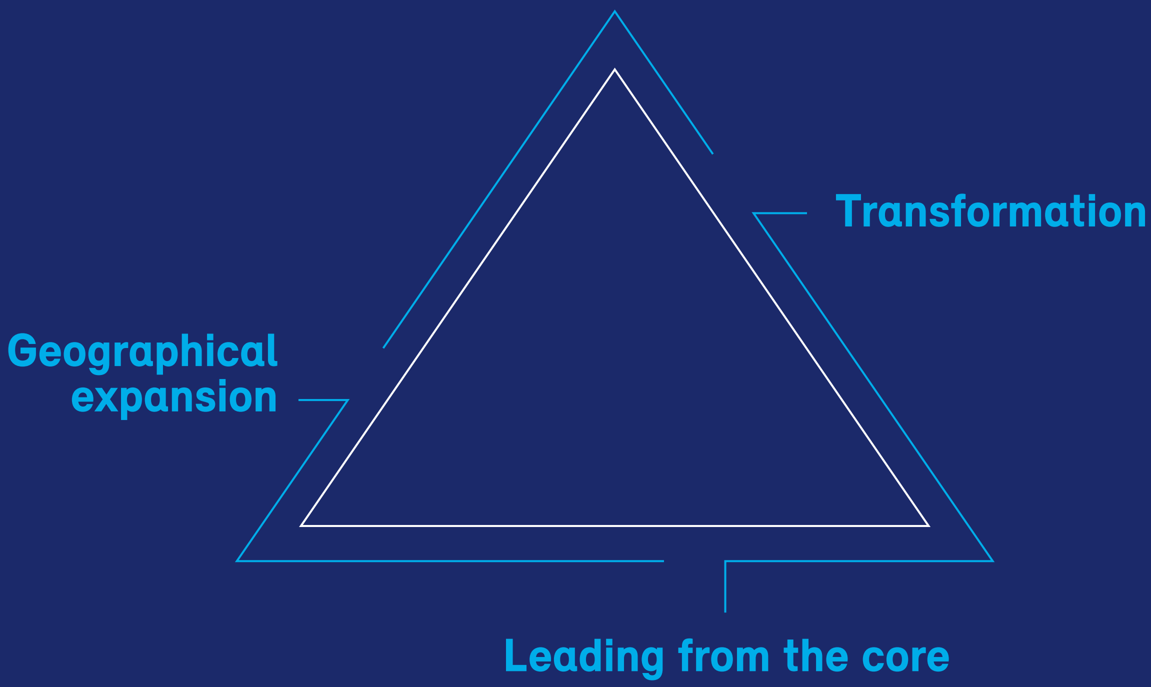
Qpinch heat recovery demonstration unit at Borealis low-density polyethylene plant in Belgium is first to apply revolutionary technology at commercial scale.

Step-changing new material class for film capacitor applications developed in collaboration with TOPAS Advanced Polymers.

Our Group Strategy 2035

Life demands progress.

We are re-inventing for more sustainable living.



Geographical expansion
Leverage core to become a fully global partner to customers for high-value material solutions

North America
Grow through M&A or selected build projects to strengthen the global footprint

MEA
Build on ADNOC partnership to capture further growth with assets in Abu Dhabi and in Asia

Transformation
Evolve to fully customer-centric approach to offer sustainable high-value and circular material solutions

Circular Economy
Lead the transformation to a truly circular economy across all applications

Value Add
Acquire adjacencies to complement and accelerate value creation through innovation

Leading from the core
Build on safety, values and culture to sustain strong integrated margins in high-value polyolefin solutions

Sustainability
Improving environmental footprint and sustainable use of resources in areas where we operate

People
Drive impactful leadership in a high-performing, diverse and mobile organisation and a purposeful workplace

Excellence
Focus on excellence across all activities. Utilise technology and digitalisation to drive efficiencies

Our Values

Responsible

... is just a theory until you put it into action.

– We strive for zero incidents in health and safety.
– We consider our local and global responsibility for the environment in our decisions.
– We do business according to high ethical standards and lead by example.

Respect

... is just a word until you live its meaning.

– We trust and involve people and communicate openly, respectfully and in a timely manner.
– We collaborate, support and help each other to develop for the best of Borealis.
– We build on diversity for better results as “One Company”.

Exceed

... is just a goal until it becomes your path.

- We win through excellence and deliver beyond expectations.
- We commit to making joint decisions and follow through.
- We give feedback and make “Connect-Learn-Implement” and “Continuous Improvement” a natural way of working.

Nimblicity™

... is just a concept until you make it your routine.

- We are fit, fast and flexible and seek smart and simple solutions.
- We encourage decisions at all levels of the organisation to increase ownership and speed to realisation.
- We welcome change and manage it to shape our future.

Our Business

Borealis is one of the world's leading providers of advanced and circular polyolefin solutions and a European market leader in base chemicals, fertilizers and the mechanical recycling of plastics. The Group leverages its polymers expertise and decades of experience to offer value-adding, innovative and circular material solutions for key industries. In re-inventing for more sustainable living, Borealis builds on its commitment to safety, its people and excellence, as it accelerates the transformation to a circular economy and expands its geographical footprint.

With head offices in Vienna, Austria, Borealis employs 6,900 employees and operates in over 120 countries. In 2021, Borealis generated EUR 10.2 billion in total sales and other income and a net profit of EUR 1,396 million. OMV, the Austria-based international oil and gas company, owns 75% of Borealis, while the remaining 25% is owned by a holding company of the Abu Dhabi-based Mubadala. The Group supplies services and products to customers around the globe through Borealis and two important joint ventures: Borouge (with the Abu Dhabi National Oil Company, or ADNOC, based in UAE) and Baystar™ (with TotalEnergies, based in the US).

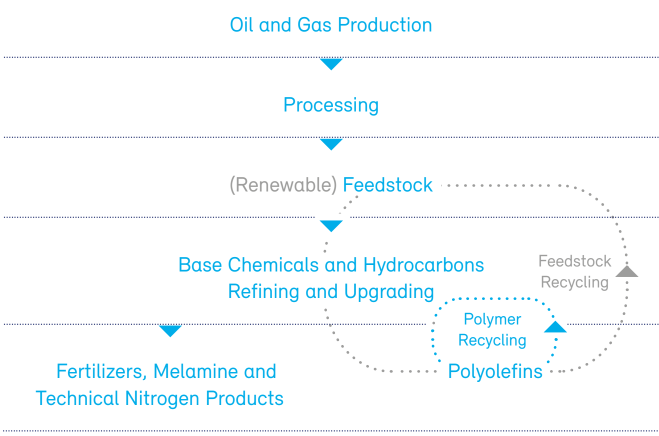
Value creation through innovation is at the core of Borealis strategy

Borealis continuously invests in its people, its Borstar® and other proprietary technologies and in its working processes, both internally and with external partners. The result is continuous technological improvement.

As a leading innovator in its industries, Borealis continuously identifies and anticipates unmet market needs to consequently develop the corresponding solutions. Using proprietary technologies, innovative tools and leveraging expertise acquired over many years, Borealis unlocks materials' molecular properties and creates tailor-made products

Borealis enhances this process with in-depth market knowledge, a cross-functional approach and an emphasis on open innovation.

Fig. 1: **Chemical production flow**



Industry Segments

Borealis clusters its businesses in three business areas: Polyolefins, Base Chemicals and Fertilizers, Melamine & Technical Nitrogen Products.

Polyolefins

The value-adding polyolefin products manufactured by Borealis form the basis of many valuable plastics applications that are an intrinsic part of modern life. Advanced Borealis polyolefins have a role to play in saving energy along the value chain and promoting more efficient use of natural resources. Borealis works closely with its customers and industry partners to provide innovative and value-creating plastics solutions in a variety of industries and segments. These solutions make end products safer, lighter and more affordable and easier to recycle. In short: they enable more sustainable living.

Borealis offers advanced polyolefins for virgin and circular economy solutions, servicing these industries: Consumer Products, Energy, Healthcare, Infrastructure and Mobility.

Advanced polyolefins for virgin and circular economy solutions

Polymer Solutions

Borealis continually develops novel and performance-enhancing solutions, such as polymer modifiers (plastomers and elastomers), foam solutions and reinforced polyolefins for structural parts. These material solutions may be designed for new or existing applications.

In polymer modifiers, Borealis continues to expand its wide range of attractive solutions. The multitalented Queo™ brand helps bridge the performance gap between conventional plastics, such as polyethylene (PE), and conventional elastomers, like ethylene propylene diene monomer. Queo makes it possible to meet or even surpass the most demanding requirements in sealing, flexibility, compatibility and processability.

Borealis' high melt strength (HMS), polypropylene-based foamed products fulfil the varying and sophisticated needs of both converters and consumers in the packaging, mobility and construction industries. For example, foam solutions in packaging offer excellent recyclability, especially when compared to conventional alternatives. Furthermore, HMS polypropylene (PP) foam also offers weight reduction, heat stability (for microwaveable packaging) and good thermal insulation properties.

Borealis' reinforced polyolefins are novel, performance-enhancing material solutions. The wide range of PP compounds are globally available and help contribute to enhanced sustainability, for example, through improved cost and energy efficiency.

Circular Economy Solutions

Borealis Circular Economy Solutions is dedicated to discovering new opportunities for long-term business growth, primarily in the areas of mechanical recycling, chemical recycling (in collaboration with Borealis partners – OMV and Renasci), reuse, renewable feedstock and design for recyclability (DfR).

Over recent years, mechanical recycling has proven to be effective and it will likely remain the eco-efficient method of choice in the foreseeable future when implementing the principles of the circular economy. The circular economy opens up new ways to re-invent the economy in the interest of preserving natural capital and minimising waste. Another important aspect of eco-efficient waste stream management is DfR, which incorporates recycling principles into the design process itself, in order to achieve optimised circulation of material for recycling and reuse. To this end, Borealis is collaborating with value chain partners – designers, retailers, packaging producers and brand owners – to develop material solutions and concepts to improve end-of-life recyclability and the performance properties of recyclate material.

Industries served with these advanced polyolefin solutions

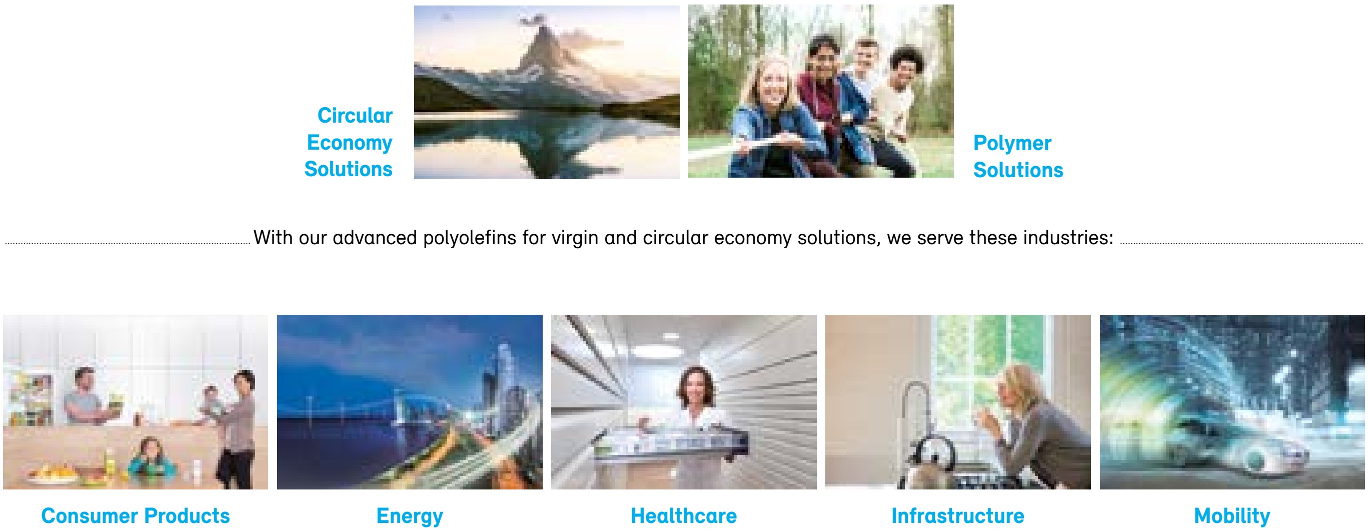
Consumer Products

With over 50 years' experience in the industry, Borealis is an innovative and reliable supplier of superior polyolefin plastic materials used in advanced packaging, fibre and appliances.

Value-added packaging and fibre innovations play a role in safeguarding the quality and safety of consumer and industrial products, and also fulfil demand for enhanced functionality and convenience. Plastic food packaging, for example, helps protect and preserve food from farm to fork. Spoilage is avoided thanks to efficient filling systems and leak-resistant packaging. Food stays fresh longer and less must be thrown away. In addition, the consumer has a wider range of choices when it comes to convenient and appealing packaging formats.

Superior and proprietary Borealis technologies, such as Borstar, also make advanced applications possible in flexible packaging (including lamination film, shrink film and stand-up pouches); rigid packaging (caps and closures, bottles, thin wall and transport packaging); and non-woven and technical fibres (filtration systems, hygiene products and technical textiles).

Fig. 2: **Industries served by Borealis' polyolefins applications**



Advanced PP solutions offered by Borealis make white goods (such as washing machines, refrigerators, air conditioning units and more) and small appliances (such as toasters, ventilators and power tools) lighter yet more robust, and more energy efficient yet visually appealing.

Energy

Borealis is a leading provider of polyolefin compounds for the global energy industry. Step-change innovations based on the Borlink™ technology make electricity power grids more robust and reliable, eliminate wastage and help transport energy from renewable sources more efficiently and over longer distances. The broad range of sophisticated solutions includes extra high, high and medium voltage solutions for energy transmission, and low voltage solutions for energy distribution cable applications.

Safer wires and cables for the solar, mobility and construction industries are made possible by unique Borealis polymer manufacturing technologies. Borealis also has a proven track record of innovation in the area of flame retardant cables for these industries. Borealis offers a comprehensive range of communication cable solutions for advanced data, copper multipair, fibre optic and coaxial cables, all of which enhance the efficiency of data and communication networks.

Leading Borealis PP material solutions are used to produce capacitor film products. Meeting exceptional cleanliness standards, these materials help achieve outstanding electrical properties. Their consistent processing behaviour enables the production of extremely thin films.

Unique polymer and manufacturing technologies using Borlink, Visico™/Ambicat™, Borstar and Casico™ allow Borealis to offer innovative compounds tailored to specific customer needs.

With the launch of the new flagship solar brand Quentys™ in 2017, Borealis moved into the global solar industry. Pioneering new products based on Quentys are making solar energy more effective, affordable and long-lasting. For example, Borealis polyolefin encapsulant films improve the operational reliability of photovoltaic modules throughout the product lifetime. This results in better cost efficiency and thus greater viability for solar power.

Healthcare
Borealis offers reliable solutions that add value to healthcare, thanks to an impressive track record in Value Creation through Innovation and close cooperation with customers.

The growing Bormed™ polyolefins portfolio offers superior technical performance for medical devices, pharmaceuticals and diagnostic packaging. Borealis' innovations help make healthcare packaging and medical devices safer and more affordable, while improving usability – a key criterion in today's ageing society.

Healthcare products that have been enhanced by advanced polyolefins made by Borealis include, among others: medical devices, medical pouches, sachets, syringes, insulin injection devices, unbreakable transparent bottles and single-dose eye drop dispensers.

Importantly, as a global supplier, Borealis can ensure security of supply and provide technical support tailored to the specific and stringent requirements of the market.

Infrastructure
A trusted partner to the pipe industry for over 50 years, Borealis supplies advanced polyolefin pipe system materials to a wide range of infrastructure projects around the world. By offering more durable and reliable pipes, Borealis' step-change innovations continue to boost the sustainability of pipe networks by making them safer and more efficient. These improved networks also help eliminate wastage and loss, while at the same time offering energy savings.

Water and sanitation systems can be made more efficient and reliable by using proprietary Borealis materials. For example, when compared to conventional materials, modern PE systems reduce water losses by a factor of eight. Trenchless technology reduces installation costs by up to 60%.

Using its proprietary Borstar technology as a base, Borealis offers pipes used in many different industries: water and gas supply, waste water, drainage and sewage disposal and plumbing and heating.

For the oil and gas industry, Borealis provides reliable and high-quality solutions from one end of the pipeline to the other, including multi-layer coating solutions for onshore and offshore oil and gas pipelines.

Mobility
Borealis is a leading supplier of innovative polyolefin plastic materials for engineering applications in the mobility industry segment.

Proprietary Borealis technologies are lighter weight replacement solutions for conventional materials such as metal, rubber and engineering polymers. Borealis' material solutions help facilitate lightweight construction and thus play an important role in reducing carbon emissions. For instance, over the lifespan of an automotive application like a bumper, eight kilogrammes (kg) of carbon emissions can be avoided by using one kg of PP compounds. Borealis grades with post-consumer recycled (PCR) plastics content meet growing industry and end-user demand for high-quality materials that make better use of the planet's resources. By combining PCR and virgin material to produce high-end grades of consistent quality, fewer resources are used and less waste is generated over the lifetime of the product.

Borealis offers these leading-edge, lightweight polyolefins for a wide range of exterior, interior and under-the-bonnet applications, including bumpers, body panels, dashboards, door claddings, central consoles, pedal housings, cooling systems, battery trays and semi-structural body parts. Working closely with key value chain partners, Borealis continually develops novel materials for specific composite applications, such as structural carriers.

Base Chemicals

Hydrocarbons & Energy

Borealis produces a wide range of products for use in numerous industries, including phenol, acetone, ethylene and propylene. Borealis sources various feedstock, such as naphtha, butane, propane and ethane from the oil and gas industry. Through its olefin units, it converts these into the building blocks of the chemical industry: ethylene, propylene and C4 hydrocarbons (petrochemical derivatives consisting of butanes, butylenes and butadienes), among others. Steam crackers in Finland, Sweden and Abu Dhabi – the latter operated by Borouge – produce ethylene, propylene and C4 hydrocarbons, while propylene is also produced in a propane dehydrogenation plant in Kallo, Belgium. Feedstock and other olefins required for Borealis and Borouge polyolefin plants are either sourced from its owners or purchased on the market. A range of co-products from the steam cracking process, including butadiene, butene compounds and pygas, are also sold on international markets.

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

In line with its ambition to proactively drive the transition to a circular economy, Borealis has also started to process renewable and chemically recycled feedstock.

Fertilizers, Melamine and Technical Nitrogen Products

Borealis produces and then distributes and supplies around five million tonnes of fertilizers and technical nitrogen products each year via its Borealis L.A.T distribution network. This comprises more than 60 warehouses across Europe and has an inventory capacity of over 700,000 tonnes.

Fertilizers

Efficient and effective use of fertilizers has become more essential than ever. The world's population is expected to rise from today's 7.6 billion to over 9.6 billion by 2050, and an increasing number of people will live in densely populated urban areas. As incomes in emerging nations rise, more meat is consumed and more grain must be produced to feed livestock. Biofuels also generate demand for increased yields. Because space for agricultural expansion is limited, yields must be optimised. At the same time, in many nations there is a heightened awareness of the need to promote fertilizers with low carbon footprints, maintain healthy soil environments and reduce run-off from fields.

The product portfolio comprises nitrogenous fertilizers, compound NPK fertilizers and speciality fertilizers with various formulas of primary and secondary nutrients as well as oligo elements. Non-European markets are serviced mainly via the Borealis Rosier distribution network.

Melamine

Borealis produces melamine at its plants in Linz, Austria, and at its facility in Piesteritz, Germany. Converted from natural gas, melamine has become an essential material for the global production of synthetic resins. Around 80% of Borealis' melamine production is destined for the wood-based panel industry, for example for decorative surface coatings of wood-based materials. Melamine also plays an important role in the manufacture of everyday objects used in the kitchen or around the house, for example, as one component used to make handles for pots and pans.

Technical Nitrogen Products

A broad range of technical nitrogen product solutions is derived from the raw materials urea, ammonia, ammonium nitrate and nitric acid.

AdBlue®

AdBlue, a high-purity aqueous urea solution, is used as a NO_x reduction agent for trucks, buses, tractors, construction machinery and diesel passenger cars.

Ammonia

A compound of nitrogen and hydrogen, ammonia has many uses: as a precursor or intermediate product in the production of nitrogenous materials; as a refrigerant in cooling systems; as a NO_x reduction agent; and as a hardening agent for metal surfaces.

Urea

Urea is a synthetically produced organic compound of ammonia and carbon dioxide. It is utilised in the production of melamine and the glues used in particle boards, but also as a raw material for resins and as a NO_x reduction agent.

STANDALONE

Financial **Statements 2021**

including Management Report

Management Report as of 31 December 2021

Operational Review

Following its unprecedented 2020 slump as a consequence of the global COVID-19 pandemic, the Brent Crude oil price rebounded in 2021. As countries around the world began lifting COVID-related restrictions, the subsequent economic recovery drove demand. The price of oil surged from 55 USD/bbl in January 2021 to a peak of 84 USD/bbl in October, its highest level since 2014. Overall, the average 2021 Brent Crude oil price of 71 USD/bbl exceeded both the 2020 average of 42 USD/bbl as well as the pre-COVID average of 64 USD/bbl in 2019, a clear indication of recovery.

Naphtha developed in a similar vein as the oil price, increasing steadily from 500 USD/t in January 2021 to a peak of 763 USD/t in October 2021, before tapering off slightly to end the year at 698 USD/t. Ethylene and propylene contract prices have also been positively affected by rebounding markets, with the ethylene price starting the year at 860 EUR/t and hitting a high in November at 1,283 EUR/t, before ending the year at 1,273 EUR/t. The price of propylene moved upwards from 800 EUR/t in January to reach 1,288 EUR/t in November, ending the year at the same level.

Borealis Polyolefins sales volumes increased in a market environment which continues to be impacted by the pandemic. In 2021, Borealis Polyolefins sales volumes reached 3.95 million tons, 2% higher than in 2020, and an increase of 4% over the pre-COVID sales volumes achieved in 2019. This exceptionally strong result is due to robust demand for Borealis Polyolefins which became apparent even prior to the initial signs of economic recovery at the beginning of 2021, which was particularly strong in the energy, pipe and advanced product sectors. At the same time, we saw ongoing supply constraints rooted in logistics problems and industry production outages. Integrated polyolefin industry margins climbed to record levels, thus leading to an outstanding profit contribution from the Borealis Polyolefins business.

The olefin industry margin also increased in 2021, albeit not as much as the polyolefin industry margin. This may be attributed to increased demand in a recovering economy in which supply, however, was still negatively impacted by industry production outages. As a result, the profit contribution delivered by the hydrocarbons business was higher than in 2020, but remained below 2019 levels as the advantage from cracking light feedstock became less favourable.

The total sales volume of Borealis AG's products in 2021 increased by 50% versus 2020, mainly driven by higher Polyolefins sales.

The operating result increased from a profit of EUR 353.0 million in 2020 to a profit of EUR 1,336.3 million in 2021.

Despite the ongoing effects of the pandemic, Borealis has been able to make meaningful progress on its important global growth projects in 2021. In November, Borealis and ADNOC signed a USD 6.2 billion final investment agreement to build the fourth facility at the Borouge polyolefin manufacturing complex in Ruwais, UAE. Borouge's expansion is vital in order to serve growing customer demand in Asia and MEA for differentiated polyolefins solutions in energy, infrastructure and advanced packaging. Borouge will become the world's largest single-site polyolefin complex, with an annual polyethylene production capacity of 6.4 million tonnes. The project entails the construction of an ethane cracker, two state-of-the-art Borstar® polyethylene (PE) plants, a cross-linked polyethylene (XLPE) plant and a 1-hexene unit. Cutting-edge technologies will be employed to improve energy efficiency and reduce emissions. Continuous flaring will be eliminated altogether. The new facility will draw on renewable energy sources to power some of its operations. An exploratory study currently underway will determine whether the installation of a carbon capture unit could lower Borouge 4 emissions by up to 80%.

The Baystar™ project in Texas, USA, is a 50/50 joint venture between Borealis and TOTAL Petrochemicals & Refining USA, Inc. Baystar is building a 625,000-tonneper-year Borstar polyethylene unit at our production site in Pasadena, Texas, US. Baystar is also currently building a one-million-tonne per year steam cracker in Port Arthur, Texas. This undertaking will add more than one million tonnes of annual polyolefins production capacity and, most crucially, enable Borealis to supply locally manufactured Borstar products to its North American customers for the first time. The unusually hard winter freeze of 2021 had adverse effects on nearly all petrochemical operations on the Gulf Coast; the Baystar project was no exception.

The new world-scale propane dehydrogenation (PDH) plant under construction in Kallo, Belgium, adjacent to the existing PDH facility, is progressing despite negative pandemic-related effects. With an investment of around

EUR 1 billion, this is among the largest projects in the petrochemical industry in Europe, and the largest ever for Borealis on the continent. A stellar safety record has been achieved despite the enormity of the project, which included the delivery of one of the largest single pieces of equipment ever shipped in one piece to the Port of Antwerp.

In July, Borealis announced it had acquired a 10% minority stake in Renasci N.V. (Renasci), a Belgium-based provider of innovative recycling solutions and creator of the novel Smart Chain Processing concept. This purchase was subsequent to an earlier offtake agreement with Renasci to source around 20 kilotonnes per year (kt/y) of circular pyrolysis oil, a product of chemical recycling which can be used as feedstock. Taken together, the agreements help accelerate the shift to plastics circularity in an eco-efficient way.

Borealis announced in December that it had purchased a minority stake in Bockatech Limited (Bockatech), a green tech business based in the UK. The agreement deepens and extends the existing partnership between Borealis and Bockatech in the area of sustainable packaging. Founded on the principles of design for recycling, reuse and eco-efficiency, the joint collaboration aims to expand the range of lighter weight, foam-based applications in packaging, and make these available to a larger number of global customers and value chain partners.

Financial Result Overview

The financial result in 2021 increased from a financial income of EUR 836.0 million in 2020 to a financial income of EUR 1,535.7 million. The main driver behind the financial income increase is the higher dividend income. Dividend income increased by 115% to EUR 2,021.7 million, but at the same time the Company incurred impairment charges on financial investments of EUR 433.6 million.

Overall, Borealis AG generated a net income of EUR 2,546.4 million compared to a net income of EUR 1,126.8 million in 2020.

Circular Economy

The Borealis commitment to closing the loop on plastics circularity is cemented in the Group Strategy 2035. The Company has pledged that by 2025, 100% of its consumer products will be recyclable, reusable and/or made using materials from renewable sources. Borealis has also pledged to produce up to 350,000 tonnes of recycled plastics each year by 2025. Progress was made in 2021, as Borealis sold 77,000 tonnes of recyclates while at the same time building an annual production capacity of 100,000 tonnes. Taken together, these aims are accelerating the Group's transition to the use of more renewably-sourced feedstocks instead of conventional fossil fuel-based feedstock.

The Borealis dedication to leading the way to circularity is embedded in its EverMinds™ platform, which seeks to promote change and unite value chain partners and stakeholders. Borealis invests, innovates and engages in value chain collaboration to ensure that all products and applications are designed with eco-efficiency in mind. The activities described below are indicative of the broad gamut of those undertaken throughout 2021, yet this list is by no means exhaustive.

- Borealis continues to expand its activities in the area of mechanical recycling. In January, operations commenced at an ultramodern demo plant in Lahnstein, Germany. In this strategic partnership with TOMRA, rigid and flexible post-consumer plastic waste is sorted, then processed using the proprietary Borcycle™ M platform technology into fully formulated, ready-for-market polymer pellets. In this way, Borealis is helping ensure the ample availability of high-quality recyclate for sophisticated applications, thus further closing the loop on plastics circularity.
- Chemical recycling is used to supplement mechanical recycling, and to valorise residual waste streams which would otherwise be incinerated or sent to landfill. An added benefit of chemical recycling is that products manufactured with chemically recycled feedstock offer the same high performance as those produced with fossil fuel-based feedstock. This enables the production of high-end polyolefin-based applications that fulfil stringent quality and safety regulations, such as in healthcare and food packaging. In June, Borealis secured the supply of the entire output of chemically recycled material produced by Renasci – around 20 kt/y – in the form of circular pyrolysis oil. This chemically recycled feedstock will be used to manufacture Borcycle™ C circular polyolefins and circular base chemicals at various Borealis production locations. These activities complement existing collaboration with OMV in which the patented OMV ReOil® technology is used to chemically recycle post-consumer plastics into raw materials which are processed by Borealis into polyolefins.

- In September, the first test of feedstock derived entirely from vegetable-based waste streams commenced at a Borealis cracker in Stenungsund, Sweden. The aim is to evaluate whether, and to what extent, this renewably-sourced feedstock could serve as a replacement for fossil fuel-based feedstocks. Because renewable feedstocks form the foundation of The Bornewables™, the Borealis portfolio of premium circular polyolefins launched in 2020, the ability to offer a viable alternative to conventional feedstocks would not only reduce the Stenungsund plant's overall CO_2 footprint, but also help Borealis customers maintain high product quality while meeting their own sustainability goals.
- Borealis announced that it is scaling up Project STOP. This programme uses a "system-enabler" approach to support local authorities in Indonesia in establishing more sustainable and cost-efficient waste management and recycling systems. Its holistic approach involves the collection, recycling and proper disposal not only of plastic, but all kinds of waste, including organic, to ensure that no waste ends up in the environment. The programme expansion in East Java will extend waste management services to cover two million Indonesians by 2025.
- Borealis formed a partnership with Lafarge, OMV and VERBUND called C2PAT for the joint planning and construction of a full-scale plant to capture CO_2 and process it into synthetic fuels, plastics or other chemicals on an industrial scale.

Research and Development – Value Creation through Innovation in 2021

The relentless dedication to Value Creation through Innovation applies to the entire polyolefins value chain, and is circular at its core. It is applied to all life-cycle phases: idea generation, design, processing, deployment and ultimately recovery for reuse or recycling.

A step-change innovation for the power industry value chain was announced in September: Borealis and TOPAS Advanced Polymers are currently developing a new class of engineering material for film capacitor applications. The EPN (ethylene-propylene-norbornene) material being developed will bridge the performance gap between standard polymers and high-end plastics by substantially increasing the temperature resistance of film capacitors in a cost-efficient way. Drawing on their respective strengths in polymers excellence – Borealis in PP capacitor film, and TOPAS Advanced Polymers in cyclic olefin copolymers (COC) – the partners will accelerate the green-energy transition. Traction inverters for electric mobility will be made more energy efficient at higher temperatures, and inverters will be able to transform power from renewable sources like wind or solar more efficiently.

In April, Borealis and Sulzer, a global leader in fluid engineering, announced that they had successfully developed an innovative process for the cost-effective extrusion of expanded polypropylene (ePP) beads, thus enabling broader and more rapid uptake of this highly effective material, which boasts advanced properties and good suitability for reuse and recycling.

In November, Swiss running shoe brand On announced that, as part of their efforts to identify viable replacements for fossil fuel-based materials, they had created a new foam material called CleanCloud™ in which carbon waste (emissions) is repurposed to create EVA (ethylene vinyl acetate) foam. As a cooperation partner, Borealis is contributing the circular and renewable-based materials required to produce the high-performance, easy-to-process EVA foam used in shoe bottoms and other parts.

In 2021, the combination of Value Creation through Innovation and value chain collaboration gave rise to numerous circular products and processes. Tens of thousands of environmentally friendly drinking cups produced through Bockatech and Borealis collaboration made an appearance at the COP26 in Glasgow, Scotland. These lightweight cups can be collected and washed for reuse before being recycled. Dutch PPE Solutions announced that it is reducing the climate impact of its meltblown fibre production by using Bornewables PP, polypropylene made from bio-based feedstock derived entirely from waste and residue streams. Borealis and pipe and fittings maker, Uponor Infra, announced that their collaboration had produced a new generation of PP sewer pipes made using a product from the Bornewables portfolio and boasting a significantly lower carbon footprint.

Borealis and a leading Austrian plastic packaging manufacturer, The Jokey Group, agreed to step up their joint efforts to accelerate circularity through more aggressive development and marketing of recyclable plastic packaging. Borealis, Swiss dairy giant Emmi and Greiner Packaging announced plans to incorporate chemically recycled PP in their ready-to-drink cups for the iced coffee brand Caffé Latte. Earlier in the year, Greiner Packaging produced its first food cup prototypes with in-mould labelling made using Bornewables PP.

Around 500 employees work in R&D at the Borealis Group. This figure includes scientists and researchers at the Innovation Headquarters in Linz, Austria, and the two innovation centres in Stenungsund, Sweden and Porvoo, Finland.

An upward trajectory in the number of priority patent filings is clear. Borealis filed a total of 182 patent applications at the European Patent Office, breaking its own record of 179 in the previous year. As of March 2021, the Borealis Group holds around 10,000 individual patents or patent applications which are subsumed in approximately 1,200 patent families. The growing number of patents underscores the Group's position as a leading industry innovator.

Changes to the Executive Board and the Supervisory Board

Significant changes to the Borealis Executive Board occurred in 2021. As of 1 April 2021, Thomas Gangl succeeded Alfred Stern as Borealis CEO. Alfred Stern was appointed OMV Executive Board Member for Chemicals & Materials effective April 2021 and has also been appointed to the Borealis Supervisory Board effective April 2021. The position of Borealis Executive Vice President Base Chemicals and Operations was filled in July by Wolfram Krenn; his predecessor, Martijn van Koten, joined the OMV Executive Board as of July 2021. As of September 2021, Alfred Stern was appointed as Chairman of the Borealis Supervisory Board, succeeding Rainer Seele. As of the same date, Martijn van Koten was also appointed to the Borealis Supervisory Board. As of 10 February 2022, Alvin Teh was appointed as Supervisory Board member, succeeding Musabbeh Al Kaabi. In addition, Saeed Al Mazrouei was appointed as Vice Chairman of the Supervisory Board.

Funding and financing

Borealis AG continues to benefit from its well-diversified financing portfolio and the related maturities of those refinancing sources, as well as from its improved liquidity position after a period of strong business results. Furthermore, Borealis has a 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 provides flexibility and supports further growth.

Borealis AG has representations in Abu Dhabi, Moscow and Saint Petersburg.

Non-financial performance indicators are not monitored separately for Borealis AG, but rather within the context of the entire Borealis Group. The average number of employees increased by 11 employees to 273 by the end of 2021.

Risk Management

Borealis' enterprise risk management enables management to effectively deal with uncertainty and associated risks and opportunities in order to enable the Company's leadership to base decisions on sound assessments of the associated risks and opportunities and to preserve and enhance its value for the organisation in a proactive and preventive manner. Borealis' risk consolidation and reporting provides the Executive Board with an overview of the Company's and Group's risk exposure and with a tool to track the status of mitigation actions taken by the risk owners in their efforts to reduce risk exposure. 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, negligence or fraud and guaranteeing the conformity of Company procedures with its articles of association, Group directives and legal framework.

The control environment for the accounting process is characterised by a clearly defined operational and organisational structure. The finance organisation periodically executes a self-assessment of defined internal controls and takes actions as needed. Accounting guidelines are laid down in a Group manual which is continuously revised and subject to obligatory implementation by Borealis AG and its subsidiaries.

Borealis has a standardised resource planning software which is used throughout the Group. Close cooperation with the internal and external audit functions, which validate the application of uniform accounting standards by means of an international network, ensures the comprehensive and efficient statutory auditing of the Group's financial statements.

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 have been put 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 Company's business activities. They are managed through a wide range of control mechanisms and might involve the conclusion of financial derivative instruments.

Subsequently, potential financial risks and corresponding risk mitigation measures are discussed. Risk management for the Group companies is driven by Borealis AG. Borealis AG addresses the following financial risks:

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% of the outstanding external trade receivables). No significant default risks associated with trade receivables sold under the factoring programme remain with Borealis AG.

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 EUR. The key foreign currency risks are associated with the fluctuations of USD, SEK and GBP against EUR (ranking reflects materiality). Borealis AG hedges trade receivables and payables, cash positions and other forecast positions denominated in currencies other than 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.

Interest Rate Risk

Borealis AG uses modified duration as a means of managing its 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.

Market Price Risk

The Company uses large quantities of petrochemical raw materials and energy in its various production processes. The price risk on the raw materials and finished products is continuously monitored and hedged where appropriate. In addition, derivative instruments are used to smoothen the effects of energy price fluctuations on the income statement and, thus, on the Company's equity in the long term.

Outlook for 2022

Borealis is transforming itself from a leading producer of virgin polyolefins solutions to a leading producer of more renewable and sustainable polyolefins solutions. By doing so, it is also transforming the industry. Its leading-edge technologies and portfolio of advanced and circular polyolefins applications can help make life safer and more sustainable. Borealis' management is confident that it can capitalise on the opportunities for growth in a global economy in which COVID-19 is ultimately endemic rather than pandemic. It will maintain its commitment to re-inventing for more sustainable living and by offering chemical and plastic solutions that create value for society.

The Borealis Executive Board and its senior management are very proud of the outstanding financial result posted in 2021. Borealis is well positioned to deal with market-related and other challenges and is sure to maintain its status as a reliable and trusted partner for its customers and the entire value chain.

Vienna, 17 February 2022
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Mark Tonkens m.p.
Chief Financial Officer

Wolfram Krenn m.p.

Philippe Roodhooft m.p.

Lucrèce De Ridder m.p.

Group Management Report [1)]

We draw attention to the fact that comparatives have been restated, for details see the Restatement section in the Notes to the Consolidated Financial Statements. All amounts in the management report are not considering the reclassification of the discontinued operation and related balances held for sale.

Safety Performance

In 2021, Borealis reported a Total Recordable Injury Rate (TRI[2)]) per million working hours of 2.3. This is an improvement compared to the 3.9 TRI rate in 2020. In line with its "Goal Zero" objective, Borealis continues to strive to eliminate all accidents and incidents in process and personal safety. The Borealis leadership team maintains its efforts to sharpen the focus on safety among its employees and contractors.

Safety thus continues to be the Group's number one priority. Borealis has remained vigilant in its efforts to prevent coronavirus infections, particularly in light of the rapid global spread of new variants. Throughout the year, measures first enacted in 2020 to protect employees, contractors and business partners were maintained and optimised where necessary. These included physical distancing, the use of personal protective equipment and protective barriers, increased cleaning frequency, stringent hygiene, and working remotely when feasible.

Market Environment

Following its unprecedented 2020 slump as a consequence of the global COVID-19 pandemic, the Brent Crude oil price rebounded in 2021. As countries around the world began lifting COVID-related restrictions, the subsequent economic recovery drove demand. The price of oil surged from 55 USD/bbl in January 2021 to a peak of 84 USD/bbl in October, its highest level since 2014. Overall, the average 2021 Brent Crude oil price of 71 USD/bbl exceeded both the 2020 average of 42 USD/bbl as well as the pre-COVID average of 64 USD/bbl in 2019, a clear indication of recovery.

Naphtha developed in a similar vein as the oil price, increasing steadily from 500 USD/t in January 2021 to a peak of 763 USD/t in October 2021, before tapering off slightly to end the year at 698 USD/t. Ethylene and propylene contract prices have also been positively affected by rebounding markets, with the ethylene price starting the year at 860 EUR/t and hitting a high in November at 1,283 EUR/t, before ending the year at 1,273 EUR/t. The price of propylene moved upwards from 800 EUR/t in January to reach 1,288 EUR/t in November, ending the year at the same level.

Borealis Polyolefins sales volumes increased in a market environment which continues to be impacted by the pandemic. In 2021, Borealis Polyolefins sales volumes reached 3.95 million tons, 2% higher than in 2020, and an increase of 4% over the pre-COVID sales volumes achieved in 2019. This exceptionally strong result is due to robust demand for Borealis Polyolefins which became apparent even prior to the initial signs of economic recovery at the beginning of 2021, which was particularly strong in the energy, pipe and advanced product sectors. At the same time, we saw ongoing supply constraints rooted in logistics problems and industry production outages. Integrated polyolefin industry margins climbed to record levels, thus leading to an outstanding profit contribution from the Borealis Polyolefins business.

The olefin industry margin also increased in 2021, albeit not as much as the polyolefin industry margin. This may be attributed to increased demand in a recovering economy in which supply, however, was still negatively impacted by industry production outages. As a result, the profit contribution delivered by the hydrocarbons business was higher than in 2020, but remained below 2019 levels as the advantage from cracking light feedstock became less favourable.

Within the Borealis nitrogen business unit, Fertilizers reported sales of 3.9 million tonnes from January to December versus the 4.3 million tonnes sold in 2020. This drop is due in part to extremely strong demand in the fourth quarter of 2020 which caused a temporary spike in sales volumes and inevitably lower demand at the start of 2021; and to some operational issues. In a recovering market environment,

1) The following information is based on the consolidated financial statements of Borealis AG from 31 December 2021, prepared in accordance with IFRS and accepted by the EU. //
2)TRI definition was adjusted to be aligned with IOGP (International association of Oil & Gas Producers).

melamine sales remained on par with the previous year, with total 2021 sales volumes of 143 kilotonnes (kt) compared to 147 kt in 2020.

Strategy

The Group Strategy 2035 has several central components. One is the geographical expansion undertaken to establish Borealis as the global partner of choice for high-value material solutions. Acquisitions and partnerships, particularly in North America and the Middle East and Africa (MEA), are key. Another is transformation, especially from a linear to a circular economy. Value Creation through Innovation is an essential part of this evolution to a fully customer-centric approach and more circular polyolefins solutions. Finally, leading from the core builds on the unique Borealis mindset and established values and culture. It puts people first and strives for excellence in all it does. Sustainability is deeply embedded in this component, because leading from the core means that all types of resources are used wisely in all areas of operation. Borealis is further increasing its efforts towards the ultimate goal of carbon neutrality as well as complying with legislation and increased legal requirements (for example, EU Taxonomy).

Global Growth and Acquisitions Continue

Despite the ongoing effects of the pandemic, Borealis has been able to make meaningful progress on its important global growth projects in 2021. In November, Borealis and ADNOC signed a USD 6.2 billion final investment agreement to build the fourth facility at the Borouge polyolefin manufacturing complex in Ruwais, UAE. Borouge expansion is vital in order to serve growing customer demand in Asia and MEA for differentiated polyolefins solutions in energy, infrastructure and advanced packaging. Borouge will become the world's largest single-site polyolefin complex, with an annual polyethylene production capacity of 6.4 million tonnes. The project entails the construction of an ethane cracker, two state-of-the-art Borstar® polyethylene (PE) plants, a cross-linked polyethylene (XLPE) plant and a 1-hexene unit. Cutting-edge technologies will be employed to improve energy efficiency and reduce emissions. Continuous flaring will be eliminated altogether. The new facility will draw on renewable energy sources to power some of its operations. An exploratory study currently underway will determine whether the installation of a carbon capture unit could lower Borouge 4 emissions by up to 80%.

The Baystar™ project in Texas, USA, is a 50/50 joint venture between Borealis and TOTAL Petrochemicals & Refining USA, Inc. Baystar is building a 625,000-tonne-per-year Borstar polyethylene unit at our production site in Pasadena, Texas, US. Baystar is also currently building a one-million-tonne per year steam cracker in Port Arthur, Texas, US. This undertaking will add more than one million tonnes of annual polyolefins production capacity and, most crucially, enable Borealis to supply locally manufactured Borstar products to its North American customers for the first time. The unusually hard winter freeze of 2021 had adverse effects on nearly all petrochemical operations on the Gulf Coast; the Baystar project was no exception.

The new world-scale propane dehydrogenation (PDH) plant under construction in Kallo, Belgium, adjacent to the existing PDH facility, is progressing despite negative pandemic-related effects. With an investment of around EUR 1 billion, this is among the largest projects in the petrochemical industry in Europe, and the largest ever for Borealis on the continent. A stellar safety record has been achieved despite the enormity of the project, which included the delivery of one of the largest single pieces of equipment ever shipped in one piece to the Port of Antwerp.

In July, Borealis announced it had acquired a 10% minority stake in Renasci N.V. (Renasci), a Belgium-based provider of innovative recycling solutions and creator of the novel Smart Chain Processing concept. This purchase was subsequent to an earlier offtake agreement with Renasci to source around 20 kilotonnes per year (kt/y) of circular pyrolysis oil, a product of chemical recycling which can be used as feedstock. Taken together, the agreements help accelerate the shift to plastics circularity in an eco-efficient way.

Borealis announced in December that it had purchased a minority stake in Bockatech Limited (Bockatech), a green tech business based in the UK. The agreement deepens and extends the existing partnership between Borealis and Bockatech in the area of sustainable packaging. Founded on the principles of design for recycling, reuse and eco-efficiency, the joint collaboration aims to expand the range of lighter weight, foam-based applications in packaging, and make these available to a larger number of global customers and value chain partners.

Circular Economy

The Borealis commitment to closing the loop on plastics circularity is cemented in the Group Strategy 2035. The Company has pledged that by 2025, 100% of its consumer products will be recyclable, reusable and/or made using materials from renewable sources. Borealis has also pledged to produce up to 350,000 tonnes of recycled plastics each year by 2025. Progress was made in 2021, as Borealis sold 77,000 tonnes of recyclates while at the same time building an annual production capacity of 100,000 tonnes. Taken together, these aims are accelerating the Group's transition to the use of more renewably-sourced feedstocks instead of conventional fossil fuel-based feedstock.

The Borealis dedication to leading the way to circularity is embedded in its EverMinds™ platform, which seeks to promote change and unite value chain partners and stakeholders. Borealis invests, innovates and engages in value chain collaboration to ensure that all products and applications are designed with eco-efficiency in mind. The activities described below are indicative of the broad gamut of those undertaken throughout 2021, yet this list is by no means exhaustive.

- Borealis continues to expand its activities in the area of mechanical recycling. In January, operations commenced at an ultramodern demo plant in Lahnstein, Germany. In this strategic partnership with TOMRA, rigid and flexible post-consumer plastic waste is sorted, then processed using the proprietary Borcycle™ M platform technology into fully formulated, ready-for-market polymer pellets. In this way, Borealis is helping ensure the ample availability of high-quality recyclate for sophisticated applications, thus further closing the loop on plastics circularity.
- Chemical recycling is used to supplement mechanical recycling, and to valorise residual waste streams which would otherwise be incinerated or sent to landfill. An added benefit of chemical recycling is that products manufactured with chemically recycled feedstock offer the same high performance as those produced with fossil fuel-based feedstock. This enables the production of high-end polyolefin-based applications that fulfil stringent quality and safety regulations, such as in healthcare and food packaging. In June, Borealis secured the supply of the entire output of chemically recycled material produced by Renasci – around 20 kt/y – in the form of circular pyrolysis oil. This chemically recycled feedstock will be used to manufacture Borcycle™ C circular polyolefins and circular base chemicals at various Borealis production locations. These activities complement existing collaboration with OMV in which the patented OMV ReOil® technology is used to chemically recycle post-consumer plastics into raw materials which are processed by Borealis into polyolefins.
- In September, the first test of feedstock derived entirely from vegetable-based waste streams commenced at a Borealis cracker in Stenungsund, Sweden. The aim is to evaluate whether, and to what extent, this renewably-sourced feedstock could serve as a replacement for fossil fuel-based feedstocks. Because renewable feedstocks form the foundation of The Bornewables™, the Borealis portfolio of premium circular polyolefins launched in 2020, the ability to offer a viable alternative to conventional feedstocks would not only reduce the Stenungsund plant's overall CO_2 footprint, but also help Borealis customers maintain high product quality while meeting their own sustainability goals.
- Borealis announced that it is scaling up Project STOP. This programme uses a "system-enabler" approach to support local authorities in Indonesia in establishing more sustainable and cost-efficient waste management and recycling systems. Its holistic approach involves the collection, recycling and proper disposal not only of plastic, but all kinds of waste, including organic, to ensure that no waste ends up in the environment. The programme expansion in East Java will extend waste management services to cover two million Indonesians by 2025.
- Borealis formed a partnership with Lafarge, OMV and VERBUND called C2PAT for the joint planning and construction of a full-scale plant to capture CO_2 and process it into synthetic fuels, plastics or other chemicals on an industrial scale.

Value Creation through Innovation in 2021

The relentless dedication to Value Creation through Innovation applies to the entire polyolefins value chain, and is circular at its core. It is applied to all life-cycle phases: idea generation, design, processing, deployment and ultimately recovery for reuse or recycling.

A step-change innovation for the power industry value chain was announced in September: Borealis and TOPAS Advanced Polymers are currently developing a new class of engineering material for film capacitor applications. The EPN (ethylene-propylene-norbornene) material being developed will bridge the performance gap between standard polymers and high-end plastics by substantially increasing the temperature resistance of film capacitors in a cost-efficient way. Drawing on their respective strengths in polymers excellence – Borealis in PP capacitor film, and TOPAS Advanced Polymers in cyclic olefin copolymers (COC) – the partners will accelerate the green-energy transition. Traction inverters for electric mobility will be made more energy efficient at higher temperatures, and inverters will be able to transform power from renewable sources like wind or solar more efficiently.

In April, Borealis and Sulzer, a global leader in fluid engineering, announced that they had successfully developed an innovative process for the cost-effective extrusion of expanded polypropylene (ePP) beads, thus enabling broader and more rapid uptake of this highly effective material, which boasts advanced properties and good suitability for reuse and recycling.

In November, Swiss running shoe brand On announced that, as part of their efforts to identify viable replacements for fossil fuel-based materials, they had created a new foam material called CleanCloud™ in which carbon waste (emissions) is repurposed to create EVA (ethylene vinyl acetate) foam. As a cooperation partner, Borealis is contributing the circular and renewable-based materials required to produce the high-performance, easy-to-process EVA foam used in shoe bottoms and other parts.

In 2021, the combination of Value Creation through Innovation and value chain collaboration gave rise to numerous circular products and processes. Tens of thousands of environmentally friendly drinking cups produced through Bockatech and Borealis collaboration made an appearance at the COP26 in Glasgow, Scotland. These lightweight cups can be collected and washed for reuse before being recycled. Dutch PPE Solutions announced that it is reducing the climate impact of its meltblown fibre production by using Bornewables PP, polypropylene made from bio-based feedstock derived entirely from waste and residue streams. Borealis and pipe and fittings maker, Uponor Infra, announced that their collaboration had produced a new generation of PP sewer pipes made using a product from the Bornewables portfolio and boasting a significantly lower carbon footprint. Borealis and a leading Austrian plastic packaging manufacturer, The Jokey Group, agreed to step up their joint efforts to accelerate circularity through more aggressive development and marketing of recyclable plastic packaging. Borealis, Swiss dairy giant Emmi and Greiner Packaging announced plans to incorporate chemically recycled PP in their ready-to-drink cups for the iced coffee brand Caffé Latte. Earlier in the year, Greiner Packaging produced its first food cup prototypes with in-mould labelling made using Bornewables PP.

Around 500 employees work in R&D at the Borealis Group. This figure includes scientists and researchers at the Innovation Headquarters in Linz, Austria, and the two innovation centres in Stenungsund, Sweden and Porvoo, Finland.

An upward trajectory in the number of priority patent filings is clear. Borealis filed 133 new priority patent applications at the European Patent Office, a record amount of applications filed in the history of Borealis, compared to 114 in the previous year. As of March 2021, the Borealis Group holds around 10,000 individual patents or patent applications which are subsumed in approximately 1,200 patent families. The growing number of patents underscores the Group's position as a leading industry innovator.

Energy and Climate

Borealis is fully committed to reducing the carbon footprint of its operations and to achieving climate neutrality by 2050 or sooner. The Company is making significant changes in the way it operates its own production facilities by following three main approaches to reducing and/or avoiding emissions: drawing on renewable energy sources to power its operations; implementing further energy efficiency improvements and eliminating non-emergency flaring; driving innovation to develop solutions that mitigate greenhouse gas emissions, including bio-based and circular technologies and materials.

In Europe, Borealis aims to increase its energy efficiency by an additional 10% by 2030 (compared to 2020 levels); this gain is on top of the initial 10% efficiency improvements obtained in the years 2015 to 2020, and is due in large part to investments made in upgrading and modernising production facilities.

Sourcing a larger share of renewable energy to supply own operations is key to reaching the goal of climate neutrality by 2050 or sooner. To achieve its intermediate goal of drawing on 50% renewable electricity for its own operations by 2030, Borealis employs the combination of onsite investment in tandem with long-term contracts known as power purchase agreements (PPAs). In September, Borealis signed a nine-year PPA with Axpo, a renewables producer and trader, which enables Borealis to draw on green electricity generated by Axpo wind farms in Belgium to power its own plants there. A ten-year PPA was signed with the energy company Fortum to source electricity from an onshore windfarm to power Borealis operations in Porvoo. This PPA is the fourth and largest to date for Borealis. In total, the amount of energy supplied by PPAs to Borealis operations is equivalent to the annual energy consumption of 160,000 European households.

Pioneering efforts are underway with the creators of the revolutionary Qpinch technology for heat recovery. As of May, the first-ever application of this technology at commercial scale is being tested at the Borealis low-density polyethylene (LDPE) production site in Antwerp. This open-innovation collaboration enables Borealis to take major strides in its efforts to lower CO_2 emissions, while at the same time increasing production efficiency and maintaining cost competitiveness. In June, a new photovoltaic array using the proprietary Quentys™ technology was installed at the Borealis production site in Monza, Italy. It is only the first of several that will be used in the future to power portions of Borealis production operations in locations around the world. In February, Borealis announced that it would invest EUR 17.6 million in a regenerative thermal oxidiser for its polyolefins plants in Porvoo.

Borealis commenced development of its updated climate goals as part of the strategy in the second half of 2021. The new strategy will take upcoming legislative changes (such as the EU's Fit for 55 package) into account. It will also reflect the need to support the Group's customers in their own efforts to achieve climate neutrality by offering innovative and more circular technologies and material solutions. Once the Climate Strategy has been finalised and approved by the Borealis Executive and Supervisory Boards, the updated goals will be communicated, most likely in the first quarter of 2022.

Review of Results

Sales

Borealis sold 3.95 million tonnes of polyolefins in 2021, 2% more than the sales volume in 2020. Borealis Fertilizers sales reached 3.91 million tonnes in 2021, a decrease compared to the sales volume of 4.25 million tonnes in 2020. Melamine sales volumes were 143 thousand tonnes in 2021, which is a similar level compared to 2020.

Cost Development

The higher feedstock price environment saw an increase in 2021 production costs compared to 2020. Furthermore, higher inflation caused by the global economic recovery has driven the increase in sales and distribution costs from EUR 681 million in 2020 to EUR 721 million in 2021; administration costs increased accordingly from EUR 223 million in 2020 to EUR 251 million in 2021. Driven by the unchanged commitment to Value Creation through Innovation, spending on research and development (consisting of costs for Borealis Innotech organisation and deprecation from R&D assets) rose to EUR 123 million in 2021, an increase of EUR 2 million compared to 2020. At the end of 2021, the number of full-time equivalent employees (FTE) was 6,934, an increase of 14 on the previous year.

Operating Profit

Operating profit amounted to EUR 1,517 million compared to EUR 351 million in 2020, achieved in an industry environment still impacted by the pandemic. Borealis was well positioned to benefit from the stronger polyolefins demand, in conjunction with record integrated polyolefin industry margins. Operating profit was also supported by a recovery of the contribution from the nitrogen business, particularly from the melamine business, despite the spike in the price of natural gas. Following the announcement of the start of a divestment process of its nitrogen business unit, including fertilizers, technical nitrogen and melamine products in February 2021, the nitrogen business unit assets within the scope of the divestment project have been classified as assets held for sale and have benefitted from the stopped depreciation.

The strong business result was, however, negatively impacted by an impairment charge of EUR 39 million in relation to Rosier, which is not within the scope of the divestment project.

Financial Income and Expenses

The decline in net financial expenses from EUR 19 million in 2020 to EUR 9 million in 2021 was mainly due to higher interest income from the member loan granted to the Baystar joint venture with Total and a lower net debt level.

Taxes

Income taxes amounted to EUR 263 million, an increase of EUR 144 million from tax charges of EUR 119 million in 2020. The higher overall tax charge in 2021 was mainly driven by the improved business performance.

Net Profit and Distribution of Dividend

The record net profit for the year amounted to EUR 1,396 million, compared to a net profit of EUR 589 million in 2020. In addition to the strong operating profit, the profit contribution from Borouge and Baystar increased significantly in 2021 compared to 2020, both having benefitted from the improved market environment. The strong business result was negatively impacted by an impairment charge of EUR 444 million in relation to the assets within the scope of the divestment of the nitrogen business unit.

In 2021, Borealis distributed a dividend of EUR 150 million to its shareholders from the 2020 result.

Financial Position

At year end, total assets and capital employed stood at EUR 12,985 million and EUR 9,936 million, respectively, compared to EUR 10,600 million and EUR 8,343 million at the end of 2020.

In 2021, Borealis net debt decreased by EUR 1,611 million to EUR 223 million, driven by an extraordinary dividend payment of EUR 1,305 million from Borouge, strong operating cash flow and regular dividend payments from Borouge. This resulted in a gearing ratio of 3% at the end of 2021, compared to 29% at the end of 2020. This gearing reflects a very strong balance sheet. Borealis benefits from a well-diversified financing portfolio and a balanced maturity profile. The solvency ratio was 62% at year end 2021, compared to 59% at year end 2020.

Return on capital employed (ROCE) after tax of 19% in 2021 was eleven percentage points higher than in the previous year. This strong result was mainly driven by the high profitability despite the continued investment in growth projects. The five-year average ROCE of 13% also remains well above the Company's target of 11% through the cycle.

Cash Flows and Liquidity Reserves

Cash flow from operating activities was EUR 967 million, driven by strong operating profitability, and partially offset by a negative working capital development due to the increasing price environment. Liquidity reserves, composed of undrawn committed credit facilities and cash balances, amounted to EUR 2,717 million at year end 2021, compared to EUR 1,142 million at year end 2020. Net interest-bearing debt decreased to EUR 223 million at year end, down from EUR 1,833 million at the end of 2020. The table below shows the change in net interest-bearing debt.

EUR million	2021	2020
Change of net interest-bearing debt		
Cash flow from operating activities	967	1,083
Capital expenditure	-720	-675
Capital contributions to and financing of associated companies and joint ventures	-366	-299
Dividends of associated companies and joint ventures	1,943	510
Acquisition of non-controlling interests	-4	0
Acquisitions of subsidiaries net of cash	0	-603
Other (mainly relating to foreign exchange differences)	-38	36
Dividend paid to equity holders of the parent and non-controlling interests	-150	-300
Additions lease liabilities	-21	-16
Total decrease (+)/increase (-) of net interest-bearing net debt	**1,611**	**-264**

Capital Expenditure

Investments in property, plant and equipment amounted to EUR 660 million in 2021, compared to EUR 614 million in 2020. A large portion of the total investment relates to the new, world-scale PDH plant in Kallo and the upgrade and revamp of four cracker furnaces in Stenungsund. Health, Safety and Environment (HSE) capital expenditure amounted to EUR 88 million, compared to EUR 49 million in 2020.

Depreciation, amortisation and impairment amounted to EUR 427 million, including an impairment charge of EUR 39 million in relation to assets in Rosier, compared to EUR 464 million in 2020. Additionally, assets within the scope of the nitrogen business unit divestment project have been impaired by EUR 444 million.

Shareholders' Equity

Shareholders' equity at year end 2021 was EUR 8,176 million.

EUR million	2021	2020
Equity development		
Net result attributable to the parent	1,406	594
Exchange and fair value adjustment (net)	452	-333
Gross increase/decrease	1,858	261
Dividend paid	-150	-300
Reclassification of cash flow hedges to balance sheet	51	11
Net increase/decrease	1,759	-28
Opening equity	6,417	6,445
Closing equity	**8,176**	**6,417**

Risk Management

Borealis has a documented risk management process ensuring that all parts of the Group routinely identify and assess their risks and develop and implement appropriate mitigation actions. Risk management contributes to achieving the Group's long-term strategies and short-term goals. Borealis believes that an effective risk culture makes it harder for an outlier, be it an event or an offender, to put the Company at risk.

The Group's overall risk landscape is periodically consolidated, reported, and reviewed. Borealis distinguishes between different risk categories as outlined below. While this list is not exhaustive, it does illustrate the most relevant risk types.

Strategic and reputational risks are those that may severely impact the Borealis Group's strategy or reputation. Often, strategic risks are related to unfavourable long-term developments, such as market or industry developments, technology, innovation, a change in the competitive environment or a threat to the reputation of the Group.

Operational and tactical risks usually refer to unfavourable and unexpected short-term or mid-term developments, and include all risks that may have a direct impact on the Group's daily business operations. All operational risks are assessed according to documented guidelines and procedures that are administered by the respective business functions. A proactive approach to risk prevention management has been implemented in the Operations function, covering risks in the areas of Production; Health, Safety and Environment (HSE); Product Stewardship; Plant Availability and Quality. The risk management approach also safeguards the Responsible Care® approach towards risks in operations. The standard risk management process includes a common risk matrix and risk registers, built bottom-up from plant to portfolio level, enabling a common risk rating system for the whole of operations.

HSE risks are assessed according to the procedures and framework described in the Borealis Risk-based Inspection Manual. The HSE Director is responsible for managing all HSE-related risks and periodically reports the Borealis HSE risk landscape to the Executive Board.

Borealis assesses and discloses the potential negative impact of its activities on the environment and society, and related mitigation measures in its Non-financial Report in accordance with legal obligations (NaDiVeG). The main risks analysed are:

- Unplanned emissions from operations that might cause additional emissions to air or soil and water pollution, waste, noise and other disturbances to the local community,
- Process safety incidents causing the sudden and uncontrolled release of explosive materials and release of potentially harmful toxins,
- Chemical substances that, if not handled properly and according to their intended use, could lead to negative impacts on human health,
- Environmental pollution caused by pellet loss or plastic littering, and finally,
- COVID-19 pandemic-related risks to business as well as Borealis employees.

Climate-related risks and mitigation actions are also specifically analysed according to TCFD (Task Force on Climate-Related Financial Disclosures) guidelines and disclosed in the Borealis Non-financial Report. Related transition risks are, for example, higher GHG emission prices, increasing operating costs, increasing pressure on usage of fossil fuel-based feedstock and a negative industry image. Physical risks are mainly related to potential supply-chain disruptions, due, for example, to extreme weather events or political unrest. However, the risks associated with climate change also represent opportunities for innovation, such as product portfolio extensions that include low-emission, circular and/or bio-based products as well as partnerships that help transform the industry towards climate neutrality.

Project-related risks are assessed in the Borealis project approval process. The applicable key risks related to an individual project are assessed. These risks include financial, market, technical, legal, patent infringement, strategic, operational, country-related and political factors. The risk assessment also reflects the probability of project completion within the estimated time frame and forecasted resource requirements, and the likelihood that key project objectives will be achieved. Project-related risks are managed by the project manager and reported to the Project Steering Committee.

Financial and market risks may refer to risks arising for instance from unexpected changes in market supply, demand, commodity prices, services or financing costs. Risks may also arise from liquidity, interest rates, foreign exchange rates, credit and insurance, the inability of a counterparty to meet a payment or delivery commitment, and may, for example, extend to incorrect assumptions or the inappropriate application of a model. The assessment of financial risk management is described in detail in note 17 of the consolidated financial statements. The Treasury & Funding Director and the General Counsel are responsible for reporting and coordinating the management of all financial risks.

Compliance risks focus on legal and regulatory risks, code of conduct (ethics policy), standards as well as contracting compliance. Doing business in an ethical manner is vital to the Group's good reputation and continued success. Tactical or generic risks are risks identified as part of standards or compliance. These risks mainly relate to processes or control weaknesses.

Information security risks relate to the confidentiality, integrity and availability of critical company information. The IT Director 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 safeguards the integration of risk assessment in its strategic planning.

The Supervisory Board is responsible for reviewing the effectiveness of Borealis risk management practices and processes, risk appetite and tolerance levels, the Group's risk exposure and the effectiveness of mitigation actions. The Supervisory Board delegates some of these responsibilities to the Audit Committee, which is a sub-committee of the Supervisory Board.

All Borealis employees are responsible for managing risk, within their authority and in their field of work, in order to ensure that risk management is properly embedded in the organisation and reflected in the daily decision-making processes.

Changes to the Executive Board and the Supervisory Board

Significant changes to the Borealis Executive Board occurred in 2021. As of 1 April 2021, Thomas Gangl succeeded Alfred Stern as Borealis CEO. Alfred Stern was appointed OMV Executive Board Member for Chemicals & Materials effective April 2021 and has also been appointed to the Borealis Supervisory Board effective April 2021. The position of Borealis Executive Vice President Base Chemicals and Operations was filled in July by Wolfram Krenn; his predecessor, Martijn van Koten, joined the OMV Executive Board as of July 2021. As of September 2021, Alfred Stern was appointed as Chairman of the Borealis Supervisory Board, succeeding Rainer Seele. As of the same date, Martijn van Koten was also appointed to the Borealis Supervisory Board. As of 10 February 2022, Alvin Teh was appointed as Supervisory Board member, succeeding Musabbeh Al Kaabi. In addition, Saeed Al Mazrouei was appointed as Vice Chairman of the Supervisory Board.

Economic Development and Outlook

Because its Goal Zero remained out of reach in 2021, Borealis management will step up its efforts in 2022 to achieve the desired result of zero accidents and incidents. As always, safety remains the top priority for the Group in all areas of operation and in all geographic locations.

Borealis is transforming itself from a leading producer of virgin polyolefins solutions to a leading producer of more renewable and sustainable polyolefins solutions. By doing so, it is also transforming the industry. Its leading-edge technologies and portfolio of advanced and circular polyolefins applications can help make life safer and more sustainable. Borealis management is confident that it can capitalise on the opportunities for growth in a global economy in which COVID-19 is ultimately endemic rather than pandemic. It will maintain its commitment to re-inventing for more sustainable living and by offering chemical and plastic solutions that create value for society.

The Borealis Executive Board and its senior management are very proud of the outstanding financial result posted in 2021. Borealis is well positioned to deal with market-related and other challenges and is sure to maintain its status as a reliable and trusted partner for its customers and the entire value chain.

Other Information

In accordance with Section 267a (6) of the Austrian Commercial Code (UGB), Borealis prepares a separate consolidated non-financial report.

As a company subject to non-financial reporting obligations according to Article 19a of Directive 2013/34/EU of the European Parliament and of the Council, Borealis falls within the scope of the EU Taxonomy. Applying the EU Taxonomy enables Borealis to be transparent about its sustainable economic activities and to demonstrate the development of the sustainability performance of all business areas within the Group. For 2021, Borealis discloses within the separate consolidated non-financial report the share of taxonomy-eligible and non-taxonomy-eligible economic activities in its total turnover, CAPEX and OPEX, whereas in the 2022 Annual Report the alignment level will be reported.

		2021 excl. NITRO 1)	2021 incl. NITRO 1)	2020 incl. NITRO 1)	2019	2018	2017
Income and profitability							
Total sales and other income	EUR million	8,723	10,153	6,937 2)	8,103	8,337	7,564
Operating profit	EUR million	1,410	1,517	351 2)	605	496	791
Operating profit as percentage of total sales and other income	%	16	15	5	7	6	10
Net profit	EUR million	1,631	1,396	589	872	906	1,095
Return on capital employed, net after tax	%	–	19	8	11	13	15
Cash flow and investments							
Cash flow from operating activities	EUR million	788	967	1,083	872	517	725
Investments in property, plant and equipment	EUR million	557	660	614	376	326	453
Cash and cash equivalents	EUR million	1,541	1,551	83	83	50	207
Financial position							
Balance sheet total	EUR million	–	12,985	10,583 2)	10,118	9,949	9,395
Net interest-bearing debt	EUR million	–	223	1,833	1,569	1,327	812
Equity attributable to owners of the parent	EUR million	–	8,176	6,417	6,445	6,421	6,365
Gearing	%	–	3	29	24	21	13
Health, Safety & Environment 3)							
Total Recordable Injuries (TRI)	number/million work hours						
a. Old definition		–	–	1.7	1.6	1.3	1.1
b. New definition 4)		–	2.3	3.9	3.4	–	–
EU ETS CO_2 emissions	kilotonnes	–	3,878	4,050	4,625	4,302	4,210
Energy consumption	GWh	–	21,730	22,340	25,831	24,476	22,400
Flaring performance	tonnes	–	38,538	42,543 5)	27,619	26,273	51,620
Waste generation	tonnes	–	102,023	97,905 6)	86,109 7)	53,713	61,398
Water withdrawal	m^3 million	–	735	755	750	675	752
Number of employees	full-time equivalents 8)	5,255	6,934	6,920	6,869	6,834	6,619

1) NITRO: Borealis Fertilizers, Melamine and Technical Nitrogen Business excl. Rosier. For further details, please refer to note 8. Discontinued Operation and Other Changes in the Notes to the Consolidated Financial Statements. // 2) 2020 amounts have been restated. For further details, please refer to the Restatement section in the Notes to the Consolidated Financial Statements. // 3) Environmental data might be subject to minor adjustments due to ongoing audits and missing third-party data at the time of closing of this report. // 4) Definitions have been adjusted in 2021 to be aligned with OMV definitions. A comparison to previous years is only possible with 2020. // 5) Severe upsets led to significant emergency flaring during shutdowns; further there was a lack of recycling capacity. // 6) Value has been recalculated in retrospect due to ongoing audits and missing third-party data at the time the last report was finalised. // 7) The main reason for the increase is the integration of the plastics recycling company mtm plastics GmbH into the monthly group reporting. // 8) Full-time equivalents considers part-time employed staff only as 0.5.

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 of associated companies and joint ventures plus interest income, after imputed tax, divided by average capital employed
Solvency ratio: Total equity, less goodwill, divided by total assets
Gearing ratio: Interest-bearing debt, less cash and cash equivalents, divided by total equity
HSE: Health, Safety and Environment

Vienna, 17 February 2022
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Mark Tonkens m.p.
Chief Financial Officer

Wolfram Krenn m.p.

Philippe Roodhooft m.p.

Lucrèce De Ridder m.p.

Financial Statements Standalone

Balance Sheet as of 31 December 2021

	31.12.2021 EUR	31.12.2020 EUR thousand
Assets		
A. Fixed assets		
I. Intangible assets		
1. Rights and licences	37,767,150.28	31,507
II. Tangible assets		
1. Office equipment	1,165,910.08	1,114
2. Construction in progress	677,534.82	6
	1,843,444.90	1,120
III. Financial assets		
1. Investments in affiliated companies	2,151,194,536.26	2,526,893
2. Loans to affiliated companies	135,036,240.53	63,246
thereof with residual maturity of more than one year EUR 127,536,240.53; 2020: EUR 48,246 thousand		
3. Investments in associated companies	416,126,151.33	414,867
4. Loans to associated companies	1,002,967,971.96	750,347
thereof with residual maturity of more than one year EUR 985,189,558.21; 2020: EUR 749,216 thousand		
5. Securities	6,988,377.21	3,506
	3,712,313,277.29	3,758,860
	3,751,923,872.47	**3,791,487**

	31.12.2021 EUR	31.12.2020 EUR thousand
Assets		
B. Current assets		
I. Inventories		
1. Raw materials and supplies	284,831,699.42	199,873
2. Finished goods and merchandise	791,144,604.48	490,650
	1,075,976,303.90	690,523
II. Receivables and other assets		
1. Trade receivables	1,058,748,110.71	516,559
thereof with residual maturity of more than one year EUR 0.00; 2020: EUR 0 thousand		
2. Receivables from affiliated companies	1,826,335,826.96	1,044,934
thereof with residual maturity of more than one year EUR 304,993,864.68; 2020: EUR 354,994 thousand		
3. Receivables from associated companies	144,150,877.59	81,411
thereof with residual maturity of more than one year EUR 20,100,911.58; 2020: EUR 7,347 thousand		
4. Other receivables and other assets	185,868,343.37	165,293
thereof with residual maturity of more than one year EUR 0.00; 2020: EUR 0 thousand		
	3,215,103,158.63	1,808,198
in total thereof with residual maturity of more than one year EUR 325,094,776.26; 2020: EUR 362,341 thousand		
III. Cash and cash equivalents	1,378,884,048.71	34,670
	5,669,963,511.24	**2,533,390**
C. Prepaid expenses	**10,891,473.10**	**10,868**
D. Deferred tax assets	**10,791,486.77**	**11,332**
Total assets	**9,443,570,343.58**	**6,347,078**

	31.12.2021 EUR	31.12.2020 EUR thousand
Shareholders' Equity and Liabilities		
A. Shareholders' equity		
I. Nominal capital called up and paid in	300,000.00	300
subscribed capital EUR 300,000.00; 2020 EUR 300 thousand		
II. Capital reserves		
1. Appropriated	101,604,460.00	101,604
2. Unappropriated	1,539,783,410.00	1,539,783
	1,641,387,870.00	1,641,388
III. Revenue reserves		
1. Legal reserves	30,000.00	30
IV. Retained earnings	4,200,452,856.59	1,804,096
thereof profit carried forward EUR 1,654,095,693.13, 2020: EUR 677,247 thousand		
	5,842,170,726.59	**3,445,814**
B. Special item for investment grants to fixed assets	**0.00**	**217**
C. Provisions		
1. Provisions for pensions	23,271,089.06	24,053
2. Provisions for taxes	0.00	73,905
3. Other provisions	180,491,646.45	111,954
	203,762,735.51	**209,912**
D. Liabilities		
1. Bonds	300,000,000.00	300,000
thereof with residual maturity of up to one year EUR 0.00; 2020: EUR 0 thousand		
thereof with residual maturity of more than one year EUR 300,000,000.00; 2020: EUR 300,000 thousand		

	31.12.2021 EUR	31.12.2020 EUR thousand
Shareholders' Equity and Liabilities		
2. Bank loans and overdrafts	1,316,365,781.50	1,423,726
thereof with residual maturity of up to one year EUR 71,129,188.69; 2020: EUR 225,228 thousand		
thereof with residual maturity of more than one year EUR 1,245,236,592.81; 2020: EUR 1,198,498 thousand		
3. Trade accounts payable	600,766,568.69	362,785
thereof with residual maturity of up to one year EUR 600,766,568.69; 2020: EUR 362,785 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2020: EUR 0 thousand		
4. Accounts payable to affiliated companies	1,054,484,887.65	489,769
thereof with residual maturity of up to one year EUR 1,054,484,887.65; 2020: EUR 489,769 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2020: EUR 0 thousand		
5. Accounts payable to associated companies	103,718,793.32	66,080
thereof with residual maturity of up to one year EUR 103,718,793.32; 2020: EUR 66,080 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2020: EUR 0 thousand		
6. Other liabilities	22,300,850.32	48,775
thereof taxes: EUR 2,260,998.17; 2020: EUR 5,525 thousand		
thereof social security: EUR 0.00; 2020: EUR 2 thousand		
thereof with residual maturity of up to one year EUR 22,300,850.32; 2020: EUR 48,775 thousand		
thereof with residual maturity of more than one year EUR 0.00; 2020: EUR 0 thousand		
	3,397,636,881.48	**2,691,136**
in total thereof with residual maturity of up to one year EUR 1,852,400,288.67; 2020: EUR 1,192,637 thousand		
in total thereof with residual maturity of more than one year EUR 1,545,236,592.81; 2020: EUR 1,498,498 thousand		
Total equity and liabilities	**9,443,570,343.58**	**6,347,078**

Income Statement for the Year 2021

	2021 EUR	2020 EUR thousand
1. Sales	8,089,130,539.77	5,408,980
2. Increase or decrease in finished goods	300,494,867.23	-141,040
3. Other operating income		
a) Other income	124,121,310.70	185,208
4. Cost of materials and purchased services		
a) Cost of materials	-5,076,540,420.56	-3,389,266
b) Cost of purchased services	-1,320,885,564.31	-1,154,053
	-6,397,425,984.87	-4,543,319
5. Personnel expenses		
a) Salaries	-54,135,229.13	-39,127
b) Social contributions	-13,975,595.66	-15,192
thereof pension fund contributions EUR 1,675,081.67; 2020: EUR 3,243 thousand		
aa) thereof expense for severance payments and corporate staff and self-employment fund contributions EUR 876,253.72; 2020: EUR 1,110 thousand		
bb) thereof expense for statutory social security and payroll-related taxes and contributions EUR 9,279,621.42; 2020: EUR 7,774 thousand		
	-68,110,824.79	-54,319
6. Amortisation and depreciation of		
a) intangible and tangible assets	-2,555,787.97	-2,300
b) current assets, insofar as these exceed the usual depreciation in the corporation	-40,600,000.00	0
	-43,155,787.97	-2,300
7. Other operating expenses		
a) Taxes, other than those reported in line item 17	0.00	-137
b) Other expenses	-668,728,308.09	-500,097
	-668,728,308.09	-500,234
8. Subtotal of line 1 to 7	**1,336,325,811.98**	**352,976**

	2021 EUR	2020 EUR thousand
9. Income from investments	2,021,651,777.25	941,889
thereof affiliated companies EUR 77,145,266.07; 2020: EUR 452,622 thousand		
10. Interest income from long-term loans	28,014,133.28	21,801
thereof affiliated companies EUR 169,234.40; 2020: EUR 393 thousand		
11. Other interest and similar income	35,861,817.61	38,088
thereof affiliated companies EUR 24,957,591.52; 2020: EUR 14,669 thousand		
12. Gains on reversal of previously recognised impairment losses on financial assets	0.00	6,047
13. Expenses arising from financial assets	-433,683,058.70	-7,053
thereof affiliated companies EUR 433,594,941.63; 2020: EUR 7,053 thousand		
Depreciation EUR 433,594,941.63; 2020: EUR 7,053 thousand		
14. Interest and similar expenses	-116,134,611.43	-164,788
thereof affiliated companies EUR 3,644,237.25; 2020: EUR 12,670 thousand		
15. Subtotal of line 9 to 14	**1,535,710,058.01**	**835,984**
16. Income before tax (subtotal of line 8 and 15)	**2,872,035,869.99**	**1,188,960**
17. Taxes on income	-325,678,706.53	-62,111
thereof income from deferred tax assets EUR 540,700.04; 2020: EUR 354 thousand		
18. Income after tax	**2,546,357,163.46**	**1,126,849**
19. Net income for the year	**2,546,357,163.46**	**1,126,849**
20. Profit carried forward from previous years	1,654,095,693.13	677,247
21. Retained earnings	**4,200,452,856.59**	**1,804,096**

Notes

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 and financial performance of the entity. The presentation of the financial statements also meets 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 principle of individual valuation. The financial statements have been compiled according to the principle of completeness. The principle of prudence was taken into account insofar that, in particular, only gains realised at the balance sheet date were accounted for. All recognisable risks and impending losses incurred up to the balance sheet date were included. Estimates are based on prudent judgement. In the existence of statistically determined experiences arising from similar facts, those experiences were taken into account for estimates.

Prevailing accounting and valuation principles have been maintained.

Tangible and intangible assets are reported at cost less accumulated depreciation/amortisation and impairment losses. Impairments of tangible and intangible assets in excess of scheduled depreciation are recognised as write-downs in case impairment is deemed to be sustainable.

Financial assets are carried at cost. In case of sustained and material impairment, a lower fair value is recognised. Fair value is calculated applying the discounted cash flow model using the weighted average cost of capital of the Company at the time of calculation.

Loans to affiliated companies are reported at cost. In case of sustained and material impairment, lower values are recognised.

Raw materials and supplies are capitalised at acquisition cost in line with the weighted average price method. Finished goods are stated at the lower of production cost, originating from the Company's cost accounting, or net sales value. Services not yet invoiced are valued at production costs.

Acquisition/production costs are stipulated following the first-in, first-out (FIFO) method. Production costs comprise:
– prime costs
– special production costs
– variable factory overheads

Receivables and other assets are reported at nominal value. All recognisable individual risks were accounted for using a cautious valuation approach.

According to Position Paper No. 27 dated December 2019 of the Austrian Financial Reporting and Auditing Committee (AFRAC) "Accruals for pensions and severance payments, provisions for jubilee bonuses and comparable obligations falling due in the long-term under the provision of the Austrian Commercial Code", provisions for pensions are calculated actuarially using the projected-unit-credit method and mortality tables "AVÖ 2018-P". Additionally, the earliest date possible for retirement age according to Austrian social insurance legislation is adopted for the calculation. The discount rate used is 1.00% (2020: 0.79%). The discount rate is determined by reference to market rates on the balance sheet date at which high-quality corporates are able to borrow capital for the average residual term of the liability. No staff fluctuation deduction is considered. Additionally, an average increase in pension payments of 2.00% (2020: 2.75%) is considered. The interest expenses relating to provisions for pensions along with effects on changes in discount rates are recorded under the corresponding personnel expense.

Provisions for jubilee bonuses are calculated in accordance with IFRS (IAS 19) using a discount rate of 1.05% (2020: 0.86%). The discount rate is determined by reference to market rates on the balance sheet date. Additionally, a fluctuation deduction of 2.00% (2020: 2.00%) as well as an average wage and salary increase of 3.50% (2020: 2.75%) are used for the calculations.

At year end, all risks recognisable 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. Provisions with a residual term of more than one year are discounted using customary market rates.

Liabilities are reported at settlement amount.

The income statement has been prepared using the total expenditure format.

Obligatory disclosures on financial statement items were omitted in case there were no corresponding facts.

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

Derivative financial instruments are reported at the lower of the acquisition cost or the fair value on the balance sheet date. Provisions for impending losses from unclosed transactions are measured following the imparity principle. Derivative financial instruments are accounted for according to the principle of individual valuation. In accordance with the AFRAC position paper (Austrian Financial Reporting and Auditing Committee), derivative financial instruments designated for hedging purposes have been presented and measured as a unit with the underlying transaction. Predominantly, pending transactions and future cash flows are hedged.

The prerequisites for the formation of valuation units are individual risk compensation, matching interest rate maturities and currencies, matching credit ratings and matching maturities. 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 recognised 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. Future sales and purchases in foreign currency whose exchange rate is fully hedged with foreign exchange forwards are valued at the agreed forward exchange rate. In case of effective hedge relationships of cash flow hedges, measurement of provisions for impending losses of designated derivatives is based on opposite income-related cash flows of the hedged transaction.

Deferred tax assets are recognised for differences between the carrying amounts of assets, provisions, liabilities and other deferred items and their tax bases to the extent that it is probable that the differences will be recovered in future periods.

The following affiliated companies signed toll manufacturing contracts with Borealis AG:
– Borealis Polyolefine GmbH, Austria
– Borealis Polymere GmbH, Germany
– Borealis Polymers N.V., Belgium
– Borealis Kallo N.V., Belgium
– Borealis Antwerpen N.V., Belgium
– Borealis Italia S.p.a., Italy
– Borealis AB, Sweden
– Borealis Polymers Oy, Finland
– Borealis Plastomers B.V., the Netherlands

II. Notes to the Balance Sheet

Assets

1. Fixed Assets

Development of fixed assets:

EUR	Acquisition Cost			
	Balance as of 1 January 2021	Additions	Disposals	Balance as of 31 December 2021
Intangible assets				
Rights and licences	83,242,850.24	8,291,286.60	0.00	91,534,136.84
	83,242,850.24	**8,291,286.60**	**0.00**	**91,534,136.84**
Tangible assets				
Office equipment	5,030,600.66	578,066.14	0.00	5,608,666.62
Construction in progress	6,477.41	671,057.41	0.00	677,534.82
	5,037,078.07	**1,249,123.55**	**0.00**	**6,286,201.44**
Financial assets				
Investments in affiliated companies	3,214,211,441.40	57,896,370.30	-7,052,753.18	3,265,055,058.52
Loans to affiliated companies	68,456,863.80	81,579,376.73	-15,000,000.00	135,036,240.53
Investments in associated companies	414,867,152.33	1,259,000.00	0.00	416,126,152.33
Loans to associated companies	750,346,721.38	252,621,250.58	0.00	1,002,967,971.96
Securities	3,583,858.65	3,543,564.41	0.00	7,127,423.06
	4,451,466,037.56	**396,899,562.02**	**-22,052,753.18**	**4,826,312,846.40**
Total fixed assets	**4,539,745,965.87**	**406,439,972.17**	**-22,052,753.18**	**4,924,133,184.68**

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

Accumulated Amortisation/Depreciation					Carrying Value	
Balance as of 1 January 2021	**Additions**	**Disposals**	**Write-up**	**Balance as of 31 December 2021**	**Balance as of 31 December 2020**	**Balance as of 31 December 2021**
-51,736,201.32	-2,030,785.24	0.00	0.00	-53,766,986.56	31,506,648.92	37,767,150.28
-51,736,201.32	**-2,030,785.24**	**0.00**	**0.00**	**-53,766,986.56**	**31,506,648.92**	**37,767,150.28**
-3,916,578.35	-526,178.19	0.00	0.00	-4,442,756.54	1,114,022.31	1,165,910.08
0.00	0.00	0.00	0.00	0.00	6,477.41	677,534.82
-3,916,578.35	**-526,178.19**	**0.00**	**0.00**	**-4,442,756.54**	**1,120,499.72**	**1,843,444.90**
-687,318,333.81	-433,594,941.63	7,052,753.18	0.00	-1,113,860,522.26	2,526,893,107.59	2,151,194,536.26
-5,210,388.37	0.00	0.00	5,210,388.37	0.00	63,246,475.43	135,036,240.53
0.00	-1.00	0.00	0.00	-1.00	414,867,152.33	416,126,151.33
0.00	0.00	0.00	0.00	0.00	750,346,721.38	1,002,967,971.96
-77,417.00	-61,628.85	0.00	0.00	-139,045.85	3,506,441.65	6,988,377.21
-692,606,139.18	**-433,656,571.48**	**7,052,753.18**	**5,210,388.37**	**-1,113,999,569.11**	**3,758,859,898.38**	**3,712,313,277.29**
-748,258,918.85	**-436,213,534.91**	**7,052,753.18**	**5,210,388.37**	**-1,172,209,312.21**	**3,791,487,047.02**	**3,751,923,872.47**

Intangible Assets

Intangible assets purchased from affiliated companies amount to acquisition costs of EUR 31,802,173.36 (2020: EUR 31,802 thousand).

Amortisation/Depreciation is calculated on a straight-line basis over expected useful lives of three to nineteen years. In the 2021 financial year, no impairment losses on intangible assets have been recognised (2020: EUR 0 thousand).

Tangible Assets

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

Financial Assets

Investments in affiliated and associated companies are broken down as shown in the following table:

EUR thousand	Country	City	Investment in %	Proportional equity IFRS EUR thousand	Proportional net profit IFRS EUR thousand
Investments in affiliated companies					
Borealis Argentina SRL	Argentina	Buenos Aires	98.00	27	0
Borealis Asia LIMITED	Hong Kong	Hong Kong	100.00	609	42
Borealis Brasil S.A.	Brazil	Itatiba	80.00	25,470	5,679
BOREALIS CHEMICALS ZA (PTY) LTD	South Africa	Germiston	100.00	95	17
Borealis Chile SpA	Chile	Santiago	100.00	76	37
Borealis Chimie S.A.R.L.	Morocco	Casablanca	100.00	248	23
Borealis Circular Solutions Holding GmbH (formerly CERHA HEMPEL Leilani Holding GmbH)	Austria	Vienna	100.00	25,027	-7
Borealis Colombia S.A.S.	Colombia	Bogota	100.00	66	17
Borealis Denmark ApS	Denmark	Copenhagen	100.00	84	25
Borealis Digital Studio B.V.	Belgium	Zaventem	90.00	417	222
Borealis Financial Services N.V.	Belgium	Mechelen	100.00	186,126	1,643
Borealis France S.A.S.	France	Courbevoie	100.00	399,717	4,701
Borealis Insurance A/S (captive insurance company)	Denmark	Copenhagen	100.00	88,374	5,778
BOREALIS ITALIA S.p.A.	Italy	Monza	100.00	17,081	866
Borealis L.A.T Italia s.r.l.	Italy	Milan	100.00	85	32
Borealis México, S.A. de C.V.	Mexico	Mexico City	100.00	600	19
Borealis Plásticos S.A. de C.V.	Mexico	Mexico City	100.00	30	7
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Şirketi	Turkey	Istanbul	100.00	348	168
Borealis Plastomers B.V.	The Netherlands	Geleen	100.00	33,058	34,901
Borealis Poliolefinas da América do Sul Ltda.	Brazil	Itatiba	100.00	1,465	503
Borealis Polska Sp. z o.o.	Poland	Warsaw	100.00	308	113

EUR thousand	Country	City	Investment in %	Proportional equity IFRS EUR thousand	Proportional net profit IFRS EUR thousand
Investments in affiliated companies					
Borealis Polymere GmbH	Germany	Burghausen	100.00	73,653	6,235
Borealis Polymers N.V.	Belgium	Beringen	100.00	229,843	3,494
Borealis Polymers Oy	Finland	Porvoo	100.00	365,031	9,042
Borealis Química España S.A.	Spain	Barcelona	100.00	457	127
Borealis RUS LLC	Russia	Moscow	100.00	891	63
Borealis s.r.o.	Czech Republic	Prague	100.00	169	32
Borealis Sverige AB	Sweden	Stenungsund	100.00	292,637	-1
Borealis Technology Oy	Finland	Porvoo	100.00	30	1
BOREALIS UK LTD	UK	Manchester	100.00	1,396	1,198
Borealis USA Inc.	US	Port Murray	100.00	571,215	-14,198
DYM Solution Co., Ltd	South Korea	Cheonan	98.71	32,429	4,324
FEBORAN EOOD	Bulgaria	Sofia	100.00	22,293	1,775
mtm compact GmbH	Germany	Niedergebra	100.00	1,284	44
mtm plastics GmbH	Germany	Niedergebra	100.00	3,902	-3,242
Rosier S.A.	Belgium	Moustier	77.47	-18,415	-22,648

EUR thousand	Country	City	Investment in %	Proportional preliminary equity local GAAP EUR thousand	Proportional preliminary net profit local GAAP EUR thousand
Investments in affiliated companies					
Borealis Agrolinz Melamine GmbH	Austria	Linz	100.00	110,740	20,006
Borealis L.A.T GmbH	Austria	Linz	100.00	98,746	25,660
Borealis Polyolefine GmbH	Austria	Schwechat	100.00	175,627	44,033
Ecoplast Kunststoffrecycling GmbH	Austria	Wildon	100.00	2,609	521

EUR thousand	Country	City	Investment in %	Proportional equity IFRS EUR thousand	Proportional net profit IFRS EUR thousand
Investments in associated companies					
Abu Dhabi Polymers Company Limited	United Arab Emirates	Abu Dhabi	40.00	1,744,334	525,410
Borouge Pte. Ltd.	Singapore	Singapore	50.00	69,043	43,234
C2PAT GmbH	Austria	Vienna	25.00	9	0
C2PAT GmbH & Co KG	Austria	Vienna	25.00	1,250	0
Kilpilahden Voimalaitos Oy	Finland	Porvoo	20.00	444	-779

Loans to affiliated companies totalling EUR 135,036,240.53 (2020: EUR 63,246 thousand) will mature within one year, in the amount of EUR 7,500,000.00 (2020: EUR 15,000 thousand), and in more than five years, in the amount of EUR 127,536,240.53 (2020: EUR 40,746 thousand).

Securities serve to fulfil coverage requirements for pension provisions. In the financial year, an impairment loss of EUR 61,628.85 (2020: reversal of impairment loss EUR 7 thousand) and purchases in the amount of EUR 474,744.00 (2020: EUR 0 thousand) were recognised for securities.

Loans to associated companies totalling EUR 1,002,967,971.96 (2020: EUR 750,347 thousand) will mature within one year, in the amount of EUR 0.00 (2020: EUR 0 thousand), and in more than five years, in the amount of EUR 985,189,558.21 (2020: EUR 548,361 thousand). Loans to Bayport Polymers LLC, USA, total EUR 985,189,558.21 (2020: EUR 733,699 thousand).

2. Inventories

	2021 EUR	2020 EUR thousand
Raw materials and supplies	284,831,699.42	199,873
Finished goods and merchandise	791,144,604.48	490,650
Total	**1,075,976,303.90**	**690,523**

3. Receivables and Other Assets

Trade receivables comprise purchased CO_2 emission allowances amounting to EUR 240,217,898.21 (2020: EUR 116,177 thousand) and are stated at acquisition cost.

Receivables from affiliated companies totalling EUR 1,826,335,826.96 (2020: EUR 1,044,934 thousand) are broken down into trade receivables of EUR 38,865,915.32 (2020: EUR 29,956 thousand) and other receivables of EUR 1,787,469,911.64 (2020: EUR 1,014,979 thousand).

Receivables from associated companies of EUR 144,150,877.59 (2020: EUR 81,411 thousand) are exclusively trade receivables.

There is no material income that will affect cash flow after the balance sheet date.

4. Deferred Tax Assets

Changes in deferred tax assets, broken down into types of temporary differences and unused tax losses carried forward, are reported as follows:

EUR thousand	Fixed assets	Current assets	Unused tax losses carried forward	Provisions	Total
Deferred tax assets as of 1 January 2021	1,511	5,448	0	4,373	11,332
Recognised through profit and loss in 2021	-301	-361	0	121	-541
Deferred tax assets as of 31 December 2021	**1,211**	**5,087**	**0**	**4,493**	**10,791**

Deferred tax assets are measured at a tax rate of 25%. Deferred tax assets solely comprise deductible temporary differences. Deferred taxes include long-term temporary differences totalling EUR 21,352,631.01 (2020: EUR 21,651 thousand).

Shareholders' Equity and Liabilities

1. Shareholders' Equity

Nominal Capital Called and Paid In

The share capital of Borealis AG amounts to EUR 300,000.00 and consists of 300,000 bearer shares at the balance sheet date.

Capital Reserves

The reported unappropriated capital reserves result from indirect shareholder grants by OMV Aktiengesellschaft amounting to EUR 10,000.00 and by OMV Refining & Marketing GmbH amounting to EUR 643,990,000.00.

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

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 101,604,460.00 was allocated to appropriated capital reserves.

In 2010, 2012 and 2013, unappropriated capital reserves amounting to EUR 100,000,000.00, EUR 180,000,000.00 and EUR 20,000,000.00, respectively, were released through profit and loss.

Retained Earnings

Borealis AG intends to pay a dividend of EUR 698,000,000.00 (2020: EUR 150,000 thousand) and to carry forward the remaining profit to a new account.

2. Special Item for Investment Grants for Fixed Assets

The special item for investment grants for fixed assets comprises subsidies granted to the Company in connection with investments in office equipment amounting to EUR 0.00 as at 31 December 2021 (2020: EUR 217 thousand). The investment grant is released over a ten-year term and amounted to EUR 216,615.00 (2020: EUR 64 thousand) for the 2021 financial year.

3. Other Provisions

	2021 EUR	2020 EUR thousand
Provisions for customer rebates and bonuses	52,175,159.13	37,456
Provisions for long-term incentive plan	6,067,538.83	4,769
Provisions for impending losses from uncompleted transactions	11,010,476.95	4,361
Provisions for outstanding invoices	60,595,734.30	16,694
Provisions for employee bonuses	9,213,655.73	5,816
Provisions for not consumed vacation	4,233,477.76	4,699
Provisions for accrued interest	5,872,984.21	7,030
Provisions for jubilee bonuses	2,002,617.00	1,560
Provisions for social fund	136,246.31	17,680
Other provisions	29,183,756.67	11,889
Total	**180,491,646.89**	**111,954**

4. Liabilities

The maturities of liabilities are broken down in the following table:

EUR	**2021**	
	Carrying value as of 31.12.2021	**Thereof maturity > five years**
Bonds	300,000,000.00	0.00
Bank loans and overdrafts	1,316,365,781.50	472,356,337.66
Trade accounts payable	600,766,568.69	0.00
Accounts payable to affiliated companies	1,054,484,887.65	0.00
Accounts payable to associated companies	103,718,793.32	0.00
Other liabilities	22,300,850.32	0.00
Total	**3,397,636,881.48**	**472,356,337.66**

EUR	2020	
	Carrying value as of 31.12.2020	Thereof maturity > five years
Bonds	300,000,000.00	0.00
Bank loans and overdrafts	1,423,726,024.72	392,037,801.08
Trade accounts payable	362,785,169.47	0.00
Accounts payable to affiliated companies	489,769,255.03	0.00
Accounts payable to associated companies	66,080,470.45	0.00
Other liabilities	48,774,968.74	0.00
Total	**2,691,135,888.41**	**392,037,801.08**

Accounts payable to affiliated companies totalling EUR 1,054,484,887.65 (2020: EUR 489,769 thousand) consist of financial payables of EUR 489,806,521.55 (2020: EUR 227,742 thousand) and trade payables of EUR 564,678,366.10 (2020: EUR 262,027 thousand).

Accounts payable to associated companies amounting to EUR 103,718,793.32 (2020: EUR 66.080 thousand) are exclusively trade payables.

Other liabilities do not include any material expenses that will produce an outflow of cash after the balance sheet date.

5. Obligations from the Use of Fixed Assets Not Stated in the Balance Sheet

EUR thousand	2021	
	Expenses for the next financial year	Expenses for the next five financial years
Obligations from lease agreements	19,129	46,088
Obligations from rental agreements	3,512	0
Total	**22,642**	**46,088**

6. Notes to Financial Instruments

According to the financial policy of the 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. Therefore, Borealis AG uses foreign exchange forwards, interest rate swaps, cross-currency interest rate swaps and commodity derivatives (feedstock, electricity and natural gas).

Financial risk management is centralised in the Treasury and Funding Department, where foreign exchange risks, in conjunction with short-term cash flows, are hedged and limits for long-term foreign exchange exposures are set.

The majority of borrowings are based on fixed interest rates. The portion of borrowings that is based on variable interest rates is transformed into fixed interest rates using interest rate swaps.

Part of the forecast feedstock purchases and finished goods sales is 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 using electricity and natural gas swaps.

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

Derivatives	2021					
	Nominal value		Fair value EUR thousand		Carrying value EUR thousand	Balance sheet item
		Unit	Positive	Negative		
Forward exchange forwards	214,700 1,641,000	USD thousand SEK thousand	0 16	-6,159 -1,806	– –	
thereof valuation unit with hedged transaction	214,700 1,641,000	USD thousand SEK thousand	0 16	-6,159 -1,806	– –	
Interest rate swaps	11,538 110,000	EUR thousand USD thousand	0 0	-68 -723	– –	
thereof valuation unit with hedged transaction	11,538 110,000	EUR thousand USD thousand	0 0	-68 -723	– –	
Forward exchange contracts	0 5,000,000	GBP thousand JPY thousand	0 0	0 -3,817	-3,817 –	Other provisions
thereof valuation unit with hedged transaction	0 0	GBP thousand JPY thousand	0 0	0 0	0 0	
Commodity derivates	349,857 6,824	tonnes GWh	13,420 363,632	-13,211 -59,774	-7,194	Other provisions
thereof valuation unit with hedged transaction	273,757 6,824	tonnes GWh	11,853 363,632	-6,017 -59,774	– –	

Derivatives	2020					
	Nominal value		Fair value EUR thousand		Carrying value EUR thousand	Balance sheet item
		Unit	Positive	Negative		
Forward exchange forwards	195,000 1,487,000	USD thousand SEK thousand	7,470 5,244	-702 –	– –	
thereof valuation unit with hedged transaction	195,000 1,487,000	USD thousand SEK thousand	7,470 5,244	-702 –	– –	
Interest rate swaps	23,077 110,000	EUR thousand USD thousand	– –	-259 -3,667	– –	
thereof valuation unit with hedged transaction	23,077 110,000	EUR thousand USD thousand	– –	-259 -3,667	– –	
Forward exchange contracts	30,000 5,000,000	GBP thousand JPY thousand	– 327	-2,930 –	-2,930 –	Other provisions
thereof valuation unit with hedged transaction	30,000 5,000,000	GBP thousand JPY thousand	– –	– –	– –	
Commodity derivates	541,746 7,906	tonnes GWh	11,688 27,311	-37,789 -21,512	-1,431 –	Other provisions
thereof valuation unit with hedged transaction	462,583 7,906	tonnes GWh	11,279 27,311	-36,358 -21,512	– –	

The fair value of foreign exchange forwards corresponds to the quoted market price on the balance sheet date, i.e. the present value of the quoted forward price. The fair value of interest rate swaps corresponds to the calculated amount the Group would receive or pay in case of closing the position on the balance sheet date, with current interest rates taken into account. The fair value of commodity derivatives corresponds to the market price quoted at the 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 11,010 thousand (2020: EUR 4,361 thousand) as at the balance sheet date.

Foreign exchange forwards mature at an average of six months, where all contracts existing as at the balance sheet date mature by the end of the year 2022 at the latest. As at the balance sheet date, Borealis AG had outstanding interest rate derivatives with maturities until 2024 as well as cross-currency interest rate swaps maturing in 2024.

As at the balance sheet date, Borealis AG had commodity derivatives transactions for hedging the price of raw materials maturing at an average of six months and for hedging the price of energy and gas maturing at an average of nineteen months. Commodity derivatives mature no later than 2024.

Provisions for impending losses are accrued for foreign exchange forwards and commodity derivatives, respectively, in case those pending transactions show a negative fair value on the balance sheet date and are not designated as hedging instruments. Foreign exchange forwards and commodity derivatives, respectively, which show a positive fair value on the balance sheet date and are not designated as hedging instruments, are not capitalised. Interest rate swaps for hedging interest-bearing loans are not capitalised as they are deemed to form a valuation unit with the underlying loan. The parameters of the hedged item and the hedging instrument, that determine the extent of the change in value, are identical but opposite (critical terms match). Accordingly, the hedging relationship is considered effective and does not exhibit any ineffectiveness.

Expenses and income from derivative instruments not used to hedge relationships are generally disclosed in the profit and loss items as other operating expenses and other operating income, respectively. Equally, results from derivative instruments related to financing or financial investments are generally disclosed in the financial result. In case derivatives are designated as hedging instruments, the results achieved are disclosed in the same profit and loss items 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%. The effectiveness tests of hedging relationships showed that there was no ineffectiveness as at 31 December 2021.

7. Contingent Liabilities

Borealis AG assumed guarantees amounting to EUR 3,182,725.58 (2020: EUR 26,762 thousand) for external loans and liabilities to affiliated companies.

III. Notes to the Income Statement

A. Sales and Cost of Materials

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

EUR thousand	Sales by Market and Business Areas 2021			
	Polyolefins	Base Chemicals	Other	Total
EU countries	4,623,649	1,092,574	237,036	5,953,259
Non-EU countries	866,968	253,114	0	1,120,082
Total Europe	5,490,617	1,345,688	237,036	7,073,341
North America	182,034	36,869	11,573	230,476
South America	169,099	0	0	169,099
Middle East (excl. UAE)	36,645	0	0	36,645
United Arab Emirates	9,602	18,387	99,143	127,131
Asia	277,353	0	0	277,353
Australia, New Zealand	2,258	0	0	2,258
Africa	172,826	0	0	172,826
Total	**6,340,435**	**1,400,944**	**347,752**	**8,089,131**

EUR thousand	Sales by Market and Business Areas 2020			
	Polyolefins	Base Chemicals	Other	Total
EU countries	3,056,452	638,440	130,596	3,825,488
Non-EU countries	606,466	158,852	0	765,318
Total Europe	3,662,918	797,292	130,596	4,590,806
North America	116,481	1,312	1,397	119,190
South America	99,371	0	0	99,371
Middle East (excl. UAE)	37,672	0	0	37,672
United Arab Emirates	7,172	4,126	135,649	146,946
Asia	281,062	16,119	0	297,181
Australia, New Zealand	2,525	0	0	2,525
Africa	115,289	0	0	115,289
Total	**4,322,489**	**818,849**	**252,254**	**5,408,980**

B. Other Operating Income

In the 2021 financial year, insurance compensation for the business interruption (steam crackers) of Borealis AB, Sweden, in the amount of EUR 22,054,339.00 (2020: EUR 79,663 thousand) is included in the remaining other operating income.

C. Personnel Expenses

In the 2021 financial year, the average number of employees was 273 (2020: 262). Exclusively white-collar workers are employed.

Severance payments, pension fund as well as corporate staff and self-employment fund contributions are broken down as follows:

	2021 EUR	2020 EUR thousand
Executive Board	594,058.10	581
Managerial employees	1,221,605.79	1,260
Other employees	1,255,243.26	1,458
Total	**3,070,907.15**	**3,299**

Voluntary severance payments amounted to EUR 206,398.16 (2020: EUR 446 thousand) and are broken down as follows:

	2021 EUR	2020 EUR thousand
Executive Board	0.00	0
Managerial employees	206,398.16	224
Other employees	0.00	222
Total	**206,398.16**	**446**

D. Other Operating Expenses

	2021 EUR	2020 EUR thousand
Freight	266,315,181.35	246,396
Derivatives	125,408,393.88	50,948
Research and development costs	56,894,197.15	49,863
Royalties	54,362,511.81	22,823
Consulting services	35,417,598.72	25,171
Storage	24,390,103.62	24,033
Insurance	20,266,138.53	17,280
Rents	14,951,001.78	4,117
Commission	12,167,137.60	13,335
Trainings, seminars	1,595,867.35	1,648
Travel expense	725,564.13	764
Sundry	56,234,612.17	43,719
Total	**668,728,308.09**	**500,097**

E. Audit Expenses

	2021 EUR	2020 EUR thousand
Audits of statutory national and consolidated financial statements	351,100.00	332
Other assurance services	249,174.00	276
Other services	0.00	0
Total	**600,274.00**	**608**

F. Financial Result

The financial result is broken down as follows:

	2021 EUR	2020 EUR thousand
Income from investments		
Abu Dhabi Polymers Company Ltd., UAE	1,875,581,167.13	473,684
Borouge Pte. Ltd., Singapore	68,925,344.05	15,583
Borealis Technology Oy, Finland	0.00	293,545
Borealis Agrolinz Melamine GmbH, Austria	31,950,000.00	44,000
Borealis Polyolefine GmbH, Austria	16,999,998.78	20,000
Borealis Polymers Oy, Finland	15,905,241.38	92,931
Borealis Polymere GmbH, Germany	10,000,000.00	0
BOREALIS ITALIA S.p.A., Italy	1,650,000.00	0
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Şirketi, Turkey	391,775.16	41
Borealis Brasil S.A., Brasil	181,367.30	1,077
Borealis Chile SpA, Chile	35,426.68	0
Borealis s.r.o., Czech Republic	31,456.77	35
Borealis Química España S.A., Spain	0.00	500
BOREALIS UK LTD, UK	0.00	441
Borealis Colombia S.A.S., Colombia	0.00	53
	2,021,651,777.25	941,889
Interest income from long-term loans		
Novealis Holdings LLC, US	26,538,300.88	20,370
Kilpilahden Voimalaitos Oy, Finland	1,130,870.02	1,038
Borealis Polyolefine GmbH, Austria	169,234.40	393
Other	175,727.98	0
	28,014,133.28	21,801

	2021 EUR	2020 EUR thousand
Other interest and similar income		
Interest income from intercompany financing	24,957,591.52	14,669
Interest and other income from interest rate swaps and FX hedges	9,316,826.98	20,329
Other	1,587,399.11	3,091
	35,861,817.61	38,088
Gains on reversal of previously recognised impairment losses on financial assets		
Write-up to securities held as fixed assets	0.00	7
Write-ups to shares in Borealis Technology Oy, Finland	0.00	6,040
	0.00	6,047
Expenses arising from financial assets		
Impairment of Borealis France S.A.S., Courbevoie, France	394,932,814.34	0
Impairment of Rosier S.A., Moustier, Belgium	38,662,127.29	0
Impairment of Silleno Limited Liability Partnership, Kazakhstan	0.00	7,053
Impairment of securities held as fixed assets	61,628.85	0
Other	26,488.22	0
	433,683,058.70	7,053
Interest and similar expenses		
Interest expenses from intercompany financing	2,525,810.68	9,206
Interest and similar expenses arising from interest rate swaps and FX hedges	31,190,438.24	1,652
Result from foreign exchange translations	41,306,451.06	109,936
Interest charged by banks	30,810,144.55	35,185
Interest expenses in the context of forfaiting	3,142,016.20	2,549
Other	7,159,750.70	6,260
	116,134,611.43	164,788
Financial Result	**1,535,710,058.01**	**835,984**

The investment in Rosier S.A., Belgium, was fully impaired in 2021 by EUR 38,662,127.29 (2020: EUR 0 thousand). The lack of profitability in recent years and the significant deviation of the financial results from the budget of Rosier S.A., Belgium, qualified as triggering events for an impairment. Among the main reasons are increasingly competitive market conditions with pressure from vertically integrated competitors as well as an unfavourable cost structure. The investment in Borealis France S.A.S., France, was fully impaired in 2021 by EUR 394,932,814.34 (2020: EUR 0 thousand). Borealis France S.A.S., France, shows a trigger for impairment given the expected loss that will incur as a result of the planned disposal of its subsidiaries Borealis Produits et Engrais Chimiques du Rhin S.A.S., France, and Borealis Chimie S.A.S., France. The conduct of the impairment tests resulted in the full impairment of shares in Rosier S.A., Belgium, and Borealis France S.A.S., France. As a result of this valuation the receivable to Rosier S.A., Belgium, was written off by EUR 40,600,000.00. The write-off of the receivable to Rosier S.A., Belgium, is included in position 6 b) Amortisation and depreciation of current assets, insofar as these exceed the usual depreciation in the corporation.

G. Taxes on Income

Until 31 December 2020, the Company was the group parent of a tax group in line with Section 9 of the Corporate Income Tax Act (KStG) with Borealis Polyolefine GmbH, Borealis Agrolinz Melamine GmbH, Borealis L.A.T GmbH and Ecoplast Kunststoffrecycling GmbH as group members. The tax group was dissolved in 2021. Since the 2021 financial year, the Company has been a member of a tax group in line with Section 9 of the Corporate Income Tax Act (KStG) with OMV Aktiengesellschaft as the group parent. According to the tax group agreement, if the income derived by the Company during a financial year is positive, the Company has to make a tax compensation payment for this financial year to the group parent. In case of a negative tax result, the parent company does not have to pay any tax compensations. Negative tax losses are carried forward by the group parent and will be deducted from positive tax results of the group member in the future.

H. Significant Events After the Balance Sheet Date

On 2 February 2022, Borealis received a binding offer from EuroChem for the acquisition of the nitrogen business including fertilizer, melamine and technical nitrogen products. The offer values the business on an enterprise value basis at EUR 455,000 thousand. Borealis will initiate mandatory information and consultation procedures with employee representatives. The transaction is also subject to certain closing conditions and regulatory approvals, with closing expected for the second half of 2022.

Borealis AG will continue to focus on its core activities of providing innovative and sustainable solutions in the fields of polyolefins and base chemicals and on the transformation towards a circular economy.

IV. Other Information

The total remuneration received by Executive Board members amounted to EUR 8,168 thousand (2020: EUR 7,331 thousand):

- Active Board members: EUR 4,368 thousand (2020: EUR 7,331 thousand)
- Former Board members: EUR 3,799 thousand (2020: EUR 0 thousand)

Along with additional payments into pension funds amounting to EUR 469 thousand (2020: EUR 470 thousand).

Active members of the Supervisory Board received a remuneration totalling EUR 856 thousand (2020: EUR 856 thousand). Members of the Company Boards have not been granted any advances, loans or guarantees.

Borealis AG is a large joint stock corporation pursuant to Section 221 of the Austrian Commercial Code.

Borealis AG prepares consolidated financial statements in compliance with International Financial Reporting Standards (IFRS), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU and as applicable to the financial year. The consolidated financial statements are filed under No. 269858a in the Commercial Register in Vienna.

Borealis AG is included in the consolidated financial statements of OMV Aktiengesellschaft, Vienna, Austria.

Executive Board

Alfred Stern (Chairman until 1 April 2021), Thomas Gangl (Chairman since 1 April 2021), Mark Tonkens, Martijn Arjen van Koten (Member until 1 July 2021), Wolfram Krenn (Member since 1 July 2021), Philippe Roodhooft, Lucrèce De Ridder

Supervisory Board

Rainer Seele (Chairman until 1 September 2021), Alfred Stern (Chairman since 1 September 2021, Member since 1 April 2021), Musabbeh Al Kaabi (Vice Chairman until 9 February 2022), Saeed Al Mazrouei (Vice Chairman since 10 February 2022), Reinhard Florey, Thomas Gangl (Member until 1 April 2021), Martijn Arjen van Koten (Member since 1 September 2021), Alvin Teh (Member since 10 February 2022)

Vienna, 17 February 2022
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Mark Tonkens m.p.
Chief Financial Officer

Wolfram Krenn m.p.

Philippe Roodhooft m.p.

Lucrèce De Ridder m.p.

Statement of the Executive Board according to Section 124(1)(3) of the Vienna Stock Exchange Act

We confirm to the best of our knowledge that the standalone financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company of the Group 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.

Vienna, 17 February 2022
Executive Board:

Thomas Gangl m.p.
Chairman of the Executive Board

Mark Tonkens m.p.
Member of the Executive Board

Wolfram Krenn m.p.
Member of the Executive Board

Philippe Roodhooft m.p.
Member of the Executive Board

Lucrèce De Ridder m.p.
Member of the Executive Board

Auditor's Report [1] [2]

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of Borealis AG, Vienna, which comprise the balance sheet as of 31 December 2021, the income statement for the financial year then ended and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2021, and of its financial performance for the financial year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian Generally Accepted Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

– Description
– Audit approach and key observations
– Reference to related disclosures

Recoverability of Investments in Affiliated Companies and Receivables from Affiliated Companies

Description

Borealis AG, Vienna, owns investments in affiliated companies with book values in the amount of EUR 2,151.2 million as of 31 December 2021. Among others, the following investments in affiliated companies show a negative result for the financial year 2021:

– Rosier S.A., Moustier, Belgium
– Borealis Circular Solutions Holding GmbH (formerly CERHA HEMPEL Leilani Holding GmbH), Vienna, Austria
– Borealis Sverige AB, Stenungsund, Sweden
– Borealis USA Inc., Port Murray, US
– mtm plastics GmbH, Niedergebra, Germany

In addition, Borealis France S.A.S., France, shows a triggering event for impairment given the expected loss that will incur as a result of the planned disposal of its subsidiaries Borealis Produits et Engrais Chimiques du Rhin S.A.S., France, and Borealis Chimie S.A.S., France.

In accordance with section 204 para. 2 UGB, investments in affiliated companies are to be written down if the impairment is expected to be permanent. In accordance with section 207 UGB, receivables from affiliated companies are to be written down in case they are not recoverable. In the financial statements as of 31 December 2021, the assessment of the recoverability of the investments in affiliated companies and receivables from affiliated companies also had to take into account the effects of the COVID-19 pandemic. Management is of the opinion that permanent impairments exist as of 31 December 2021 due to a negative equity value in the valuation models. Therefore, the investment in Rosier S.A., Belgium, was 100% impaired and write-downs in the amount of EUR 38.7 million were recognised in the income statement of the financial year. The receivables from Rosier S.A., Belgium, have also been assessed regarding their recoverability. As a result the receivables were impaired by EUR 40.6 million. Further, the investment in Borealis France S.A.S., France, was 100% impaired and write-downs in the amount of EUR 394.9 million were recognised in the income statement in the financial year.

1) We draw attention to the fact that the English translation of this auditor's report according to section 274 UGB (Austrian Company Code) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Given the complexity of the impairment models, the estimation uncertainty involved in the derivation of data used, as well as the immanent discretionary decisions, the recoverability of investments in affiliated companies and receivables from affiliated companies is considered as a key audit matter.

Audit Approach and Key Observations
When assessing the recoverability of investments in affiliated companies and receivables from affiliated companies, we evaluated the appropriateness of the respective valuation models. In doing so, we assessed the valuation method as well as evaluated the parameters used by management. We confirmed that the assumptions used to derive the future cash flows are based on the most recent five-year plan prepared by management and approved by the Supervisory Board. In particular, we verified whether the effects of the COVID-19 pandemic were adequately taken into account in the current plan. Our internal specialists have evaluated if the assumptions used for the discount interest rate as well as the growth rate for the perpetuity are in line with external market and industry data. We further examined if these models comply with the generally accepted valuation principles in accordance with KFS/BW1, if they are calculated correctly and consistent with the prior year, and if the underlying assumptions are reasonable and appropriate.

The valuation models as well as the assumptions and parameters used in the valuation – also taking into account the effects of the COVID-19 pandemic –, the corresponding impairment and the respective disclosures are appropriate.

Reference to Related Disclosures
Management explained this key audit matter in section F. Financial result in the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the financial report, but does not include the financial statements, the management report and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Austrian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:
– identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
– conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
– evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Company

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian standards on auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the applicable legal regulations, comprising the details in accordance with section 243a UGB, and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional Information in Accordance with Article 10 of the EU Regulation

We were elected as statutory auditor at the ordinary general meeting dated 24 February 2021. We were appointed by the Supervisory Board on 24 February 2021. We have audited the Company for an uninterrupted period since the financial year 2016.

We confirm that the audit opinion in the “Report on the Financial Statements” section is consistent with the additional report to the Audit Committee referred to in Article 11 of the EU Regulation.

We declare that no prohibited non-audit services (Article 5 para. 1 of the EU Regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement is Alexander Riavitz, Austrian Certified Public Accountant.

Vienna, 17 February 2022
PwC Wirtschaftsprüfung GmbH

Alexander Riavitz m.p.
Austrian Certified Public Accountant

2) This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the financial statements together with our auditor’s report is only allowed if the financial statements and the management report are identical with the German audited version. This auditor’s report is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of section 281 para. 2 UGB apply.

CONSOLIDATED

Financial **Statements 2021**

including Group Management Report

Group Management Report

We draw attention to the fact that comparatives have been restated, for details see the Restatement section in the Notes to the Consolidated Financial Statements. All amounts in the management report are not considering the reclassification of the discontinued operation and related balances held for sale.

Safety Performance

In 2021, Borealis reported a Total Recordable Injury Rate (TRI[1]) per million working hours of 2.3. This is an improvement compared to the 3.9 TRI rate in 2020. In line with its "Goal Zero" objective, Borealis continues to strive to eliminate all accidents and incidents in process and personal safety. The Borealis leadership team maintains its efforts to sharpen the focus on safety among its employees and contractors.

Safety thus continues to be the Group's number one priority. Borealis has remained vigilant in its efforts to prevent coronavirus infections, particularly in light of the rapid global spread of new variants. Throughout the year, measures first enacted in 2020 to protect employees, contractors and business partners were maintained and optimised where necessary. These included physical distancing, the use of personal protective equipment and protective barriers, increased cleaning frequency, stringent hygiene, and working remotely when feasible.

Market Environment

Following its unprecedented 2020 slump as a consequence of the global COVID-19 pandemic, the Brent Crude oil price rebounded in 2021. As countries around the world began lifting COVID-related restrictions, the subsequent economic recovery drove demand. The price of oil surged from 55 USD/bbl in January 2021 to a peak of 84 USD/bbl in October, its highest level since 2014. Overall, the average 2021 Brent Crude oil price of 71 USD/bbl exceeded both the 2020 average of 42 USD/bbl as well as the pre-COVID average of 64 USD/bbl in 2019, a clear indication of recovery.

Naphtha developed in a similar vein as the oil price, increasing steadily from 500 USD/t in January 2021 to a peak of 763 USD/t in October 2021, before tapering off slightly to end the year at 698 USD/t. Ethylene and propylene contract prices have also been positively affected by rebounding markets, with the ethylene price starting the year at 860 EUR/t and hitting a high in November at 1,283 EUR/t, before ending the year at 1,273 EUR/t. The price of propylene moved upwards from 800 EUR/t in January to reach 1,288 EUR/t in November, ending the year at the same level.

Borealis Polyolefins sales volumes increased in a market environment which continues to be impacted by the pandemic. In 2021, Borealis Polyolefins sales volumes reached 3.95 million tons, 2% higher than in 2020, and an increase of 4% over the pre-COVID sales volumes achieved in 2019. This exceptionally strong result is due to robust demand for Borealis Polyolefins which became apparent even prior to the initial signs of economic recovery at the beginning of 2021, which was particularly strong in the energy, pipe and advanced product sectors. At the same time, we saw ongoing supply constraints rooted in logistics problems and industry production outages. Integrated polyolefin industry margins climbed to record levels, thus leading to an outstanding profit contribution from the Borealis Polyolefins business.

The olefin industry margin also increased in 2021, albeit not as much as the polyolefin industry margin. This may be attributed to increased demand in a recovering economy in which supply, however, was still negatively impacted by industry production outages. As a result, the profit contribution delivered by the hydrocarbons business was higher than in 2020, but remained below 2019 levels as the advantage from cracking light feedstock became less favourable.

Within the Borealis nitrogen business unit, Fertilizers reported sales of 3.9 million tonnes from January to December versus the 4.3 million tonnes sold in 2020. This drop is due in part to extremely strong demand in the fourth quarter of 2020 which caused a temporary spike in sales volumes and inevitably lower demand at the start of 2021; and to some operational issues. In a recovering market environment,

1) TRI definition was adjusted to be aligned with IOGP (International Association of Oil & Gas Producers).

melamine sales remained on par with the previous year, with total 2021 sales volumes of 143 kilotonnes (kt) compared to 147 kt in 2020.

Strategy

The Group Strategy 2035 has several central components. One is the geographical expansion undertaken to establish Borealis as the global partner of choice for high-value material solutions. Acquisitions and partnerships, particularly in North America and the Middle East and Africa (MEA), are key. Another is transformation, especially from a linear to a circular economy. Value Creation through Innovation is an essential part of this evolution to a fully customer-centric approach and more circular polyolefins solutions. Finally, leading from the core builds on the unique Borealis mindset and established values and culture. It puts people first and strives for excellence in all it does. Sustainability is deeply embedded in this component, because leading from the core means that all types of resources are used wisely in all areas of operation. Borealis is further increasing its efforts towards the ultimate goal of carbon neutrality as well as complying with legislation and increased legal requirements (for example, EU Taxonomy).

Global Growth and Acquisitions Continue

Despite the ongoing effects of the pandemic, Borealis has been able to make meaningful progress on its important global growth projects in 2021. In November, Borealis and ADNOC signed a USD 6.2 billion final investment agreement to build the fourth facility at the Borouge polyolefin manufacturing complex in Ruwais, UAE. Borouge expansion is vital in order to serve growing customer demand in Asia and MEA for differentiated polyolefins solutions in energy, infrastructure and advanced packaging. Borouge will become the world's largest single-site polyolefin complex, with an annual polyethylene production capacity of 6.4 million tonnes. The project entails the construction of an ethane cracker, two state-of-the-art Borstar® polyethylene (PE) plants, a cross-linked polyethylene (XLPE) plant and a 1-hexene unit. Cutting-edge technologies will be employed to improve energy efficiency and reduce emissions. Continuous flaring will be eliminated altogether. The new facility will draw on renewable energy sources to power some of its operations. An exploratory study currently underway will determine whether the installation of a carbon capture unit could lower Borouge 4 emissions by up to 80%.

The Baystar™ project in Texas, USA, is a 50/50 joint venture between Borealis and TOTAL Petrochemicals & Refining USA, Inc. Baystar is building a 625,000-tonne-per-year Borstar polyethylene unit at our production site in Pasadena, Texas, US. Baystar is also currently building a one-million-tonne per year steam cracker in Port Arthur, Texas, US. This undertaking will add more than one million tonnes of annual polyolefins production capacity and, most crucially, enable Borealis to supply locally manufactured Borstar products to its North American customers for the first time. The unusually hard winter freeze of 2021 had adverse effects on nearly all petrochemical operations on the Gulf Coast; the Baystar project was no exception.

The new world-scale propane dehydrogenation (PDH) plant under construction in Kallo, Belgium, adjacent to the existing PDH facility, is progressing despite negative pandemic-related effects. With an investment of around EUR 1 billion, this is among the largest projects in the petrochemical industry in Europe, and the largest ever for Borealis on the continent. A stellar safety record has been achieved despite the enormity of the project, which included the delivery of one of the largest single pieces of equipment ever shipped in one piece to the Port of Antwerp.

In July, Borealis announced it had acquired a 10% minority stake in Renasci N.V. (Renasci), a Belgium-based provider of innovative recycling solutions and creator of the novel Smart Chain Processing concept. This purchase was subsequent to an earlier offtake agreement with Renasci to source around 20 kilotonnes per year (kt/y) of circular pyrolysis oil, a product of chemical recycling which can be used as feedstock. Taken together, the agreements help accelerate the shift to plastics circularity in an eco-efficient way.

Borealis announced in December that it had purchased a minority stake in Bockatech Limited (Bockatech), a green tech business based in the UK. The agreement deepens and extends the existing partnership between Borealis and Bockatech in the area of sustainable packaging. Founded on the principles of design for recycling, reuse and eco-efficiency, the joint collaboration aims to expand the range of lighter weight, foam-based applications in packaging, and make these available to a larger number of global customers and value chain partners.

Circular Economy

The Borealis commitment to closing the loop on plastics circularity is cemented in the Group Strategy 2035. The Company has pledged that by 2025, 100% of its consumer products will be recyclable, reusable and/or made using materials from renewable sources. Borealis has also pledged to produce up to 350,000 tonnes of recycled plastics each year by 2025. Progress was made in 2021, as Borealis sold 77,000 tonnes of recyclates while at the same time building an annual production capacity of 100,000 tonnes. Taken together, these aims are accelerating the Group's transition to the use of more renewably-sourced feedstocks instead of conventional fossil fuel-based feedstock.

The Borealis dedication to leading the way to circularity is embedded in its EverMinds™ platform, which seeks to promote change and unite value chain partners and stakeholders. Borealis invests, innovates and engages in value chain collaboration to ensure that all products and applications are designed with eco-efficiency in mind. The activities described below are indicative of the broad gamut of those undertaken throughout 2021, yet this list is by no means exhaustive.

- Borealis continues to expand its activities in the area of mechanical recycling. In January, operations commenced at an ultramodern demo plant in Lahnstein, Germany. In this strategic partnership with TOMRA, rigid and flexible post-consumer plastic waste is sorted, then processed using the proprietary Borcycle™ M platform technology into fully formulated, ready-for-market polymer pellets. In this way, Borealis is helping ensure the ample availability of high-quality recyclate for sophisticated applications, thus further closing the loop on plastics circularity.
- Chemical recycling is used to supplement mechanical recycling, and to valorise residual waste streams which would otherwise be incinerated or sent to landfill. An added benefit of chemical recycling is that products manufactured with chemically recycled feedstock offer the same high performance as those produced with fossil fuel-based feedstock. This enables the production of high-end polyolefin-based applications that fulfil stringent quality and safety regulations, such as in healthcare and food packaging. In June, Borealis secured the supply of the entire output of chemically recycled material produced by Renasci – around 20 kt/y – in the form of circular pyrolysis oil. This chemically recycled feedstock will be used to manufacture Borcycle™ C circular polyolefins and circular base chemicals at various Borealis production locations. These activities complement existing collaboration with OMV in which the patented OMV ReOil® technology is used to chemically recycle post-consumer plastics into raw materials which are processed by Borealis into polyolefins.
- In September, the first test of feedstock derived entirely from vegetable-based waste streams commenced at a Borealis cracker in Stenungsund, Sweden. The aim is to evaluate whether, and to what extent, this renewably-sourced feedstock could serve as a replacement for fossil fuel-based feedstocks. Because renewable feedstocks form the foundation of The Bornewables™, the Borealis portfolio of premium circular polyolefins launched in 2020, the ability to offer a viable alternative to conventional feedstocks would not only reduce the Stenungsund plant's overall CO_2 footprint, but also help Borealis customers maintain high product quality while meeting their own sustainability goals.
- Borealis announced that it is scaling up Project STOP. This programme uses a "system-enabler" approach to support local authorities in Indonesia in establishing more sustainable and cost-efficient waste management and recycling systems. Its holistic approach involves the collection, recycling and proper disposal not only of plastic, but all kinds of waste, including organic, to ensure that no waste ends up in the environment. The programme expansion in East Java will extend waste management services to cover two million Indonesians by 2025.
- Borealis formed a partnership with Lafarge, OMV and VERBUND called C2PAT for the joint planning and construction of a full-scale plant to capture CO_2 and process it into synthetic fuels, plastics or other chemicals on an industrial scale.

Value Creation through Innovation in 2021

The relentless dedication to Value Creation through Innovation applies to the entire polyolefins value chain, and is circular at its core. It is applied to all life-cycle phases: idea generation, design, processing, deployment and ultimately recovery for reuse or recycling.

A step-change innovation for the power industry value chain was announced in September: Borealis and TOPAS Advanced Polymers are currently developing a new class of engineering material for film capacitor applications. The EPN (ethylene-propylene-norbornene) material being developed will bridge the performance gap between standard polymers and high-end plastics by substantially increasing the temperature resistance of film capacitors in a cost-efficient way. Drawing on their respective strengths in polymers excellence – Borealis in PP capacitor film, and TOPAS Advanced Polymers in cyclic olefin copolymers (COC) – the partners will accelerate the green-energy transition. Traction inverters for electric mobility will be made more energy efficient at higher temperatures, and inverters will be able to transform power from renewable sources like wind or solar more efficiently.

In April, Borealis and Sulzer, a global leader in fluid engineering, announced that they had successfully developed an innovative process for the cost-effective extrusion of expanded polypropylene (ePP) beads, thus enabling broader and more rapid uptake of this highly effective material, which boasts advanced properties and good suitability for reuse and recycling.

In November, Swiss running shoe brand On announced that, as part of their efforts to identify viable replacements for fossil fuel-based materials, they had created a new foam material called CleanCloud™ in which carbon waste (emissions) is repurposed to create EVA (ethylene vinyl acetate) foam. As a cooperation partner, Borealis is contributing the circular and renewable-based materials required to produce the high-performance, easy-to-process EVA foam used in shoe bottoms and other parts.

In 2021, the combination of Value Creation through Innovation and value chain collaboration gave rise to numerous circular products and processes. Tens of thousands of environmentally friendly drinking cups produced through Bockatech and Borealis collaboration made an appearance at the COP26 in Glasgow, Scotland. These lightweight cups can be collected and washed for reuse before being recycled. Dutch PPE Solutions announced that it is reducing the climate impact of its meltblown fibre production by using Bornewables PP, polypropylene made from bio-based feedstock derived entirely from waste and residue streams. Borealis and pipe and fittings maker, Uponor Infra, announced that their collaboration had produced a new generation of PP sewer pipes made using a product from the Bornewables portfolio and boasting a significantly lower carbon footprint.

Borealis and a leading Austrian plastic packaging manufacturer, The Jokey Group, agreed to step up their joint efforts to accelerate circularity through more aggressive development and marketing of recyclable plastic packaging. Borealis, Swiss dairy giant Emmi and Greiner Packaging announced plans to incorporate chemically recycled PP in their ready-to-drink cups for the iced coffee brand Caffé Latte. Earlier in the year, Greiner Packaging produced its first food cup prototypes with in-mould labelling made using Bornewables PP.

Around 500 employees work in R&D at the Borealis Group. This figure includes scientists and researchers at the Innovation Headquarters in Linz, Austria, and the two innovation centres in Stenungsund, Sweden and Porvoo, Finland.

An upward trajectory in the number of priority patent filings is clear. Borealis filed 133 new priority patent applications at the European Patent Office, a record amount of applications filed in the history of Borealis, compared to 114 in the previous year. As of March 2021, the Borealis Group holds around 10,000 individual patents or patent applications which are subsumed in approximately 1,200 patent families. The growing number of patents underscores the Group's position as a leading industry innovator.

Energy and Climate

Borealis is fully committed to reducing the carbon footprint of its operations and to achieving climate neutrality by 2050 or sooner. The Company is making significant changes in the way it operates its own production facilities by following three main approaches to reducing and/or avoiding emissions: drawing on renewable energy sources to power its operations; implementing further energy efficiency improvements and eliminating non-emergency flaring; driving innovation to develop solutions that mitigate greenhouse gas emissions, including bio-based and circular technologies and materials.

In Europe, Borealis aims to increase its energy efficiency by an additional 10% by 2030 (compared to 2020 levels); this gain is on top of the initial 10% efficiency improvements obtained in the years 2015 to 2020, and is due in large part to investments made in upgrading and modernising production facilities.

Sourcing a larger share of renewable energy to supply own operations is key to reaching the goal of climate neutrality by 2050 or sooner. To achieve its intermediate goal of drawing on 50% renewable electricity for its own operations by 2030, Borealis employs the combination of onsite investment in tandem with long-term contracts known as power purchase agreements (PPAs). In September, Borealis signed a nine-year PPA with Axpo, a renewables producer and trader, which enables Borealis to draw on green electricity generated by Axpo wind farms in Belgium to power its own plants there. A ten-year PPA was signed with the energy company Fortum to source electricity from an onshore windfarm to power Borealis operations in Porvoo. This PPA is the fourth and largest to date for Borealis. In total, the amount of energy supplied by PPAs to Borealis operations is equivalent to the annual energy consumption of 160,000 European households.

Pioneering efforts are underway with the creators of the revolutionary Qpinch technology for heat recovery. As of May, the first-ever application of this technology at commercial scale is being tested at the Borealis low-density polyethylene (LDPE) production site in Antwerp. This open-innovation collaboration enables Borealis to take major strides in its efforts to lower CO_2 emissions, while at the same time increasing production efficiency and maintaining cost competitiveness. In June, a new photovoltaic array using the proprietary Quentys™ technology was installed at the Borealis production site in Monza, Italy. It is only the first of several that will be used in the future to power portions of Borealis production operations in locations around the world. In February, Borealis announced that it would invest EUR 17.6 million in a regenerative thermal oxidiser for its polyolefins plants in Porvoo.

Borealis commenced development of its updated climate goals as part of the strategy in the second half of 2021. The new strategy will take upcoming legislative changes (such as the EU's Fit for 55 package) into account. It will also reflect the need to support the Group's customers in their own efforts to achieve climate neutrality by offering innovative and more circular technologies and material solutions. Once the Climate Strategy has been finalised and approved by the Borealis Executive and Supervisory Boards, the updated goals will be communicated, most likely in the first quarter of 2022.

Review of Results

Sales

Borealis sold 3.95 million tonnes of polyolefins in 2021, 2% more than the sales volume in 2020. Borealis Fertilizers sales reached 3.91 million tonnes in 2021, a decrease compared to the sales volume of 4.25 million tonnes in 2020. Melamine sales volumes were 143 thousand tonnes in 2021, which is a similar level compared to 2020.

Cost Development

The higher feedstock price environment saw an increase in 2021 production costs compared to 2020. Furthermore, higher inflation caused by the global economic recovery has driven the increase in sales and distribution costs from EUR 681 million in 2020 to EUR 721 million in 2021; administration costs increased accordingly from EUR 223 million in 2020 to EUR 251 million in 2021. Driven by the unchanged commitment to Value Creation through Innovation, spending on research and development (consisting of costs for Borealis Innotech organisation and deprecation from R&D assets) rose to EUR 123 million in 2021, an increase of EUR 2 million compared to 2020. At the end of 2021, the number of full-time equivalent employees (FTE) was 6,934, an increase of 14 on the previous year.

Operating Profit

Operating profit amounted to EUR 1,517 million compared to EUR 351 million in 2020, achieved in an industry environment still impacted by the pandemic. Borealis was well positioned to benefit from the stronger polyolefins demand, in conjunction with record integrated polyolefin industry margins. Operating profit was also supported by a recovery of the contribution from the nitrogen business, particularly from the melamine business, despite the spike in the price of natural gas. Following the announcement of the start of a divestment process of its nitrogen business unit, including fertilizers, technical nitrogen and melamine products in February 2021, the nitrogen business unit assets within the scope of the divestment project have been classified as assets held for sale and have benefitted from the stopped depreciation.

The strong business result was, however, negatively impacted by an impairment charge of EUR 39 million in relation to Rosier, which is not within the scope of the divestment project.

Financial Income and Expenses

The decline in net financial expenses from EUR 19 million in 2020 to EUR 9 million in 2021 was mainly due to higher interest income from the member loan granted to the Baystar joint venture with Total and a lower net debt level.

Taxes

Income taxes amounted to EUR 263 million, an increase of EUR 144 million from tax charges of EUR 119 million in 2020. The higher overall tax charge in 2021 was mainly driven by the improved business performance.

Net Profit and Distribution of Dividend

The record net profit for the year amounted to EUR 1,396 million, compared to a net profit of EUR 589 million in 2020. In addition to the strong operating profit, the profit contribution from Borouge and Baystar increased significantly in 2021 compared to 2020, both having benefitted from the improved market environment. The strong business result was negatively impacted by an impairment charge of EUR 444 million in relation to the assets within the scope of the divestment of the nitrogen business unit.

In 2021, Borealis distributed a dividend of EUR 150 million to its shareholders from the 2020 result.

Financial Position

At year end, total assets and capital employed stood at EUR 12,985 million and EUR 9,936 million, respectively, compared to EUR 10,600 million and EUR 8,343 million at the end of 2020.

In 2021, Borealis net debt decreased by EUR 1,611 million to EUR 223 million, driven by an extraordinary dividend payment of EUR 1,305 million from Borouge, strong operating cash flow and regular dividend payments from Borouge. This resulted in a gearing ratio of 3% at the end of 2021, compared to 29% at the end of 2020. This gearing reflects a very strong balance sheet. Borealis benefits from a well-diversified financing portfolio and a balanced maturity profile. The solvency ratio was 62% at year end 2021, compared to 59% at year end 2020.

Return on capital employed (ROCE) after tax of 19% in 2021 was eleven percentage points higher than in the previous year. This strong result was mainly driven by the high profitability despite the continued investment in growth projects. The five-year average ROCE of 13% also remains well above the Company's target of 11% through the cycle.

Cash Flows and Liquidity Reserves

Cash flow from operating activities was EUR 967 million, driven by strong operating profitability, and partially offset by a negative working capital development due to the increasing price environment. Liquidity reserves, composed of undrawn committed credit facilities and cash balances, amounted to EUR 2,717 million at year end 2021, compared to EUR 1,142 million at year end 2020. Net interest-bearing debt decreased to EUR 223 million at year end, down from EUR 1,833 million at the end of 2020. The table below shows the change in net interest-bearing debt.

EUR million	2021	2020
Change of net interest-bearing debt		
Cash flow from operating activities	967	1,083
Capital expenditure	-720	-675
Capital contributions to and financing of associated companies and joint ventures	-366	-299
Dividends of associated companies and joint ventures	1,943	510
Acquisition of non-controlling interests	-4	0
Acquisitions of subsidiaries net of cash	0	-603
Other (mainly relating to foreign exchange differences)	-38	36
Dividend paid to equity holders of the parent and non-controlling interests	-150	-300
Additions lease liabilities	-21	-16
Total decrease (+)/increase (-) of net interest-bearing net debt	**1,611**	**-264**

Capital Expenditure

Investments in property, plant and equipment amounted to EUR 660 million in 2021, compared to EUR 614 million in 2020. A large portion of the total investment relates to the new, world-scale PDH plant in Kallo and the upgrade and revamp of four cracker furnaces in Stenungsund. Health, Safety and Environment (HSE) capital expenditure amounted to EUR 88 million, compared to EUR 49 million in 2020.

Depreciation, amortisation and impairment amounted to EUR 427 million, including an impairment charge of EUR 39 million in relation to assets in Rosier, compared to EUR 464 million in 2020. Additionally, assets within the scope of the nitrogen business unit divestment project have been impaired by EUR 444 million.

Shareholders' Equity

Shareholders' equity at year end 2021 was EUR 8,176 million.

EUR million	2021	2020
Equity development		
Net result attributable to the parent	1,406	594
Exchange and fair value adjustment (net)	452	-333
Gross increase/decrease	1,858	261
Dividend paid	-150	-300
Reclassification of cash flow hedges to balance sheet	51	11
Net increase/decrease	1,759	-28
Opening equity	6,417	6,445
Closing equity	**8,176**	**6,417**

Risk Management

Borealis has a documented risk management process ensuring that all parts of the Group routinely identify and assess their risks and develop and implement appropriate mitigation actions. Risk management contributes to achieving the Group's long-term strategies and short-term goals. Borealis believes that an effective risk culture makes it harder for an outlier, be it an event or an offender, to put the Company at risk.

The Group's overall risk landscape is periodically consolidated, reported, and reviewed. Borealis distinguishes between different risk categories as outlined below. While this list is not exhaustive, it does illustrate the most relevant risk types.

Strategic and reputational risks are those that may severely impact the Borealis Group's strategy or reputation. Often, strategic risks are related to unfavourable long-term developments, such as market or industry developments, technology, innovation, a change in the competitive environment or a threat to the reputation of the Group.

Operational and tactical risks usually refer to unfavourable and unexpected short-term or mid-term developments, and include all risks that may have a direct impact on the Group's daily business operations. All operational risks are assessed according to documented guidelines and procedures that are administered by the respective business functions. A proactive approach to risk prevention management has been implemented in the Operations function, covering risks in the areas of Production; Health, Safety and Environment (HSE); Product Stewardship; Plant Availability and Quality. The risk management approach also safeguards the Responsible Care® approach towards risks in operations. The standard risk management process includes a common risk matrix and risk registers, built bottom-up from plant to portfolio level, enabling a common risk rating system for the whole of operations.

HSE risks are assessed according to the procedures and framework described in the Borealis Risk-based Inspection Manual. The HSE Director is responsible for managing all HSE-related risks and periodically reports the Borealis HSE risk landscape to the Executive Board.

Borealis assesses and discloses the potential negative impact of its activities on the environment and society, and related mitigation measures in its Non-financial Report in accordance with legal obligations (NaDiVeG). The main risks analysed are:

- Unplanned emissions from operations that might cause additional emissions to air or soil and water pollution, waste, noise and other disturbances to the local community,
- Process safety incidents causing the sudden and uncontrolled release of explosive materials and release of potentially harmful toxins,
- Chemical substances that, if not handled properly and according to their intended use, could lead to negative impacts on human health,
- Environmental pollution caused by pellet loss or plastic littering, and finally,
- COVID-19 pandemic-related risks to business as well as Borealis employees.

Climate-related risks and mitigation actions are also specifically analysed according to TCFD (Task Force on Climate-Related Financial Disclosures) guidelines and disclosed in the Borealis Non-financial Report. Related transition risks are, for example, higher GHG emission prices, increasing operating costs, increasing pressure on usage of fossil fuel-based feedstock and a negative industry image. Physical risks are mainly related to potential supply-chain disruptions, due, for example, to extreme weather events or political unrest. However, the risks associated with climate change also represent opportunities for innovation, such as product portfolio extensions that include low-emission, circular and/or bio-based products as well as partnerships that help transform the industry towards climate neutrality.

Project-related risks are assessed in the Borealis project approval process. The applicable key risks related to an individual project are assessed. These risks include financial, market, technical, legal, patent infringement, strategic, operational, country-related and political factors. The risk assessment also reflects the probability of project completion within the estimated time frame and forecasted resource requirements, and the likelihood that key project objectives will be achieved. Project-related risks are managed by the project manager and reported to the Project Steering Committee.

Financial and market risks may refer to risks arising for instance from unexpected changes in market supply, demand, commodity prices, services or financing costs. Risks may also arise from liquidity, interest rates, foreign exchange rates, credit and insurance, the inability of a counterparty to meet a payment or delivery commitment, and may, for example, extend to incorrect assumptions or the inappropriate application of a model. The assessment of financial risk management is described in detail in note 17 of the consolidated financial statements. The Treasury & Funding Director and the General Counsel are responsible for reporting and coordinating the management of all financial risks.

Compliance risks focus on legal and regulatory risks, code of conduct (ethics policy), standards as well as contracting compliance. Doing business in an ethical manner is vital to the Group's good reputation and continued success. Tactical or generic risks are risks identified as part of standards or compliance. These risks mainly relate to processes or control weaknesses.

Information security risks relate to the confidentiality, integrity and availability of critical company information. The IT Director 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 safeguards the integration of risk assessment in its strategic planning.

The Supervisory Board is responsible for reviewing the effectiveness of Borealis risk management practices and processes, risk appetite and tolerance levels, the Group's risk exposure and the effectiveness of mitigation actions. The Supervisory Board delegates some of these responsibilities to the Audit Committee, which is a sub-committee of the Supervisory Board.

All Borealis employees are responsible for managing risk, within their authority and in their field of work, in order to ensure that risk management is properly embedded in the organisation and reflected in the daily decision-making processes.

Changes to the Executive Board and the Supervisory Board

Significant changes to the Borealis Executive Board occurred in 2021. As of 1 April 2021, Thomas Gangl succeeded Alfred Stern as Borealis CEO. Alfred Stern was appointed OMV Executive Board Member for Chemicals & Materials effective April 2021 and has also been appointed to the Borealis Supervisory Board effective April 2021. The position of Borealis Executive Vice President Base Chemicals and Operations was filled in July by Wolfram Krenn; his predecessor, Martijn van Koten, joined the OMV Executive Board as of July 2021. As of September 2021, Alfred Stern was appointed as Chairman of the Borealis Supervisory Board, succeeding Rainer Seele. As of the same date, Martijn van Koten was also appointed to the Borealis Supervisory Board. As of 10 February 2022, Alvin Teh was appointed as Supervisory Board member, succeeding Musabbeh Al Kaabi. In addition, Saeed Al Mazrouei was appointed as Vice Chairman of the Supervisory Board.

Economic Development and Outlook

Because its Goal Zero remained out of reach in 2021, Borealis management will step up its efforts in 2022 to achieve the desired result of zero accidents and incidents. As always, safety remains the top priority for the Group in all areas of operation and in all geographic locations.

Borealis is transforming itself from a leading producer of virgin polyolefins solutions to a leading producer of more renewable and sustainable polyolefins solutions. By doing so, it is also transforming the industry. Its leading-edge technologies and portfolio of advanced and circular polyolefins applications can help make life safer and more sustainable. Borealis management is confident that it can capitalise on the opportunities for growth in a global economy in which COVID-19 is ultimately endemic rather than pandemic. It will maintain its commitment to re-inventing for more sustainable living and by offering chemical and plastic solutions that create value for society.

The Borealis Executive Board and its senior management are very proud of the outstanding financial result posted in 2021. Borealis is well positioned to deal with market-related and other challenges and is sure to maintain its status as a reliable and trusted partner for its customers and the entire value chain.

Other Information

In accordance with Section 267a (6) of the Austrian Commercial Code (UGB), Borealis prepares a separate consolidated non-financial report.

As a company subject to non-financial reporting obligations according to Article 19a of Directive 2013/34/EU of the European Parliament and of the Council, Borealis falls within the scope of the EU Taxonomy. Applying the EU Taxonomy enables Borealis to be transparent about its sustainable economic activities and to demonstrate the development of the sustainability performance of all business areas within the Group. For 2021, Borealis discloses within the separate consolidated non-financial report the share of taxonomy-eligible and non-taxonomy-eligible economic activities in its total turnover, CAPEX and OPEX, whereas in the 2022 Annual Report the alignment level will be reported.

		2021 excl. NITRO 1)	2021 incl. NITRO 1)	2020 incl. NITRO 1)	2019	2018	2017
Income and profitability							
Total sales and other income	EUR million	8,723	10,153	6,937 2)	8,103	8,337	7,564
Operating profit	EUR million	1,410	1,517	351 2)	605	496	791
Operating profit as percentage of total sales and other income	%	16	15	5	7	6	10
Net profit	EUR million	1,631	1,396	589	872	906	1,095
Return on capital employed, net after tax	%	–	19	8	11	13	15
Cash flow and investments							
Cash flow from operating activities	EUR million	788	967	1,083	872	517	725
Investments in property, plant and equipment	EUR million	557	660	614	376	326	453
Cash and cash equivalents	EUR million	1,541	1,551	83	83	50	207
Financial position							
Balance sheet total	EUR million	–	12,985	10,583 2)	10,118	9,949	9,395
Net interest-bearing debt	EUR million	–	223	1,833	1,569	1,327	812
Equity attributable to owners of the parent	EUR million	–	8,176	6,417	6,445	6,421	6,365
Gearing	%	–	3	29	24	21	13
Health, Safety & Environment 3)							
Total Recordable Injuries (TRI)	number/million work hours						
a. Old definition		–	–	1.7	1.6	1.3	1.1
b. New definition 4)		–	2.3	3.9	3.4	–	–
EU ETS CO_2 emissions	kilotonnes	–	3,878	4,050	4,625	4,302	4,210
Energy consumption	GWh	–	21,730	22,340	25,831	24,476	22,400
Flaring performance	tonnes	–	38,538	42,543 5)	27,619	26,273	51,620
Waste generation	tonnes	–	102,023	97,905 6)	86,109 7)	53,713	61,398
Water withdrawal	m^3 million	–	735	755	750	675	752
Number of employees	full-time equivalents 8)	5,255	6,934	6,920	6,869	6,834	6,619

1) NITRO: Borealis Fertilizers, Melamine and Technical Nitrogen Business excl. Rosier. For further details, please refer to note 8. Discontinued Operation and Other Changes in the Notes to the Consolidated Financial Statements. // 2) 2020 amounts have been restated. For further details, please refer to the Restatement section in the Notes to the Consolidated Financial Statements. // 3) Environmental data might be subject to minor adjustments due to ongoing audits and missing third-party data at the time of closing of this report. // 4) Definitions have been adjusted in 2021 to be aligned with OMV definitions. A comparison to previous years is only possible with 2020. // 5) Severe upsets led to significant emergency flaring during shutdowns; further there was a lack of recycling capacity. // 6) Value has been recalculated in retrospect due to ongoing audits and missing third-party data at the time the last report was finalised. // 7) The main reason for the increase is the integration of the plastics recycling company mtm plastics GmbH into the monthly group reporting. // 8) Full-time equivalents considers part-time employed staff only as 0.5.

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 of associated companies and joint ventures plus interest income, after imputed tax, divided by average capital employed
Solvency ratio: Total equity, less goodwill, divided by total assets
Gearing ratio: Interest-bearing debt, less cash and cash equivalents, divided by total equity
HSE: Health, Safety and Environment

Vienna, 17 February 2022
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Mark Tonkens m.p.
Chief Financial Officer

Wolfram Krenn m.p.

Philippe Roodhooft m.p.

Lucrèce De Ridder m.p.

Consolidated Financial Statements

Consolidated Income Statement

EUR thousand	2021	2020 restated 2)	Note
Net sales 1)	**8,591,970**	**5,785,982**	1, 2
Other operating income 1)	131,400	199,936	29
Total sales and other income 1)	**8,723,370**	**5,985,918**	
Production costs 1)	-6,488,739	-4,924,854	6, 7, 14, 15
Gross profit 1)	**2,234,631**	**1,061,064**	
Sales and distribution costs	-593,710	-536,392	6, 7, 14, 15
Administration costs	-212,934	-199,247	6, 7, 14, 15
R&D costs 1)	-17,993	-7,859	3, 6, 7, 14, 15
Operating profit 1)	**1,409,994**	**317,566**	
Net results of associated companies and joint ventures	594,872	373,957	9
Financial income	35,605	48,562	18
Financial expenses 1)	-42,408	-62,545	18
Profit before taxation	**1,998,063**	**677,540**	
Taxes on income	-366,660	-91,475	11
Net profit for the year from continuing operations	**1,631,403**	**586,065**	
Discontinued operation			
Loss (profit) from discontinued operation, net of tax	-235,332	2,452	8
Net profit for the year	**1,396,071**	**588,517**	
Attributable to:			
Non-controlling interests	-9,502	-5,509	
Equity holders of the parent	1,405,573	594,026	

1) 2020 amounts for line items marked with footnote 1) have been restated. For further details, please refer to the Restatement section. // 2) Comparative information has also been re-presented due to a discontinued operation (see note 8. Discontinued Operation and Other Changes).

Consolidated Statement of Comprehensive Income

EUR thousand	2021	2020	Note
Net profit for the year	**1,396,071**	**588,517**	
Items that may be subsequently reclassified to the income statement			
Net gain/loss on translation of financial statements of foreign operations	283,973	-324,944	
Reclassifications to the income statement during the period	357	-17,094	
Tax effect recognised in other comprehensive income	0	0	
Net gain/loss on long-term loans to foreign operations	-2,100	4,020	19
Reclassifications to the income statement during the period	0	0	
Tax effect recognised in other comprehensive income	525	-1,005	
Net gain/loss on loans to hedge investments in foreign operations	-14,687	16,704	19, 22, 23
Reclassifications to the income statement during the period	0	0	
Tax effect recognised in other comprehensive income	3,672	-4,176	
Fair value adjustments of cash flow hedges	462,138	-50,385	19, 22, 23, 24, 25
Reclassifications to the income statement during the period	-220,184	25,636	19, 22, 23, 24, 25
Tax effect recognised in other comprehensive income	-60,489	6,187	
Share of other comprehensive income of associated companies accounted for using the equity method	1,036	1,893	9
Items that will not be reclassified to the income statement			
Actuarial gains and losses	-4,453	13,270	15
Tax effect recognised in other comprehensive income	1,569	-1,415	
Share of other comprehensive income of associated companies accounted for using the equity method	250	-4,159	9
Net income/expense recognised in other comprehensive income	**451,607**	**-335,468**	
Total comprehensive income	**1,847,678**	**253,049**	
Attributable to:			
Non-controlling interests	-9,482	-7,471	
Equity holders of the parent	1,857,160	260,520	

Consolidated Balance Sheet

EUR thousand	31.12.2021	31.12.2020 restated	Note
Assets			
Non-current assets			
Intangible assets	658,643	554,424	3, 4, 7
Property, plant and equipment			5, 7
Production plants [1]	1,977,253	2,517,800	
Machinery and equipment [1]	30,392	34,417	
Construction in progress [1]	936,278	689,084	
Total property, plant and equipment [1]	2,943,923	3,241,301	
Right-of-use assets	160,553	195,675	6
Investments in associated companies and joint ventures	2,526,406	3,577,497	9
Other investments	18,355	31,443	10, 28
Loans granted	1,015,018	750,804	10, 27, 28, 30
Other receivables and other assets	139,931	76,223	2, 10, 27, 28
Deferred tax assets	59,544	26,692	11
Total non-current assets [1]	**7,522,373**	**8,454,059**	
Current assets			
Inventories	1,267,480	961,328	12
Receivables			
Trade receivables	1,113,786	640,090	26, 27, 28, 30
Income taxes	69,944	7,519	
Other receivables and other assets	649,171	436,565	9, 10, 27, 28, 30
Total receivables and other assets	1,832,901	1,084,174	
Cash and cash equivalents	1,540,973	83,404	28
Assets of the disposal group held for sale	821,003	0	8
Total current assets	**5,462,357**	**2,128,906**	
Total assets [1]	**12,984,730**	**10,582,965**	

1) 2020 amounts for line items marked with footnote [1] have been restated. For further details, please refer to the Restatement section.

Consolidated Balance Sheet

EUR thousand	31.12.2021	31.12.2020 restated	Note
Equity and liabilities			
Equity			
Shareholders' equity			
Share capital and contributions by shareholders	1,599,397	1,599,397	13
Reserves	203,645	-299,231	
Retained earnings	6,372,494	5,117,066	
Total shareholders' equity	8,175,536	6,417,232	
Non-controlling interests	-4,251	8,993	
Total equity	**8,171,285**	**6,426,225**	
Liabilities			
Non-current liabilities			
Loans and borrowings	1,526,278	1,411,552	20, 21, 28
Lease liabilities	134,084	156,697	6, 20, 21
Deferred tax liabilities	178,166	224,108	11
Employee benefits	415,839	470,713	15
Provisions [1)]	64,647	75,207	16
Other liabilities [1)]	13,494	25,651	21, 28
Total non-current liabilities [1)]	**2,332,508**	**2,363,928**	
Current liabilities			
Loans and borrowings	73,633	310,397	20, 21, 28
Lease liabilities	30,682	38,101	6, 20, 21
Trade payables	1,016,936	788,170	21, 28, 30
Income taxes	44,760	63,049	
Provisions [1)]	69,546	37,281	16
Contract liabilities	54,997	41,660	2
Other liabilities [1)]	599,086	514,154	21, 28, 30
Liabilities directly related to the disposal group	591,297	0	8
Total current liabilities [1)]	**2,480,937**	**1,792,812**	
Total liabilities [1)]	**4,813,445**	**4,156,740**	
Total equity and liabilities [1)]	**12,984,730**	**10,582,965**	

1) 2020 amounts for line items marked with footnote [1)] have been restated. For further details, please refer to the Restatement section.

Consolidated Statement of Changes in Equity

EUR thousand	Share capital [1] and contributions by shareholders	Reserve for actuarial gains/losses recognised in equity	Hedging reserve	Reserve for unrealised exchange gains/losses	Retained earnings	Total attributable to the equity holders of the parent	Non-controlling interests	Total equity
Balance as of 1 January 2020	**1,599,397**	**-260,760**	**1,347**	**282,204**	**4,823,040**	**6,445,228**	**12,524**	**6,457,752**
Net profit for the year	0	0	0	0	594,026	**594,026**	-5,509	**588,517**
Other comprehensive income	0	7,695	-18,562	-322,639	0	**-333,506**	-1,962	**-335,468**
Total comprehensive income	**0**	**7,695**	**-18,562**	**-322,639**	**594,026**	**260,520**	**-7,471**	**253,049**
Dividend payments	0	0	0	0	-300,000	**-300,000**	-260	**-300,260**
Changes in the consolidation scope	0	0	0	0	0	**0**	4,200	**4,200**
Reclassifications of cash flow hedges to balance sheet	0	0	11,484	0	0	**11,484**	0	**11,484**
Balance as of 31 December 2020	**1,599,397**	**-253,065**	**-5,731**	**-40,435**	**5,117,066**	**6,417,232**	**8,993**	**6,426,225**
Net profit for the year	0	0	0	0	1,405,573	**1,405,573**	-9,502	**1,396,071**
Other comprehensive income	0	-2,634	181,465	272,756	0	**451,587**	20	**451,607**
Total comprehensive income	**0**	**-2,634**	**181,465**	**272,756**	**1,405,573**	**1,857,160**	**-9,482**	**1,847,678**
Dividend payments	0	0	0	0	-150,000	**-150,000**	-46	**-150,046**
Changes in the consolidation scope [2]	0	0	0	0	-145	**-145**	-3,716	**-3,861**
Reclassifications of cash flow hedges to balance sheet	0	0	51,289	0	0	**51,289**	0	**51,289**
Balance as of 31 December 2021	**1,599,397**	**-255,699**	**227,023**	**232,321**	**6,372,494**	**8,175,536**	**-4,251**	**8,171,285**

1) Share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (EUR 300,000.00). // 2) The effect from changes in the scope of consolidation on retained earnings and non-controlling interests relates to the acquisition of 8.19% of the shares in DYM Solution Co., Ltd.

A dividend of EUR 150,000 thousand was paid in 2021 from the 2020 result.

The cumulative amount recognised in other comprehensive income from the disposal group as of 31 December 2021 is EUR -27,999 thousand, thereof EUR -891 thousand relates to items that may be reclassified subsequently to the income statement.

Consolidated Cash Flow

EUR thousand	2021	2020	Note
Cash flows from operating activities			
Payments from customers	9,217,419	6,880,072	
Payments to employees and suppliers	-8,065,967	-5,842,549	
Interest received	27,462	20,839	18
Interest paid	-38,137	-35,473	18
Other financial expenses paid	-14,828	-16,345	18
Income taxes paid/repaid	-158,750	76,503	11
	967,199	**1,083,047**	
thereof from discontinued operation	179,152	136,098	
Cash flows from investing activities			
Investments in property, plant and equipment	-659,962	-614,161	5
Investments in intangible assets	-59,600	-61,139	4
Acquisitions of subsidiaries net of cash	0	-602,644	
Dividends of associated companies and joint ventures and non-consolidated subsidiaries	1,943,012	510,135	9
Capital contributions to and financing and acquisition of associated companies and joint ventures	-365,573	-299,311	9
	857,877	**-1,067,119**	
thereof from discontinued operation	-103,061	-68,032	
Cash flows from financing activities			
Non-current loans and borrowings obtained	150,000	608,560	20
Current loans and borrowings obtained	122	372,614	20
Current loans and borrowings repaid	-311,510	-652,919	20
Principal elements of lease payments	-41,721	-41,534	6
Acquisition of non-controlling interests	-3,861	0	
Dividends paid to equity holders of the parent	-150,000	-300,000	
Dividends paid to non-controlling interests	-46	-260	
	-357,016	**-13,539**	
thereof from discontinued operation	-42,134	28,237	
Net cash flow of the period	**1,468,060**	**2,389**	
Cash and cash equivalents as of 1 January	83,404	83,498	
Effect of exchange rate fluctuations on cash held	23	-2,483	
Cash and cash equivalents as of 31 December	**1,551,487**	**83,404**	
thereof reported under Cash and cash equivalents	1,540,973	83,404	
thereof reported under Assets of the disposal group held for sale	10,514	0	

Notes to the Consolidated Financial Statements

Reporting Entity

Borealis AG (the Company or Group) is a company domiciled in Austria. The address of the Company's registered office is Trabrennstrasse 6–8, 1020 Vienna, Austria. Borealis is one of the world's leading providers of advanced and circular polyolefin solutions and a European market leader in base chemicals, fertilizers and the mechanical recycling of plastics.

Borealis Reports the Business Result in three Segments:
In the Polyolefins segment, Borealis focuses on the application areas Mobility, Energy, Consumer Products, Infrastructure, Advanced Products and Business Development.

Base Chemicals essentially includes the following product ranges: Phenol, Acetone, Ethylene and Propylene.

The third segment is "Borealis NITRO" consisting of Fertilizers, Melamine and Technical Nitrogen Products.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards issued by the IASB as adopted by the EU and additional Austrian disclosure requirements. The consolidated financial statements were authorised for publication by the Executive Board on 17 February 2022.

Basis of Preparation

The consolidated financial statements are presented in thousand euro (EUR thousand), rounded to the nearest thousand, hence 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 financial assets at fair value through profit or loss (FVPL) or at fair value through other comprehensive income (FVOCI). 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 financial statements of Borealis AG, the parent company, and all the companies over which it has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Companies in which the Group has a significant influence (interest of 20% or more), but no control or joint control, are considered associated companies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions on the relevant activities require the unanimous consent of the parties sharing control.

The consolidated financial statements are based on audited financial statements of the parent company and of each individual subsidiary. The consolidated financial statements 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), intra-group profits, internal shareholdings and intra-group balances have been eliminated.

Acquired subsidiaries, associated companies and joint ventures are included in the consolidated financial statements from the date of control or significant influence, respectively, and until control or significant influence ceases. A remeasurement of the acquired net assets is made on the date of acquisition. Any remaining positive difference between the fair value of the assets and liabilities and the purchase consideration is capitalised as goodwill and 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 joint ventures 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 mainly relate to the useful life and impairment of intangible assets and property, plant and equipment (note 4 and note 5), determination of lease liabilities (note 6), value of tax assets and liabilities and unused tax losses (note 11), inventory impairment (note 12), actuarial assumptions for employee benefits (note 15), future cash outflows for provisions (note 16), allowance for impairment in respect of trade receivables (note 27), estimate of fair value less cost of disposal (note 8) and are included in the description of the respective note for the position.

Foreign Currency

Transactions and Balances

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

Until the end of the financial year 2020, all foreign exchange gains and losses, both realised and unrealised, were recorded as financial items in the income statement. From 2021 onwards, foreign exchange gains and losses related to working capital are presented in the income statement as part of operating profit (other operating income and production costs). There are no changes for those exchange adjustments that are recognised in other comprehensive income, such as conversion of the net assets of foreign subsidiaries and associated companies as of 1 January using the closing rate on 31 December, conversion 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 subsidiaries calculated at monthly rates to figures converted using the exchange rates applicable as of the reporting date.

Group Companies

Consolidated financial statements are presented in euro (EUR), the functional currency of the parent.

Financial statements of foreign subsidiaries in functional currencies other than EUR have been converted at the exchange rates quoted on the reporting date for assets and liabilities. The income statements of foreign subsidiaries have been converted on the basis of monthly exchange rates. The exchange differences arising from the conversion are recognised in other comprehensive income.

Summary of Significant Accounting Policies

Income Statement

Revenue Recognition

Borealis' main business model is to produce, market and sell various goods (polyolefins, base chemicals, fertilizers and related nitrogen products) to its customers. Each sale typically includes an obligation to deliver one particular type of goods. No bundling of various goods in one contract currently exists and price is not interdependent on prices in other contracts, delivery of other goods or promises. In case of additional services provided as part of the contract that typically do not meet the requirements of a separate performance obligation in accordance with IFRS 15, no allocation of the transaction price to multiple performance obligations is necessary.

Revenue is recognised when control of the products has been transferred, i.e. when the products are delivered to the customer. All Borealis contracts for delivery of goods include Incoterms, such as DDP, CIF or FCA, which govern changes to the control of goods. This will be the point of revenue recognition by Borealis. Payment is generally due up to 90 days from delivery.

For some contracts, variable considerations have been agreed, typically volume discounts for goods purchased during the particular period, i.e. one year. Borealis regularly estimates the anticipated discount based on the best available data supported by a large number of similar contracts and historical information.

Generally, Borealis does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. Consequently, Borealis does not adjust the promised amount of consideration for the effects of a significant financing component.

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. No other warranties or rights to return are offered by Borealis.

Net sales comprise revenue from contracts with customers and revenue from other sources arising in the course of the ordinary activities of the Group, excluding value-added tax and after deduction of goods returned, discounts and allowances.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations. If the Group satisfies a performance obligation before it receives the consideration, the Group recognises a contract asset or a receivable in its balance sheet, depending on whether something other than the passage of time is required before the consideration is due.

All transactions that are not representative of sales revenues are presented under Other operating income.

Research and Development

Research costs are charged to the income statement in the year they have been 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 direct overheads.

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

Results from Associated Companies and Joint Ventures

The proportionate share of the net profit or loss after or before tax, as appropriate, of these companies is included in the consolidated income statement.

Financial Income/Expenses

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

Financial income/expenses 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 not related to working capital.

Taxes on Income

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 as of the reporting date, adjusted for the change in 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 from an acquisition represents the excess of the purchase consideration 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 acquired externally 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 3–10 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 on 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.

Property, Plant and Equipment

Property, plant and equipment is 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 immovable machinery and equipment. 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 determined in groups of similar assets. Land is not depreciated. Buildings are depreciated over 20–40 years, production facilities over 15–20 years and machinery and equipment over 3–15 years.

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 amounts of both property, plant and equipment and intangible assets are reviewed on each reporting date to determine whether there is any indication of impairment. If any such indication exists, and for annual impairment tests of goodwill and intangible assets with an indefinite useful life, the asset's recoverable amount is estimated as the greater of the fair value less cost of disposal and value in use. 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.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability on the date at which the leased asset is available for use by the Group. Each lease payment is split between the liability and finance cost. The finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees, if any,
- the exercise price of a purchase option, if it is reasonably certain that the lessee will exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Moreover, non-lease components are separated from the lease components for measurement of right-of-use assets and lease liabilities.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, i.e. the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments (to reflect the terms of the lease and the creditworthiness of the Company, amongst others).

Right-of-use assets are initially measured at cost comprising the following:
– the amount of the initial measurement of the lease liability,
– any lease payments made on or before the commencement date, less any lease incentives received,
– any initial direct costs, and
– costs, if any, of restoring the asset at the end of the lease term to the condition required by the terms and conditions of the lease.

After the commencement date, the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term using a linear method of depreciation. If it is reasonably certain that the Group will exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office and IT equipment (such as water dispensers, coffee machines or franking machines), textiles or smaller containers.

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. Prior to classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with IFRS 5. Thereafter, the assets (or disposal group) are generally measured at the lower of their carrying amount and fair value, less cost of disposal. Any impairment loss on a disposal group is first allocated to goodwill and then to remaining non-current assets on a pro rata basis; no loss is allocated to 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.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:
– represents a separate major line of business or geographic area of operations,
– is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations, or
– is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

Associated Companies and Joint Ventures

Associated companies and joint ventures 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

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs incurred are based on the first in, first out principle (FIFO method) and comprise direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material, but excludes borrowing costs. Costs are assigned to individual items of inventory based on weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Measurement of spare parts is based on the weighted average cost method.

Government Grants
Government grants include grants for research and development as well as investment grants. Until the end of the financial year 2020, investment grants were recognised in the balance sheet as non-current liabilities and recognised as income over the useful life of the asset. From 2021 onwards, government grants relating to assets are deducted from the carrying amount of the related asset and recognised in the income statement as a reduction of depreciation (production costs) over the useful life of the asset. Income from other government grants was shown as part of gross profit (net sales) until the end of the financial year 2020. From 2021 onwards, this will be shown as part of other operating income.

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

Deferred and Income Taxes
Deferred tax assets and liabilities are 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

As of 1 January 2021, Austrian Borealis group entities are part of the Austrian OMV tax group and tax charges resulting from tax allocation agreements are settled with OMV Aktiengesellschaft. Hence, income tax receivables/liabilities from respective tax group members are no longer presented under the balance sheet item Income taxes, but under Other current receivables/liabilities.

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 as of the reporting 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 within a period of five years, based on a five-year business plan.

In case of a history of recent losses, a deferred tax asset arising from unused tax losses or tax credits is only recognised to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised.

Deferred tax assets are reviewed on each reporting date and are remeasured to the extent that it is probable they will be realised.

The uncertain tax positions, for example tax disputes, are accounted for by applying the most likely amount. The most likely amount is the single most likely amount in a range of realistically possible options. The Company evaluates the unit of account related to the uncertain tax positions on a case-by-case basis.

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.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

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

The Group has the following plans in place: defined benefit pension plans, post-employment medical plans, severance plans and other long-term employee benefit plans. Pension plans in place are both funded and unfunded. The plan asset funds are predominantly held in the form of insurance contracts.

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 mainly cover the medical expenses of retirees in Belgian companies. They are non-contributory and closed to new entrants. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Severance plans cover employees of Austrian companies who started their service before 1 January 2003. They are entitled to receive severance payments upon termination of their employment or on reaching their pension age.

Furthermore, the Group operates severance plans in Italy and the United Arab Emirates. The benefits depend on the years of service and remuneration level. These plans are non-contributory and unfunded.

Other long-term employee benefits include jubilee schemes and pre-pension benefits. Jubilee schemes entitle the members to benefits in the form of a payment and/or additional paid holiday when reaching a defined length of service. These plans are non-contributory and unfunded.

All actuarial gains and losses relating to post-employment benefit plans are recognised in other comprehensive income. Actuarial gains and losses related to other long-term services are recognised in the income statement.

Past-service costs are recognised immediately in the income statement. Net interest expenses resulting from employee benefits are included in the consolidated income statement as part of the operating profit.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either on the principal market for the asset or liability or, in the absence of a principal market, on the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in note 28.

Financial Instruments

Recognition and Derecognition

Financial assets and financial liabilities are recognised on the trade date, when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Initial Measurement of Financial Assets

Financial assets are initially recognised at their fair value, except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15. For all financial assets which are not subsequently measured at fair value, the fair value on initial recognition is adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
– amortised cost,
– fair value through profit or loss (FVPL),
– fair value through other comprehensive income (FVOCI).

The classification is determined by both:
– the entity’s business model for managing the financial asset,
– the contractual cash flow characteristics of the financial asset.

Subsequent Measurement of Financial Assets

Financial Assets at Amortised Cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):
– they are held within a business model whose objective is to hold the financial assets and collect their contractual cash flows,
– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest rate method. Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents, trade receivables (except trade receivables under the factoring programme) and parts of other receivables fall into this category of financial instruments.

Financial Assets at Fair Value through Profit or Loss (FVPL)

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorised at FVPL. Furthermore, irrespective of the business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL.

Derivative financial instruments for which hedge accounting is not applied fall into this category.

The Group has a pool of specifically designated trade receivables that are all subject to factoring. This pool of receivables represents a hold to sell business model and is measured using FVPL.

The category also contains equity investments. Equity investments are either measured at FVPL or at FVOCI. Until 31 December 2020, Borealis elected irrevocably to classify all of its non-listed equity investments as investments at FVPL.

Furthermore, the category contains marketable securities and bonds which are classified as a debt instrument. As such, marketable securities and bonds do not fulfil the solely payment of principal and interest (SPPI) criteria and have to be measured at FVPL.

Assets in this category are measured at fair value with gains or losses recognised in the income statement. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial Assets at Fair Value through OCI (FVOCI)
The category contains equity investments. From 1 January 2021, all new non-listed equity investments, which are held for strategic purposes and not for trading, are classified as investments at FVOCI. Gains and losses on equity investments measured at FVOCI are never recycled to the income statement and they are not subject to impairment assessment. Dividends are recognised in the income statement unless they represent a recovery of part of the cost of an investment.

Impairment of Financial Assets

The Group has three types of financial assets that are subject to IFRS 9's expected credit loss (ECL) model:
– trade receivables (excluding trade receivables held to sell) and contract assets,
– cash and cash equivalents,
– debt investments carried at amortised cost.

For the measurement of the ECLs, a distinction is made between:
– financial instruments for which credit risk has not increased significantly since initial recognition ("Stage 1" – 12-month expected credit losses),
– financial instruments for which credit risk has increased significantly since initial recognition ("Stage 2" – lifetime expected credit losses).

"Stage 3" covers financial assets that have objective evidence of impairment as of the reporting date (credit-impaired financial assets).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

On each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset.

Evidence that a financial asset is credit-impaired includes the following observable data:
– significant financial difficulty of the borrower or issuer,
– a breach of contract such as a default or being more than 90 days past due,
– it is probable that the borrower will enter into bankruptcy or other financial reorganisation.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows, such as in the case of bankruptcy.

Trade Receivables and Contract Assets

Trade receivables and contract assets are impaired by using the simplified approach, which does not distinguish between 12-month ECLs and lifetime ECLs, but all assets are generally impaired using lifetime ECLs. For trade receivables and contract assets, the Group distinguishes between trade receivables up to 90 days past due and trade receivables more than 90 days past due. For trade receivables up to 90 days past due, the Group calculates ECLs based on external and internal rating and associated probabilities of default. Available forward-looking information is taken into account if it has a material impact on the amount of impairment recognised. Trade receivables more than 90 days past due are assessed individually and credit-impaired if necessary. See note 27 for further information on how credit risk is managed.

Loss allowances for trade receivables measured at amortised cost are deducted from the gross carrying amount of the assets and recognised in sales and distribution costs in the income statement.

Cash and Cash Equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss (based on the general approach) was immaterial.

Debt Investments Carried at Amortised Cost

The Group's debt investments at amortised cost are considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months of expected losses. Debt investments are considered to be low credit risk when they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.

On that basis, the identified impairment loss (ECL based on the general approach) was immaterial. If there is any objective evidence for an impairment, debt investments are impaired individually (credit-impaired). See note 27 for further information.

Classification and Measurement of Financial Liabilities

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss (FVPL). Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives, which are carried at fair value with gains or losses recognised in the income statement (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are recognised in the income statement are included within financial expenses or financial income.

The Group's financial liabilities include loans and borrowings, lease liabilities, trade payables and parts of other liabilities and derivative financial instruments.

Derivatives and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges),
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

In the periods presented, the Group does not have any fair value hedges outstanding and no derivatives are considered as net investment hedges.

At inception of the hedge relationship, the Group documents the hedge relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. A hedging relationship qualifies for hedge accounting only if all of the following hedge effectiveness requirements are met:

- there is an economic relationship between the hedged item and the hedging instrument,
- the effect of credit risk does not dominate the value changes that result from that economic relationship,
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

Cash Flow Hedging

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement. The Group designates the full change in fair value of foreign exchange forwards as the hedging instrument in cash flow hedging relationships. As of the reporting date, Borealis has several foreign exchange forwards, but no outstanding foreign exchange options.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of the hedging reserve is directly included in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of the hedging reserve is reclassified to the income statement in the same period or periods during which the hedged expected future cash flows affect the income statement.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to the income statement in the same period or periods as the hedged expected future cash flows affect the income statement.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to the income statement.

Net Investment Hedges

Hedges of net investments in foreign operations are accounted for in a similar manner to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in OCI and accumulated in the reserve for unrealised exchange gains/losses. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are reclassified to the income statement when the foreign operation is partially disposed of or sold.

Derivatives That Do Not Qualify for Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Offsetting of Financial Instruments

Financial assets and financial liabilities can be offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

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 property, plant and equipment, intangible assets as well as financial 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 the 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 used to make decisions on resources to be allocated to the segment and assess its performance and for which separate financial information is available (reportable segment).

Moreover, a geographic segment is based on risks and rewards of a particular economic environment (geographic region). The Executive Board decided to show the net sales by geographic segment next to the reportable segment.

The Executive Board has identified three reportable segments:

Polyolefins – this part of the business manufactures and markets polyolefin products. Although the Mobility, Energy, Consumer Products, Infrastructure, Advanced Products and Business Development operating segments provide separate reports on their performance, they have been aggregated into one reporting segment as they have similar long-term growth rates and raw material economics, as well as demonstrate similarities in other aspects required by the Standard.

Base Chemicals – Borealis produces and markets a wide range of base chemicals, such as phenol, acetone, ethylene, propylene and similar. These activities are covered in organisational terms by the business unit Hydrocarbons & Energy.

Borealis NITRO – Borealis is also engaged in the production and marketing of fertilizers, technical nitrogen and melamine. These activities are carried out by two business units – Fertilizers and Melamine. Fertilizers and Melamine provide separate reports on their performance, but based on their similar economic characteristics, as well as the size of Melamine being below the required thresholds, they have been aggregated into one reporting segment.

All other segments – Corporate, Middle East and Asia and Research & Development are not reportable segments, as they are either not included separately in the reports provided to the Executive Board or only contain results of the associated companies. The results of these operations are included in the Non-Allocated column (see note 1).

New Accounting Standards

<u>New and Amended Standards Adopted by Borealis</u>

In 2021, the following amended standards became effective and have been adopted by Borealis, where effective means effective for annual periods beginning on or after that date (as endorsed by the EU):

Standards		IASB effective date	EU effective date
Amended Standards			
IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021	1 April 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021	1 January 2021
IFRS 4	Insurance Contracts - deferral of IFRS 9	1 January 2021	1 January 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

Following the financial crisis, the replacement of benchmark interest rates such as LIBOR and other interbank offered rates (IBORs) has become a priority for global regulators. The IASB has embarked on a two-phase project to consider what, if any, reliefs to give from the effects of the IBOR reform.

In the prior year the Group adopted the Phase 1 amendments. The Phase 1 amendments, issued in September 2019, provided temporary relief from applying specific hedge accounting requirements to relationships affected by IBOR reform. The Group will continue to apply the Phase 1 amendments until the uncertainties arising from the interest rate benchmark reform are no longer present.

In the current year, the Group adopted the Phase 2 amendments. The Phase 2 amendments that were issued in August 2020 address issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark rate with an alternative one. The following key areas are affected by Phase 2: changes in the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures.

The Phase 2 amendments are relevant for the following types of hedging relationships and financial instruments of the Group, all of which extend beyond 2021:

– Interest rate swaps that are designated as cash flow hedging instruments and indexed to USD LIBOR,
– Other financial instruments such as loans granted, loans and borrowings, derivative financial instruments for which hedge accounting is not applied, commitments, indexed to LIBOR (mainly USD LIBOR, JPY LIBOR).

The application of the amendments affects the Group as follows:

– Changes to contractual cash flows: The basis for determining the contractual cash flows of financial assets or financial liabilities to which the amortised cost measurement applies can change as a result of IBOR reform, for example, if the contract is amended to replace the benchmark rate with an alternative one. The Phase 2 amendments provide a practical expedient to account for these changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform. Under the practical expedient, entities will account for these changes by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9 without the recognition of an immediate gain or loss. For the year ended 31 December 2021, the Group applied the practical expedient to the JPY loan.
– Hedge accounting: When the phase 1 amendments cease to apply, the Group will amend its hedge designation to reflect changes which are required by IBOR reform and will update its hedge documentation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group to discontinue its hedge relationships. The Group has not made any amendments to its hedge documentation in the reporting period relating to IBOR reform. When the Group amends its hedge designation, the accumulated amount outstanding in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate.
– Additional disclosures related to interest rate benchmark reform are required to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. For details, refer to note 24 Interest Rate Risk which provides related disclosures for Borealis.

Other Amended Standards

The adoption of the other amended standards stated above is included in the consolidated financial statements. This did not have a material impact on the financial position or performance of the Group.

New and Amended Standards Not Yet Effective

A number of new standards and amendments to standards have been issued, but are not yet effective (as adopted by the EU). Borealis will adopt the standards on the effective date. Effective means effective for annual periods beginning on or after that date (as endorsed by the EU). Borealis does not expect a material impact of these amendments on the consolidated financial statements.

Standards		**IASB effective date**	**EU effective date**
New Standards			
IFRS 17	Insurance Contracts	1 January 2023	1 January 2023
Amended Standards			
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020	1 January 2022	1 January 2022
IAS 16	Proceeds before Intended Use	1 January 2022	1 January 2022
IFRS 3	References to the Conceptual Framework	1 January 2022	1 January 2022
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023	
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023	
IAS 8	Definition of Accounting Estimates	1 January 2023	
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023	

Amounts

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

Restatement

The comparatives of the consolidated income statement and the consolidated balance sheet have been restated for the following items:

R&D Costs

In 2021, the Group discovered that certain expenditure of Borealis' Innovation & Technology organisation had been regularly presented as R&D cost whilst not being directly attributable to research and development activities, as defined by IAS 38.127. The total to be transferred to production costs for 2020 amounted to EUR -113,143 thousand (thereof EUR -57,707 thousand depreciation, amortisation and impairment). At the same time, production costs included a reduction related to the capitalisation of R&D costs for internally generated intangible assets. The total reduction to be transferred to R&D costs for 2020 amounted to EUR 29,397 thousand.

Foreign Currency (FX) Gains and Losses

Until the end of the financial year 2020, all foreign exchanges gains and losses, both realised and unrealised, were recorded as financial items in the income statement. From 2021 onwards, foreign exchange gains and losses related to working capital are presented in the income statement as part of operating profit (other operating income and production costs). There are no changes for those exchange adjustments that are recognised in other comprehensive income. The change in accounting policy aligns the presentation of FX gains and losses with the accounting policy of Borealis' parent company.

Government Grants
Income from government grants was shown as part of gross profit (net sales) until the end of the financial year 2020. From 2021 onwards, the presentation for grants not relating to assets is corrected and shown as part of other operating income.

The accounting policy of the parent company was also adopted for the presentation of government grants relating to assets during the financial year 2021. From 2021 onwards, government grants relating to assets are deducted from the carrying amount of the related asset and recognised in the income statement as a reduction of depreciation (production costs) over the useful life of the asset. Until the end of the financial year 2020, government grants related to assets were recognised separately in the balance sheet as non-current liabilities and recognised as income over the useful life of the asset (net sales).

Other Provisions/Other Liabilities
A reassessment of uncertainty levels and maturities of other provisions and other liabilities took place, which resulted in reclassifications between these two line items, these mainly relate to bonus entitlements.

Borealis Incentive Plan (BIP) entitlements for the year 2020 were reported under current other liabilities, whereas these were dependent on KPIs not exactly known as of the reporting date, 31 December 2020. At the same time, the non-current portion of LTI Plan entitlements from prior years was reported under non-current other provisions, although there was no uncertainty any more.

Other Operating Income
In the course of the accounting corrections in 2021, a new line item "Other operating income" was introduced in the consolidated income statement. All transactions that are not representative of sales revenues are presented here. In addition to the amended presentation of foreign currency gains and losses described above, income from government grants in the amount of EUR 96,835 thousand for the year 2020, mainly related to intangible assets received by way of government grants as allowances for emissions (EU Emissions Trading System), as well as items that were previously shown as other income, such as income from insurance settlements of EUR 92,800 for the year 2020 are also presented here. Furthermore, revenues from re-invoicing of seconded employees are included in this line item.

The comparatives of the consolidated income statement and the consolidated balance sheet have been restated accordingly:

Consolidated Income Statement		**Accounting policy change**		**Correction**		
EUR thousand	**2020 as reported**	**Government grants relating to assets**	**FX**	**R&D**	**Introduction of line item Other operating income**	**2020 restated**
Net sales	**6,818,000**	**-1,707**	**0**	**0**	**-145,450**	**6,670,843**
Other operating income	0	0	27,778	0	238,250	266,028
Total sales and other income	**6,818,000**	**-1,707**	**27,778**	**0**	**92,800**	**6,936,871**
Production costs	-5,501,000	1,707	-32,174	-142,540	0	-5,674,007
Gross profit	**1,317,000**	**0**	**-4,396**	**-142,540**	**92,800**	**1,262,864**
R&D costs	-150,399	0	0	142,540	0	-7,859
Other income	92,800	0	0	0	-92,800	0
Operating profit	**355,889**	**0**	**-4,396**	**0**	**0**	**351,493**
Financial expenses	-72,055	0	4,396	0	0	-67,659
Profit before taxation	**707,529**	**0**	**0**	**0**	**0**	**707,529**

Consolidated Balance Sheet EUR thousand	31.12.2020 as reported	Government grants	Other provisions/ Other liabilities	31.12.2020 restated
Assets				
Production plants	2,529,639	-11,839	0	2,517,800
Machinery and equipment	34,682	-265	0	34,417
Construction in progress	693,735	-4,651	0	689,084
Total property, plant and equipment	3,258,056	-16,755	0	3,241,301
Total non-current assets	**8,470,814**	**-16,755**	**0**	**8,454,059**
Total assets	**10,599,720**	**-16,755**	**0**	**10,582,965**
Liabilities				
Government grants (non-current) [1)]	18,863	-16,755	0	2,108
Provisions (non-current)	65,629	0	9,578	75,207
Other liabilities (non-current) [1)]	16,650	0	6,893	23,543
Total non-current liabilities	**2,364,212**	**-16,755**	**16,471**	**2,363,928**
Provisions (current)	2,163	0	35,118	37,281
Other liabilities (current)	565,743	0	-51,589	514,154
Total current liabilities	**1,809,283**	**0**	**-16,471**	**1,792,812**
Total liabilities	**4,173,495**	**-16,755**	**0**	**4,156,740**
Total equity and liabilities	**10,599,720**	**-16,755**	**0**	**10,582,965**

1) The line item Government grants is included in Other liabilities in the Consolidated Balance Sheet as of 31.12.2021 due to immateriality.

1. Segment Reporting

EUR thousand	Polyolefins		Base Chemicals [2]	
	2021	2020	2021	2020
Net sales by segment				
Total segment sales [1]	6,696,913	4,565,855	5,103,346	3,253,642
Inter-segment sales	0	0	-3,605,569	-2,378,229
	6,696,913	**4,565,855**	**1,497,777**	**875,413**

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

EUR thousand	2021	2020	2021	2020
Segment result				
Operating profit [1]	1,185,759	207,253	308,543	179,966
Measurement of discontinued operation				
Net results of associated companies and joint ventures	36,308	9,005	418	381
Financial income/expenses [1]				
Taxes on income				
Non-controlling interests				
Net profit for the year attributable to equity holders of the parent				
Net sales by geographic segment (by delivery destination)				
EU countries [1]	4,491,951	3,114,293	1,043,782	695,352
thereof Austria [1]	192,406	110,201	0	0
Non-EU countries in Europe [1] [4]	913,128	495,225	397,167	153,877
US	234,660	168,424	36,869	1,309
Middle East and Asia [1]	394,522	351,112	18,387	20,205
Other regions	662,652	436,801	1,572	4,670
	6,696,913	**4,565,855**	**1,497,777**	**875,413**

EUR thousand	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Other information				
Segment assets [1]	4,713,053	3,968,568	2,960,293	1,977,086
thereof Austria [1]	2,359,649	1,777,083	1,273,059	673,741
Segment liabilities [1]	0	0	0	0
Investments in property, plant and equipment	89,377	132,117	119,445	136,836
Depreciation, amortisation and impairment	173,817	171,150	114,182	112,442

Over 90% of the above relate to segment EU countries.

1) 2020 amounts for line items marked with footnote [1] have been restated. For further details, please refer to the Restatement section. // 2) 2020 amounts for net sales of Base Chemicals and Non-Allocated have been restated. Net sales of EUR 31,845 thousand have been reclassified from Base Chemicals to Non-Allocated. // 3) Fertilizers, Melamine and Technical Nitrogen Products business unit (Borealis NITRO) // 4) UK geographic segment has been moved from EU countries to non-EU countries due to Brexit in 2021.

Borealis NITRO [3]		Non-Allocated [2]		Consolidated	
2021	**2020**	**2021**	**2020**	**2021**	**2020**
1,500,036	1,087,049	161,657	142,526	13,461,952	9,049,072
0	0	0	0	-3,605,569	-2,378,229
1,500,036	**1,087,049**	**161,657**	**142,526**	**9,856,383**	**6,670,843**
77,514	6,775	-55,073	-42,501	1,516,743	351,493
-443,739	0			-443,739	0
220	1,059	558,146	364,571	595,092	375,016
		-9,377	-18,980	-9,377	-18,980
		-262,648	-119,012	-262,648	-119,012
		9,502	5,509	9,502	5,509
				1,405,573	**594,026**
1,270,655	926,634	58,225	34,944	6,864,613	4,771,223
201,144	121,885	55,500	32,423	449,050	264,509
117,695	62,902	3	0	1,427,993	712,004
8,784	6,980	5,389	13,933	285,702	190,646
43,402	50,638	98,040	93,649	554,351	515,604
59,500	39,895	0	0	723,724	481,366
1,500,036	**1,087,049**	**161,657**	**142,526**	**9,856,383**	**6,670,843**

31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
491,776	1,005,515	4,819,521	3,631,796	12,984,730	10,582,965
208,696	476,939	4,348,205	3,763,774	8,189,609	6,691,537
0	0	4,813,446	4,156,740	4,813,445	4,156,740
108,663	74,009	342,476	271,199	659,962	614,161
59,752	98,868	79,413	81,105	427,164	463,565

Reconciliation of reportable segments to the consolidated income statement EUR thousand	2021	2020
Total revenue for reportable segments	9,856,383	6,670,843
Elimination of discontinued operation	-1,264,413	-884,861
Net sales	**8,591,970**	**5,785,982**
Total profit for reportable segments	1,405,573	594,026
Non-controlling interests	-9,502	-5,509
Elimination of discontinued operation	235,332	-2,452
Net profit for the year from continuing operations	**1,631,403**	**586,065**

2. Revenue from Contracts with Customers

EUR thousand	2021	2020
Revenue from contracts with customers [1]	9,849,684	6,666,566
Revenue from other sources [1]	6,699	4,277
Net sales from continuing and discontinued operations	**9,856,383**	**6,670,843**

1) 2020 amounts for the line items marked with footnote [1] have been restated. For further details, please refer to the Restatement section.

Revenue from other sources mainly includes gains/losses for realised cash flow hedges on net sales from foreign exchange forwards (see also note 19). Revenue from other sources relating to the discontinued operation amounts to EUR 2,788 thousand (EUR 6,122 thousand).

In the following table, revenue from contracts with customers is disaggregated by segment and geographic market. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 1).

EUR thousand	2021				
	Polyolefins	Base Chemicals	Borealis NITRO [2]	Non-Allocated	Consolidated
EU countries	4,490,539	1,043,782	1,267,442	58,198	6,859,961
Non-EU countries in Europe	913,126	397,167	117,695	3	1,427,991
US	234,101	36,869	8,784	5,389	285,143
Middle East and Asia	393,605	18,387	43,402	98,040	553,434
Other regions	662,083	1,572	59,500	0	723,155
Revenue from contracts with customers	**6,693,454**	**1,497,777**	**1,496,823**	**161,630**	**9,849,684**
Revenue from other sources	3,459	0	3,213	27	6,699
Net sales (as reported in note 1)	**6,696,913**	**1,497,777**	**1,500,036**	**161,657**	**9,856,383**

EUR thousand	2020				
	Polyolefins	Base Chemicals	Borealis NITRO [2]	Non-Allocated	Consolidated
EU countries [1]	3,113,267	695,273	922,994	34,944	4,766,478
Non-EU countries in Europe	495,229	153,877	62,899	0	712,005
US	168,539	1,309	6,980	13,933	190,761
Middle East and Asia [1]	351,416	20,205	50,638	93,649	515,908
Other regions	436,850	4,670	39,895	0	481,415
Revenue from contracts with customers	**4,565,300**	**875,334**	**1,083,406**	**142,526**	**6,666,566**
Revenue from other sources [1]	555	79	3,643	0	4,277
Net sales (as reported in note 1)	**4,565,855**	**875,413**	**1,087,049**	**142,526**	**6,670,843**

1) 2020 amounts for the line items marked with footnote [1] have been restated. For further details, please refer to the Restatement section. // 2) Fertilizers, Melamine and Technical Nitrogen Products business unit (Borealis NITRO)

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

EUR thousand	31.12.2021	31.12.2020
Receivables	1,113,786	640,090
Contract assets	15,534	6,930
Contract liabilities	54,997	41,660

Contract assets are included in other receivables and other assets, thereof EUR 7,829 thousand (EUR 0 thousand) current and EUR 7,705 thousand (EUR 6,930 thousand) non-current.

The Group applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

For impairment recognised on receivables and contract assets, please see note 27 Credit risk.

The contract liabilities mainly include advance consideration received from customers and expected volume discounts payable to customers in relation to sales made. The contract liabilities of the previous year have been realised during 2021.

3. Research and Development

At the end of the year, 504 FTEs were engaged in research and development relating entirely to continuing operations (516 FTEs in 2020). The total cost of these activities including impairment costs, amounted to EUR 17,993 thousand compared to EUR 7,859 thousand in 2020 (see note 7). Internal development costs amounting to EUR 30,653 thousand (EUR 32,983 thousand) were capitalised as intangible assets.

4. Intangible Assets

EUR thousand	2021				
	Goodwill	Development costs	Capitalised software	Others	Total
Cost					
As of 1 January	179,761	461,427	115,422	347,170	**1,103,780**
Exchange adjustments	-139	1	1	-667	**-804**
Additions	0	36,988	3,574	218,473	**259,035**
Reclassification to assets of the disposal group held for sale	-45,974	0	-6,728	-12,950	**-65,652**
Disposals	0	0	0	-94,197	**-94,197**
Transfers	0	-10,083	8,370	10,311	**8,598**
As of 31 December	**133,648**	**488,333**	**120,639**	**468,140**	**1,210,760**
Accumulated amortisation					
As of 1 January	47,375	266,284	75,182	160,515	**549,356**
Exchange adjustments	-1	0	2	-292	**-290**
Reclassification to assets of the disposal group held for sale	-45,974	0	-6,435	-12,365	**-64,775**
Disposals	0	0	0	-684	**-684**
Amortisation	0	18,760	18,039	19,133	**55,932**
Impairment	0	12,457	0	121	**12,578**
As of 31 December	**1,400**	**297,501**	**86,788**	**166,428**	**552,117**
Carrying amount as of 1 January	132,386	195,143	40,240	186,655	**554,424**
Carrying amount as of 31 December	**132,248**	**190,832**	**33,851**	**301,712**	**658,643**

EUR thousand	2020				
	Goodwill	Development costs	Capitalised software	Others	Total
Cost					
As of 1 January	158,954	440,646	102,085	311,027	**1,012,712**
Exchange adjustments	-505	1	-108	784	**172**
Additions	0	38,533	7,245	113,453	**159,230**
Changes in consolidation scope	21,312	0	59	21,109	**42,480**
Disposals	0	-9,096	-9	-107,860	**-116,965**
Transfers	0	-8,657	6,150	8,657	**6,150**
As of 31 December	**179,761**	**461,427**	**115,422**	**347,170**	**1,103,780**
Accumulated amortisation					
As of 1 January	47,375	241,752	59,087	142,290	**490,504**
Exchange adjustments	0	0	-90	354	**264**
Disposals	0	0	-9	-8,322	**-8,331**
Amortisation	0	19,995	16,194	26,193	**62,382**
Impairment	0	4,537	0	0	**4,537**
As of 31 December	**47,375**	**266,284**	**75,182**	**160,515**	**549,356**
Carrying amount as of 1 January	111,579	198,894	42,998	168,737	**522,208**
Carrying amount as of 31 December	**132,386**	**195,143**	**40,240**	**186,655**	**554,424**

Other intangible assets mainly include patents and licences as well as emission rights.

Additions arising from internal development amounted to EUR 30,653 thousand (EUR 32,983 thousand). Intangible assets received by way of government grants as allowances for emissions (EU Emissions Trading System) amounted to EUR 197,079 thousand (EUR 96,015 thousand), representing an increase compared to 2020 which was mainly driven by increased market prices. Emission rights purchased from external parties amounted to EUR 74 thousand (EUR 46 thousand) and returned certificates which were borrowed by external parties amounted to EUR 13,624 thousand (EUR 7,037 thousand). An equivalent of EUR 91,343 thousand (EUR 85,914 thousand) was returned to the respective EU ETS regulatory authorities for the emissions in 2020. For details on line transfers see note 5.

5. Property, Plant and Equipment

EUR thousand	2021			
	Production plants	Machinery and equipment	Construction in progress	Total
Cost				
As of 1 January (as reported)	7,509,471	142,183	693,735	**8,345,389**
Restatement	-13,539	-262	-4,651	**-18,452**
As of 1 January (restated)	7,495,932	141,921	689,084	**8,326,937**
Exchange adjustments	-39,993	-151	-1,445	**-41,589**
Additions	131,373	2,606	507,981	**641,960**
Reclassification to assets of the disposal group held for sale	-1,687,781	-15,126	-90,118	**-1,793,025**
Disposals	-30,244	-5,884	-77	**-36,205**
Transfers	159,551	1,739	-169,147	**-7,857**
As of 31 December	**6,028,838**	**125,105**	**936,278**	**7,090,221**
Accumulated depreciation				
As of 1 January (as reported)	4,979,832	107,501	0	**5,087,333**
Restatement	-1,700	3	0	**-1,697**
As of 1 January (restated)	4,978,132	107,504	0	**5,085,636**
Exchange adjustments	-27,989	-139	0	**-28,128**
Reclassification to assets of the disposal group held for sale	-1,181,611	-13,972	0	**-1,195,583**
Disposals	-29,251	-5,819	0	**-35,070**
Depreciation	273,726	7,139	0	**280,865**
Impairment	38,578	0	0	**38,578**
As of 31 December	**4,051,585**	**94,713**	**0**	**4,146,298**
Carrying amount as of 1 January (as reported)	2,529,639	34,682	693,735	**3,258,056**
Restatement	-11,839	-265	-4,651	**-16,755**
Carrying amount as of 1 January (restated)	2,517,800	34,417	689,084	**3,241,301**
Carrying amount as of 31 December	**1,977,253**	**30,392**	**936,278**	**2,943,923**

Opening balances as of 1 January 2021 are restated, for further details, please refer to the Restatement section.

Production plants include the following carrying amounts: land amounting to EUR 35,125 thousand (EUR 50,215 thousand), buildings amounting to EUR 322,026 thousand (EUR 455,708 thousand), immovable machinery amounting to EUR 1,412,812 thousand (EUR 1,780,776 thousand) and immovable equipment amounting to EUR 207,290 thousand (EUR 231,101 thousand).

In 2021, borrowing costs amounting to EUR 9,308 thousand (EUR 5,061 thousand) have been capitalised, using an average interest rate of 1.7% (1.8%). Additions to property,

EUR thousand	2020			
	Production plants	Machinery and equipment	Construction in progress	Total
Cost				
As of 1 January	7,124,702	134,288	391,257	**7,650,247**
Exchange adjustments	74,958	330	4,770	**80,058**
Additions	176,859	2,877	460,890	**640,626**
Changes in consolidation scope	6,684	3,196	23	**9,903**
Disposals	-27,935	-1,478	0	**-29,413**
Transfers	154,203	2,970	-163,205	**-6,032**
As of 31 December (as reported)	**7,509,471**	**142,183**	**693,735**	**8,345,389**
Accumulated depreciation				
As of 1 January	4,609,271	99,546	0	**4,708,817**
Exchange adjustments	52,616	212	0	**52,828**
Disposals	-25,766	-1,462	0	**-27,228**
Depreciation	326,189	9,205	0	**335,394**
Impairment	17,522	0	0	**17,522**
As of 31 December (as reported)	**4,979,832**	**107,501**	**0**	**5,087,333**
Carrying amount as of 1 January	2,515,431	34,742	391,257	**2,941,430**
Carrying amount as of 31 December (as reported)	**2,529,639**	**34,682**	**693,735**	**3,258,056**

plant and equipment that were not paid at the end of the reporting period amounted to EUR 34,706 thousand (EUR 56,048 thousand).

Additions comprise major projects advanced in 2021, which are the new, world-scale propane dehydrogenation (PDH) plant at the existing production site in Kallo, Belgium, the upgrade and revamp of four cracker furnaces in Stenungsund, Sweden and the debottlenecking of a PP-plant in Kallo, Belgium.

The line transfers show EUR 8,598 thousand (EUR 6,150 thousand) of transfers between property, plant and equipment and intangible assets and EUR 741 thousand (EUR 118 thousand) of transfers to right-of-use assets according to IFRS 16.

As of 31 December 2021, Borealis' contractual commitments amounted to EUR 149,998 thousand (EUR 304,528 thousand) for the acquisition of property, plant and equipment (see note 21). The main decrease results from the planned investments in the new dehydrogenation plant in Kallo, Belgium, with capital commitments of EUR 32,187 thousand (EUR 171,690 thousand).

Assets Pledged

Assets pledged amounted to EUR 12,390 thousand (EUR 12,657 thousand) and relate to property, plant and equipment. The commitments covered by the above assets amounted to EUR 1,951 thousand (EUR 2,392 thousand) at the end of the year.

6. Leases

The recognised right-of-use assets relate to the following types of assets:

EUR thousand	31.12.2021	31.12.2020
Production plants	103,691	120,458
Machinery and equipment	56,862	75,217
Carrying amount	**160,553**	**195,675**

Additions to the right-of-use assets, including the effect of reassessed contracts, amounted to EUR 20,687 thousand (EUR 29,934 thousand) in 2021.

Leased production plants include land, building space, immovable equipment and logistics facilities, such as storage tanks, warehouses, ports and pipelines. Leased machinery and equipment include company cars, material handling equipment, such as forklifts, railcars and an ethane marine carrier. The majority of leases by number relates to company cars with a typical term of four years and to material handling equipment with a typical term of six years. In general, leases for company cars and material handling equipment do not contain extension options, but a new contract for a replacement asset is usually put in place after the lease has ended.

Lease liabilities are presented in the balance sheet as follows:

EUR thousand	31.12.2021	31.12.2020
Current lease liabilities	30,682	38,101
Non-current lease liabilities	134,084	156,697
Carrying amount	**164,766**	**194,798**

The lease liabilities are mainly driven by two material contracts, which together represent 45% (41%) of the carrying amount as of the reporting date: a lease of an ethane carrier and a lease of land in Belgium. The minimum lease term for the vessel lease ends in 2026, in 2049 for the land. Both contracts contain extension options.

The following amounts relating to leases were included in the income statement:

EUR thousand	2021	2020
Included in production costs, sales and distribution costs, administration costs and R&D costs		
Depreciation charge of right-of-use assets	38,335	43,730
Production plants	20,977	22,213
Machinery and equipment	17,358	21,517
Expense relating to short-term leases	3,367	3,261
Expense relating to leases of low value assets that are not shown above as short-term leases	797	724
Expense relating to variable lease payments not included in lease liabilities	234	35
Included in financial expenses		
Interest expense	3,741	4,039

The total cash outflow for leases was EUR 46,667 thousand (EUR 46,794 thousand) in 2021.

Variable Lease Payments

Uncertainty arises from variable lease payments that depend on an index or a rate. Such variable lease payments are usually included in contracts for rented land, building space, pipelines or storage and aim to compensate the lessor for price inflation during the contract period. The rates relate to baskets of industry-specific price indices or to single consumer price indices of countries mainly in the euro zone. Borealis does not expect any material increases of the Group's lease liability resulting from changes in those indices.

Extension and Termination Options

Extension and termination options are included in a number of leases across the Group. These options are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods covered by termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated). Potential undiscounted future cash outflows of EUR 201,379 thousand (EUR 217,094 thousand) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). This mainly relates to the vessel and the Belgium land lease.

The assessment of reasonable certainty is only reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the lessee. During 2021 and 2020, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options did not lead to an adjustment.

7. Depreciation, Amortisation and Impairment

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

EUR thousand	2021	2020
Production costs		
Depreciation and amortisation	257,645	255,020
Impairment	38,610	17,522
Sales and distribution costs		
Depreciation and amortisation	26,390	26,672
Administration costs		
Depreciation and amortisation	24,601	24,102
Research & development costs		
Depreciation and amortisation	47,603	57,639
Impairment	12,546	4,537
Total	**407,395**	**385,492**

In the current year, research and development costs include an impairment of EUR 12,546 thousand (EUR 4,537 thousand) of intangible assets for which the carrying amount exceeds the present value of future cash flows. Like last year, the impairment of the assets within the research and development costs relates to the non-allocated segment.

On an annual basis, the Group tests whether any impairment of goodwill is required. The recoverable amount of a cash-generating unit (CGU) is determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets covering a five-year period. Key assumptions of the forecasted cash flows are volumes sold and underlying industry margins. These are estimated based on industry reports issued by highly regarded business intelligence providers and management's experience. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The lack of profitability in recent years and the significant deviation in 2021 of the financial performance of the Rosier Group (hereafter Rosier) from the budget qualified as a triggering event for an impairment test. The main reasons were the market conditions being increasingly competitive with the pressure of the vertically integrated competitors and disruption in the raw material supply during the year. The performance of the impairment test for Rosier resulted in a recoverable amount based on the value in use, which was EUR 38,610 thousand lower than the carrying amount of this cash-generating unit. Therefore, property, plant and equipment was impaired by EUR 38,578 thousand and intangible assets by EUR 32 thousand in 2021.

Post tax discount rates (weighted average cost of capital) reflect specific risks relating to the relevant segments and the countries in which they operate.

The long-term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.

The allocated goodwill for each CGU as well as parameters influencing the calculation of the value in use can be seen in the following table:

Impairment test parameters 2021

Segment	Polyolefins					Borealis NITRO
Cash-generating unit	Polyethylene	Polypropylene	Recyclates	Brazil [1)]	South Korea [2)]	Rosier
Allocated goodwill in EUR thousand	50,687	22,000	33,695	3,705	22,160	0
Post tax discount rate	6.4%	6.4%	6.3%	7.4%	6.6%	6.0%
Growth rate	1.2%	1.7%	2.0%	2.8%	3.6%	1.3%

1) The change in the allocated goodwill of CGU Brazil compared to 31 December 2020 results entirely from foreign currency revaluation, since this unit is based on BRL as a functional currency. // 2) The change in the allocated goodwill of CGU South Korea compared to 31 December 2020 results entirely from foreign currency revaluation, since this unit is based on KRW as a functional currency.

Impairment test parameters 2020

Segment	Polyolefins					Borealis NITRO
Cash-generating unit	Polyethylene	Polypropylene	Recyclates	Brazil	South Korea	Rosier
Allocated goodwill in EUR thousand	50,687	22,000	33,695	3,675	22,330	0
Post tax discount rate	7.0%	7.0%	6.6%	7.6%	7.5%	6.6%
Growth rate	1.0%	1.5%	2.0%	2.6%	4.2%	1.3%

In addition to the parameters above, sensitivities regarding discount rates and oil prices (for the CGUs Polyethylene and Polypropylene) are taken into consideration. For the CGU Rosier, an increase of the discount rate by 0.5 percentage points would increase the accumulated impairment by EUR 5,310 thousand.

For the other CGUs, none of the calculated cases showed any need for an impairment.

8. Discontinued Operation and Other Changes

Discontinued Operation

Borealis plans the sale of the nitrogen business unit including fertilizers, technical nitrogen and melamine products. This led to the reclassification of the disposal group to assets and liabilities held for sale as of 31 March 2021 without having an impact on the income statement at that time. The Group analysed the component held for sale and determined that this represents a separate major line of business and is therefore reported as a discontinued operation. The Company's share in fertilizer production sites in the Netherlands and Belgium ("Rosier") is presently not being considered as part of the potential sales process, and its assets and related labilities do not belong to the disposal group held for sale. Impairment losses of EUR 443,739 thousand for write-downs of the disposal group to the lower of its carrying amount and its fair value less cost of disposal have been included under discontinued operation in the income statement. The impairment losses have been applied to reduce the carrying amount of property, plant and equipment within the disposal group.

The non-recurring fair value measurement for the disposal group of EUR 240,406 thousand (before costs to sell of EUR 10,700 thousand) has been categorised as a Level 3 fair value. The valuation was based on the binding offer from EuroChem for the acquisition of the disposal group received on 2 February 2022 (see note 32).

Furthermore, deferred tax income of EUR 139,465 thousand has been recognised in the loss from discontinued operation. This deferred tax income relates to an expected liquidation loss of a French entity owning the French companies which are part of the disposal group.

EUR thousand	2021	2020
Total sales	1,294,895	905,927
Elimination of inter-segment revenue	-30,482	-21,066
Net sales	**1,264,413**	**884,861**
Other operating income	165,593	66,092
Total sales and other income	**1,430,006**	**950,953**
Total expenses	-1,353,739	-938,092
Elimination of inter-segment expenses	30,482	21,066
Expenses	**-1,323,257**	**-917,026**
Operating profit	**106,749**	**33,927**
Net results of associated companies and joint ventures	220	1,059
Financial result	-2,574	-4,997
Measurement of discontinued operation	-443,739	0
Profit before taxation	**-339,344**	**29,989**
Taxes on income	-35,453	-27,537
Taxes on measurement of discontinued operation	139,465	0
Loss (profit) from discontinued operation, net of tax	**-235,332**	**2,452**
Attributable to:		
Non-controlling interests	0	0
Equity holders of the parent	-235,332	2,452

EUR thousand	31.12.2021
Assets	
Non-current assets	
Intangible assets	1,056
Property, plant and equipment	243,752
Right-of-use assets	9,181
Investments in associated companies and joint ventures	6,023
Other investments	15,844
Other receivables and other assets	10,055
Deferred tax assets	736
Current assets	
Inventories	221,385
Trade receivables	221,199
Other receivables and other assets	81,258
Cash and cash equivalents	10,514
Assets of the disposal group held for sale	**821,003**

EUR thousand	31.12.2021
Liabilities	
Non-current liabilities	
Lease liabilities	4,500
Deferred tax liabilities	3,027
Employee benefits	62,165
Provisions	20,822
Other liabilities	30,235
Current liabilities	
Lease liabilities	5,029
Trade payables	292,206
Income taxes	17,438
Provisions	7,765
Other liabilities	148,110
Liabilities directly related to the disposal group	**591,297**

Other Changes

Residual changes of subsidiaries in 2021 are summarised below.

CERHA HEMPEL Leilani Holding GmbH with its registered office in Vienna, Austria was acquired on 22 June 2021 and renamed Borealis Circular Solutions Holding GmbH effective 21 July 2021. This 100% subsidiary of Borealis is the holding company of Renasci N.V.

Borealis US Holdings LLC was dissolved on 7 December 2021.

Following the acquisition of 8.19% of the shares in DYM Solution Co., Ltd. on 27 July 2021, Borealis has a 98.71% shareholding.

For a full list of all subsidiaries, please refer to note 33.

9. Investments in Associated Companies and Joint Ventures

EUR thousand	Shares in associated companies and joint ventures 2021	2020
Cost		
As of 1 January	1,022,429	601,525
Changes in consolidation scope	0	278,281
Investments and acquisitions	26,264	142,623
Reclassification to assets of the disposal group held for sale	-19,548	0
Disposals	-7,053	0
As of 31 December	1,022,092	1,022,429
Adjustments		
As of 1 January	2,555,067	3,029,536
Exchange adjustments	298,043	-330,032
Dividends received	-1,965,643	-510,135
Impairments	0	-7,053
Reclassification to assets of the disposal group held for sale	13,636	0
Change in equity reserves	1,286	-2,265
Net results of associated companies and joint ventures	594,872	375,016
Disposals	7,053	0
As of 31 December	1,504,314	2,555,067
Carrying amount as of 31 December	**2,526,406**	**3,577,497**

On 24 June 2021, Borealis subscribed to a new share issue, thus acquiring 10% in Renasci N.V. (Renasci), a company based in Ghent, Belgium. Renasci develops proprietary processes and technological know-how in waste treatment and recycling. This investment is one milestone in line with Borealis' strategy to grow its circular economy business. Through the shareholder agreement, Borealis is guaranteed two seats on the board of Renasci, and participates in key financial and operating decisions. The Group has therefore determined that it has significant influence over the entity with only 10% of the voting rights.

On 6 August 2021, Borealis AG together with Lafarge Perlmooser GmbH, VERBUND Energy4Business GmbH and OMV Downstream GmbH founded the joint venture C2PAT GmbH. The same parties founded the joint venture C2PAT GmbH & Co KG on 11 November 2021. The purpose of this joint venture is the joint planning and construction of a full-scale plant by 2030 to capture CO_2 and process it into synthetic fuels, plastics or other chemicals.

Borealis has a dividend receivable against Borouge Pte. Ltd. of EUR 26,401 thousand (EUR 0 thousand) which has not been paid as of 31 December 2021. This is presented under the line item current other receivables and other assets in the balance sheet.

The impairment of EUR 7,053 thousand in 2020 relates to Silleno Limited Liability Partnership, Kazakhstan and was triggered by Borealis' decision not to further pursue the development of an integrated cracker and polyethylene project in the Republic of Kazakhstan. Subsequently, the shares in Silleno Limited Liability Partnership were sold on 4 May 2021.

The Group presents the investments in associated companies and joint ventures as follows:

EUR thousand	2021	2020
Material associated company (Abu Dhabi Polymers Company Limited (Borouge))	1,731,830	2,853,635
Non-material associated companies	96,250	95,588
Material joint venture (Bayport Polymers LLC (Baystar))	688,089	619,542
Non-material joint ventures	10,238	8,732
Carrying amount as of 31 December	**2,526,406**	**3,577,497**

The investment in Kilpilahden Voimalaitos Oy is part of the Base Chemicals segment. The share in Bayport Polymers LLC (Baystar) is included in the Polyolefins segment. All other investments in associated companies and joint ventures are part of the non-allocated segment.

Associated Companies

The Group has the following investments in associated companies:

		Ownership in %	
Associated companies	**Country**	**2021**	**2020**
Abu Dhabi Polymers Company Limited (Borouge)	United Arab Emirates	40.00	40.00
AZOLOR S.A.S. 1) 2)	France	34.00	34.00
Borouge Pte. Ltd.	Singapore	50.00	50.00
Chemiepark Linz Betriebsfeuerwehr GmbH 1) 2)	Austria	47.50	47.50
Franciade Agrifluides S.A.S. (FASA) 1) 2)	France	49.98	49.98
Industrins Räddningstjänst i Stenungsund AB 1)	Sweden	25.00	–
Kilpilahden Voimalaitos Oy (KPP) 1)	Finland	20.00	20.00
Neochim AD 2)	Bulgaria	20.30	20.30
Renasci N.V.	Belgium	10.00	–
Société d'Intérêt Collectif Agricole Laignes Agrifluides (SICA Laignes Agrifluides) 1) 2)	France	49.90	49.90
Société d'Intérêt Collectif Agricole par Actions Simplifiée de Gouaix (SICA de Gouaix) 1) 2)	France	25.00	25.00

1) Excluded from consolidation at equity due to immateriality // 2) Reclassified as assets of the disposal group held for sale as of 31 March 2021

Abu Dhabi Polymers Company Limited (Borouge) is a leading provider of innovative, value-creating plastic solutions for infrastructure, automotive and advanced packaging applications.

The following table illustrates the full summarised financial information for Borouge:

EUR thousand	2021	2020
Current assets	1,825,626	1,515,325
Non-current assets	6,696,113	6,422,465
Current liabilities	-558,086	-460,986
Non-current liabilities	-3,602,817	-335,184
Equity	**4,360,836**	**7,141,620**
Borealis share	40%	40%
Share of net assets	1,744,334	2,856,648
Adjustments	-12,504	-3,013
Carrying amount as of 31 December	**1,731,830**	**2,853,635**
Net sales	4,630,302	3,603,287
Net profit for the year	1,289,955	845,004
Other comprehensive income	905	-12,245
Total comprehensive income	**1,290,860**	**832,759**
Dividends received by Borealis from Borouge	1,875,581	473,683

Summary of financial information for non-material associated companies, adjusted for ownership by the Group:

EUR thousand	2021	2020
Net profit for the year	42,164	25,500
Other comprehensive income	924	2,348
Total comprehensive income	**43,088**	**27,848**

Joint Ventures

The Group has the following investments in joint ventures:

Joint ventures	Country	Ownership in % 2021	2020
Bayport Polymers LLC (Baystar)	US	50.00	50.00
BTF Industriepark Schwechat GmbH [1]	Austria	50.00	50.00
C2PAT GmbH	Austria	25.00	–
C2PAT GmbH & Co KG	Austria	25.00	–
PetroPort Holding AB	Sweden	50.00	50.00
Silleno Limited Liability Partnership [2]	Kazakhstan	–	50.10

1) Excluded from consolidation at equity due to immateriality // 2) Shares in Silleno Limited Liability Partnership were sold on 4 May 2021

Baystar is building a 625,000-tonne-per-year Borstar® polyethylene unit at our production site in Pasadena, Texas, US. Baystar is also currently building a one-million-tonne per year steam cracker in Port Arthur, Texas, US. This cracker will process ethane, which is abundantly available and competitively priced in the US and will supply our Baystar polyethylene units.

The following table illustrates the full summarised financial information for Baystar:

EUR thousand	2021	2020
Current assets	162,602	331,528
Non-current assets	3,378,978	2,543,393
Current liabilities	-205,878	-75,792
Non-current liabilities	-1,913,186	-1,515,404
Equity	**1,422,517**	**1,283,725**
Borealis share	50%	50%
Share of net assets	711,259	641,863
Adjustments	-23,170	-22,321
Carrying amount as of 31 December	**688,089**	**619,542**
Net sales	588,252	333,508
Net profit for the year	72,616	39,407
Other comprehensive income	0	0
Total comprehensive income	**72,616**	**39,407**
Dividends received by Borealis from Baystar	21,138	20,868
Capital contributions by Borealis to Baystar	0	142,623

Summary of financial information for non-material joint ventures, adjusted for ownership by the Group:

EUR thousand	2021	2020
Net profit for the year	418	381
Other comprehensive income	0	0
Total comprehensive income	**418**	**381**

Please refer to note 30 for information relating to transactions with the associated companies and joint ventures.

10. Other Investments, Other Receivables and Other Assets and Loans Granted

Other investments mainly include interests in infrastructure companies in Germany, interests in a technology platform for sustainable packaging in the UK and subsidiaries that are not consolidated on a materiality basis. The non-consolidated companies are mainly distribution and blending entities (see note 28).

The non-current other receivables and other assets mainly consist of non-current derivative financial instruments (see note 22), marketable securities and bonds (long-term deposits for statutory, regulatory and tax requirements), a prepayment to an associated company, contract assets and government grant receivables in Belgium. The loans granted include shareholder loans with Baystar amounting to EUR 985,240 thousand (EUR 734,156 thousand) and with Kilpilahden Voimalaitos Oy amounting to EUR 17,778 thousand (EUR 16,648 thousand).

Other current receivables also include an amount of EUR 55,411 thousand (EUR 76,800 thousand) related to the insurance compensation for a process safety incident which occurred in May 2020 in Stenungsund, Sweden. For further details, please refer to note 29.

11. Taxation

EUR thousand	2021	2020
Taxes		
Income tax payable	-362,551	-85,855
Change in deferred tax	-6,346	-6,154
Adjustment to prior year’s tax charge	2,237	535
Taxes on income	**-366,660**	**-91,475**

Calculation of tax expenses at statutory rates for tax expense accounting at the effective group tax rate.

EUR thousand	2021		2020	
Tax expenses at statutory rates (weighted average tax rate of the Group)	**25%**	**499,198**	**25%**	**169,036**
Tax effect of result in associated companies	-7%	-139,298	-14%	-91,720
Tax effect of permanent differences	0%	-6,563	0%	1,620
Adjustment of valuation allowance/reassessment of unrecognised tax assets	1%	18,900	2%	11,908
Prior year's adjustments and other effects	0%	-5,577	0%	631
Taxes on income	**18%**	**366,660**	**14%**	**91,475**

The effective tax rate for 2021 as well as for 2020 was impacted by impairments of deferred tax assets on tax losses carried forward and tax losses in the year for which no deferred tax asset was recognised.

	Balance sheet		Income statement	
EUR thousand	**2021**	**2020**	**2021**	**2020**
Deferred tax assets				
Property, plant and equipment	4,485	12,744	1,002	1,994
Intangible assets	1,010	2,470	-344	-55
Adjusted depreciation for tax purposes	**5,495**	**15,214**		
Revaluation of cash flow hedges	8,672	4,913	3,759	2,589
Net gain on hedge of a net investment	9,243	25,419	0	0
Valuation of inventories for tax purposes	11,215	23,348	999	314
Fair values compared to tax values	**29,130**	**53,680**		
Interest-bearing liabilities	41,196	22,608	22,152	-22,646
Employee benefits	82,078	93,382	-7,253	-872
Other provisions	8,653	10,869	-428	1,872
Tax impairments according to Section 12 (3)(2) of the Austrian Corporate Income Tax Act (KStG)	1,211	1,511	-300	1,511
Other assets and liabilities	6,465	29,213	-36,339	33,563
Other timing differences	**139,603**	**157,583**		
Losses available for offsetting against future taxable income [1]	**144,673**	**12,430**	-5,818	-6,901
Netting with deferred tax liabilities	**-259,357**	**-212,215**		
Deferred tax assets	**59,544**	**26,692**	**-22,570**	**11,369**

1) Deferred tax assets on expected liquidation loss of a French entity owning the French companies which are part of the disposal group of EUR 139,465 thousand have been recognised in the Consolidated Income Statement in the line item Loss (profit) from discontinued operation, net of tax.

EUR thousand	Balance sheet 2021	Balance sheet 2020	Income statement 2021	Income statement 2020
Deferred tax liabilities				
Property, plant and equipment	-251,456	-279,263	6,369	-6,273
Intangible assets	-56,271	-59,866	3,459	-2,026
Accelerated/adjusted depreciation for tax purposes	**-307,727**	**-339,129**		
Revaluation of cash flow hedges	-77,859	-984	710	776
Valuation of inventories for tax purposes	-10,580	-16,655	-468	988
Fair values compared to tax values	**-88,439**	**-17,639**		
Interest-bearing liabilities	-9,243	-5,047	-4,196	-206
Employee benefits	-5,798	-6,004	206	310
Other provisions	-535	-16,295	4,005	-1,829
Other assets and liabilities	-25,781	-52,209	6,139	-9,263
Other timing differences	**-41,357**	**-79,555**		
Netting with deferred tax assets	**259,357**	**212,215**		
Deferred tax liabilities	**-178,166**	**-224,108**	**16,224**	**-17,523**
Net tax asset/liability	**-118,622**	**-197,416**	**-6,346**	**-6,154**

The deferred tax assets of EUR 59,544 thousand (EUR 26,692 thousand) include an amount of EUR 3,558 thousand (EUR 7,451 thousand), which will most likely be utilised within one year. The deferred tax liabilities of EUR 178,166 thousand (EUR 224,108 thousand) include an amount of EUR 83,309 thousand (EUR 25,251 thousand), which will most likely be utilised within one year.

In addition to capitalised tax assets, the Group has unrecognised tax losses amounting to EUR 739,242 thousand (EUR 636,583 thousand) and unrecognised temporary differences amounting to EUR 0 thousand (EUR 25,511 thousand), where current forecasts indicate insufficient future profits in the foreseeable future, thus resulting in unrecognised tax assets of EUR 188,570 thousand (EUR 170,121 thousand).

EUR thousand	2021	2020
Deductible temporary differences	0	6,378
Tax losses carried forward	188,570	163,743
Total unrecognised net tax assets	**188,570**	**170,121**

The recognised deferred tax assets are expected to be utilised against future profits based on internal projections in the relevant jurisdictions. Deferred tax expenses as a result of changes in estimates of deferred tax assets due to forecasts indicating insufficient future profits amount to EUR 6,905 thousand (EUR 24,487 thousand). Dividend payments to Borealis AG by its subsidiaries have no tax effect for Borealis AG. The temporary differences relating to subsidiaries amount to EUR 0 thousand (EUR 121,028 thousand), for which no deferred tax liability has been recognised in accordance with IAS 12.39 Income Taxes.

Tax Contingencies

Some Borealis Group companies have appealed against certain tax audit reassessments and it is uncertain whether those appeals will be successful. Management's opinion is that the Company is in compliance with all applicable regulations.

12. Inventories

EUR thousand	2021	2020
Finished products	916,936	685,296
Raw materials and consumables	350,544	276,032
Total	**1,267,480**	**961,328**

The costs for the consumption of inventories recognised during the period in the income statement amounted to EUR 6,354,811 thousand (EUR 4,352,464 thousand), including impairment costs of EUR 21,445 thousand (EUR 15,079 thousand).

13. Share Capital and Contributions by Shareholders

	Share capital		Contributions by shareholders	
EUR thousand	**2021**	**2020**	**2021**	**2020**
Balance as of 1 January	300	300	1,599,097	1,599,097
Capital increase or decrease	0	0	0	0
Balance as of 31 December	**300**	**300**	**1,599,097**	**1,599,097**

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) fully paid shares with a par value of EUR 1.00, none of which have special voting rights.

The contributions by shareholders amounted to EUR 1,599,097 thousand (EUR 1,599,097 thousand).

Borealis AG is owned:
- 39.00% by OMV Borealis Holding GmbH, Trabrennstrasse 6–8, 1020 Vienna, Austria,
- 32.67% by OMV Downstream GmbH, Trabrennstrasse 6–8, 1020 Vienna, Austria,
- 3.33% by OMV Aktiengesellschaft, Trabrennstrasse 6–8, 1020 Vienna, Austria,
- 21.67% by MPP Holdings GmbH, Trabrennstrasse 6–8, 1020 Vienna, Austria, and
- 3.33% by Mubadala Petroleum and Petrochemicals Holding Company LLC, P.O. Box 45005, Al Mamoura A, Muroor Road, 15th Street, Abu Dhabi, United Arab Emirates.

Susana Beteiliungsverwaltungs GmbH has changed its name to OMV Borealis Holding GmbH as of 20 August 2021.

The shares of IPIC Beta Holdings GmbH in Borealis AG (21.67%) were indirectly transferred due to a demerger (Abspaltung zur Aufnahme) of the shares in IPIC Beta Holdings GmbH from IPIC Holdings GmbH to MPP Holdings GmbH carried out on 22 January 2022. As a result of the subsequent merger of IPIC Beta Holdings GmbH into MPP Holdings GmbH on 11 February 2022, there was a direct transfer of shares in Borealis AG (21.67%) from IPIC Beta Holdings GmbH to MPP Holdings GmbH.

The ultimate controlling party is OMV Aktiengesellschaft, Vienna, Austria. 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 its shareholders. The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as net interest-bearing debt divided by total equity. The Group's target is to keep the gearing ratio within a range of 35%-65% to meet the business needs of the Group. As of year end, the gearing ratio stands at 3% (29%), significantly below the target range due to the strong performance of the Group and dividends received from associated companies (see note 9).

14. Personnel and Share Based Payments

EUR thousand	2021	2020
Costs		
Salaries and wages	453,448	411,737
Costs of defined contribution plans	27,572	28,839
Costs of defined benefit plans and other long-term employee benefits	32,166	29,903
Social security costs	101,475	97,304
Other personnel expenses	24,792	23,172
Total	**639,453**	**590,955**

Costs of defined benefit plans and other long-term employee benefits are recognised in the production costs at EUR 28,474 thousand (EUR 25,982 thousand), sales and distribution costs at EUR 2,605 thousand (EUR 2,830 thousand), administration costs at EUR 1,010 thousand (EUR 1,051 thousand) and research and development costs at EUR 77 thousand (EUR 40 thousand).

Number of employees (FTEs) by country as of 31 December	2021 continuing operations	2021 Total	2020 continuing operations	2020 Total
Austria	1,220	1,948	1,215	1,924
Belgium	1,224	1,224	1,225	1,225
Finland	876	876	873	873
France	0	855	2	848
Sweden	886	886	897	897
Other Europe	642	738	661	759
Non-Europe	407	407	394	394
Total	**5,255**	**6,934**	**5,267**	**6,920**

The remuneration of former and current management is shown in the table below:

EUR thousand	2021	2020
Salaries management (Executive Board)	8,168	7,331
Pension and severance costs management (Executive Board)	594	582
Salaries other key management	1,481	1,532
Pension and severance costs other key management	106	112
Total	**10,349**	**9,557**

From the salaries of the Executive Board of EUR 8,168 thousand (EUR 7,331 thousand), EUR 3,799 thousand (EUR 0 thousand) were paid to former members of the Executive Board.

From the pension and severance costs of the Executive Board of EUR 594 thousand (EUR 582 thousand), EUR 154 thousand (EUR 0 thousand) were paid to former members of the Executive Board.

No loans were granted to current or former members of the Executive Board. The remuneration paid to members of the Supervisory Board amounted to EUR 856 thousand (EUR 831 thousand).

Long Term Incentive (LTI) Plans

LTI plans with similar conditions have been granted to the Executive Board and selected employees. At vesting date, shares of the parent will be transferred to the management and share equivalents to selected employees. The number of shares or share equivalents is determined depending on the achievement of defined performance criteria. The defined performance criteria may not be amended during the performance period of the LTI plans. However, in order to maintain the incentivising character of the programme, the Remuneration Committee will have discretion to adjust the threshold/target/maximum levels in case of material changes in external factors such as oil and gas prices. The adjustment is possible in both directions and will be determined by the Remuneration Committee. Disbursement is made in cash or shares. Executive Board members as active participants of the plans are required to build up an appropriate volume of shares of the parent and to hold those shares until retirement or departure from the Company. The shareholding requirement is defined as a percentage of the respective Target Long Term Incentive. Until fulfilment of the shareholding requirement, disbursement is in the form of shares, whilst thereafter the plan participants can decide between cash or share settlement. As long as the shareholding requirements are not fulfilled, the shares granted net of taxes are transferred to a trustee deposit, managed by OMV. For cash-settled share-based payment transactions, the fair value of the liability is measured at each reporting date and at the settlement date. The fair value is recognised over the vesting period.

Borealis introduced a new LTI plan in 2021, which is harmonised with the OMV LTI plan and also implemented a transitional LTI plan for 2021 and 2022 in order to bridge the cash gaps that arise from migrating to the new three-year plan. Transitional LTI plan allowances for 2021 and 2022 are based on similar KPIs to the three-year plan for that specific year only. Total expenses relating to Borealis' transitional LTI plan amounted to EUR 3,545 thousand in 2021. Total expenses relating to share-based payment transactions amounted to EUR 8,599 thousand.

15. Employee Benefits

Most Group companies operate post-employment and other long-term benefit plans. The forms and benefits vary in terms of 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 the estimated salary on retirement. A summary is shown below.

EUR thousand	2021	2020
Pensions and other post-employment benefit plans		
Present value of funded defined benefit pension plans	321,545	332,970
Fair value of plan assets	-180,312	-179,904
Deficit of funded defined benefit pension plans	141,233	153,066
Present value of unfunded defined benefit pension plans	200,316	200,316
Effect of asset ceiling (according to IAS 19.64)	0	2,890
Total deficit of defined benefit pension plans	341,549	356,272
Medical plans	15,401	16,156
Severance plans	31,674	65,330
Pensions and other post-employment benefit plans	**388,624**	**437,758**
Other long-term employee benefits	27,215	32,955
Net liability recognised in the balance sheet	**415,839**	**470,713**

The Group operates defined post-employment benefit plans in the EU, Norway, South Korea and the United Arab Emirates under broadly similar regulatory frameworks. These comprise pension plans, severance plans as well as post-retirement medical plans.

Defined Benefit Pension Plans

The pension plans are typically final salary pension plans which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The pension payments are generally updated in line with the retail price or a similar index. The benefit payments related to funded plans are from insurance funds, however, there are also a number of unfunded plans where the Company meets the benefit payment obligation as it falls due. The movement in the benefit pension obligation over the year is as follows:

EUR thousand	2021	2020
Defined benefit obligation as of 1 January	**536,176**	**522,331**
Net current service cost	22,160	21,854
Interest cost on defined benefit obligation	4,818	5,901
Total amount recognised in the income statement	26,978	27,755
Gains (-)/losses due to changes in demographic assumptions	-1,111	0
Gains (-)/losses due to changes in financial assumptions	8,789	-6,780
Change in unrecognised assets due to asset ceiling	0	79
Experience gains (-)/losses	-949	-1,878
Exchange rate gains (-)/losses	-1,665	3,607
Total amount recognised in other comprehensive income	5,064	-4,972
Actual benefits paid directly from the plan assets	-10,613	-10,834
Actual benefits paid directly by employer	-5,097	-5,633
Actual plan participants' contributions	1,256	1,256
Actual expenses/taxes and premiums paid	-1,982	-1,814
Net increase in liabilities from acquisitions	0	4,794
Reclassification to liabilities directly related to the disposal group	-28,430	0
Exchange rate gains (-)/losses	-1,491	3,293
Defined benefit obligation as of 31 December	**521,861**	**536,176**
Fair value of plan assets as of 1 January	**179,904**	**166,488**
Interest income on plan assets	1,542	1,728
Actual admin expenses paid	-406	-365
Total amount recognised in the income statement	1,136	1,363
Return on plan assets excluding amounts included in interest income	3,666	5,723
Total amount recognised in other comprehensive income	3,666	5,723
Actual benefits paid directly from the plan assets	-10,613	-10,834
Actual plan participants' contributions	1,256	1,256
Actual employer contributions	16,512	17,308
Actual taxes paid	-1,982	-1,814
Net increase in assets from acquisitions	0	487
Reclassification to liabilities directly related to the disposal group	-9,626	0
Exchange rate gains/losses (-)	59	-73
Fair value of plan assets as of 31 December	**180,312**	**179,904**

The plan assets in 2021 and 2020 mainly consist of insurance contracts.

Medical Plans

Medical plans reimburse certain medical costs for retired employees, mainly in Belgium. The movement in the medical obligation over the year is as follows:

EUR thousand	2021	2020
Defined benefit obligation as of 1 January	**16,156**	**17,373**
Net current service cost	688	769
Interest cost on defined benefit obligation	194	173
Total amount recognised in the income statement	882	942
Gains (-)/losses due to changes in financial assumptions	-102	-970
Experience gains (-)/losses	-521	-992
Total amount recognised in other comprehensive income	-623	-1,962
Actual benefits paid directly by employer	-202	-197
Reclassification to liabilities directly related to the disposal group	-812	0
Defined benefit obligation as of 31 December	**15,401**	**16,156**

Severance Plans

Severance plans are operated in the Austrian Group companies and cover employees who started their service before 1 January 2003. Furthermore, the Group operates severance plans in Austria, Italy and the United Arab Emirates. The movement in the severance obligation over the year is as follows:

EUR thousand	2021	2020
Defined benefit obligation as of 1 January	**65,330**	**67,140**
Net current service cost	799	1,921
Interest cost on defined benefit obligation	279	675
Past service cost	0	23
Total amount recognised in the income statement	1,078	2,619
Gains (-)/losses due to changes in demographic assumptions	0	46
Gains (-)/losses due to changes in financial assumptions	1,641	-1,469
Experience gains (-)/losses	-488	811
Total amount recognised in other comprehensive income	1,153	-612
Actual benefits paid directly by employer	-1,912	-3,752
Reclassification to liabilities directly related to the disposal group	-34,026	0
Exchange rate gains (-)/losses	51	-65
Defined benefit obligation as of 31 December	**31,674**	**65,330**

Other Long-term Employee Benefits

Other long-term employee benefits provided by the Group companies include items such as jubilee payments and pre-pension benefits. The movement in the other long-term benefit obligation over the year is as follows:

EUR thousand	2021	2020
Defined benefit obligation as of 1 January	**32,955**	**34,420**
Net current service cost	1,636	2,069
Interest cost on defined benefit obligation	170	313
Gains (-)/losses due to changes in demographic assumptions	228	0
Gains (-)/losses due to changes in financial assumptions	1,566	-1,041
Experience gains (-)/losses	1,381	705
Total amount recognised in the income statement	4,981	2,046
Actual benefits paid directly by employer	-2,508	-3,511
Reclassification to liabilities directly related to the disposal group	-8,213	0
Defined benefit obligation as of 31 December	**27,215**	**32,955**

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 as follows (expressed as weighted averages):

Percent	2021	2020
Discount rate	1.2%	0.9%
Projected future salary growth	3.4%	2.7%
Expected pension increase	2.0%	1.3%

The sensitivity of the defined benefit obligation for pensions and other post-employment benefit plans to changes in the principal assumptions is:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 6.7%	Increase by 7.4%
Projected future salary growth	0.5%	Increase by 4.9%	Decrease by 4.6%
Expected pension increase	0.5%	Increase by 4.5%	Decrease by 4.2%

The above sensitivity analyses are based on a change in an assumption while maintaining all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised in the balance sheet.

Expected contributions to post-employment benefit plans for the year 2022 are EUR 31,065 thousand (EUR 27,206 thousand). The weighted average duration of the defined benefit obligation is 13.8 years (13.8 years). The defined benefit plans expose the Group to actuarial risks, mainly the longevity risk, interest rate and market (investment) risk.

16. Provisions

EUR thousand	2021					
	Restructuring	Decommissioning	Legal	Environmental	Other	Total
As of 1 January (restated)	319	47,335	4,886	6,388	53,560	**112,488**
Additions	0	20,205	990	300	60,526	**82,021**
Reclassification to liabilities directly related to the disposal group	0	-11,633	-210	-5,267	-7,183	**-24,293**
Utilised	-43	0	-1,454	-131	-32,923	**-34,551**
Reversed	-87	-151	-532	-256	-497	**-1,523**
Interest expense (+)/income (-)	0	8	0	0	0	**8**
Exchange adjustments	9	0	11	0	23	**43**
Balance as of 31 December	**198**	**55,764**	**3,691**	**1,034**	**73,506**	**134,193**
Other provisions current	171	20,000	1,463	0	47,912	**69,546**
Other provisions non-current	27	35,764	2,228	1,034	25,594	**64,647**
Balance as of 31 December	**198**	**55,764**	**3,691**	**1,034**	**73,506**	**134,193**

Provisions are generally based on past events and commitments arising thereon. The timing of cash outflows cannot be determined with certainty for all provisions.

Restructuring
Provisions for restructuring cover estimated costs for the ongoing restructuring programmes.

Decommissioning
Provisions for decommissioning cover the expected clean-up and dismantling costs for plants situated on rented land in Germany and Belgium. In 2021, an additional provision of EUR 20,000 thousand was built up for the decontamination of land in the Netherlands. It is expected that EUR 20,000 thousand will be used by 2022, EUR 5,137 thousand by 2027 and EUR 30,627 thousand by 2049.

Legal
Legal provisions represent litigation provisions in various business areas.

Environmental
Environmental provisions cover several environmental exposures in the Group.

Other
Other provisions cover numerous types of obligations, including short-term and long-term incentive plans. EUR 8,619 thousand (EUR 0 thousand) of these provisions relate to transitional and new LTI plans implemented in 2021, which are share-based. Note 14 provides additional information regarding share-based payments. In 2021, a reassessment of uncertainty levels and maturities of other provisions and other liabilities took place, which resulted in reclassifications between these two line items. For further details, please refer to the Restatement section.

17. Financial Risk Management
The Group is exposed through its operations to the following financial risks:
- Foreign currency risk (note 23)
- Interest rate risk (note 24)
- Liquidity risk (note 21)
- Commodity price risk (note 25)
- Credit risk (note 27)

The objective of financial risk management is to support the core businesses of Borealis. Financial risk management is centralised in the Treasury and Funding department and operates within policies approved by the Executive Board.

The Group provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, commodity price risk or the use of derivative financial instruments. 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. When certain conditions are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item.

Note 22 provides an overview of the financial instruments used by Borealis to manage risk. For further details on hedging instruments, see note 22. Derivative financial instruments, note 23. Foreign currency risk, note 24. Interest rate risk and note 25. Commodity price risk. The risk management process in general is described in the Group Management Report.

18. Financial Income/Expenses

EUR thousand	2021	2020 restated
Interest income from		
Cash and loans granted	27,282	21,870
Derivatives	2,848	5,258
Interest expenses to		
Finance institutions	-31,073	-35,506
Derivatives	-4,433	-6,437
Capitalised interest	9,308	4,917
Net foreign exchange gains/losses	-576	-3,387
Interest expenses for lease liabilities	-3,741	-4,039
Other financial income	5,475	21,434
Other financial expenses	-11,893	-18,093
Financial income/expenses	**-6,803**	**-13,983**

19. Gains and Losses from Financial Instruments

EUR thousand	2021	2020 restated
Recognised in the income statement		
Change in fair value of commodity derivatives	-4,858	4,624
Change in fair value of cross currency interest rate swaps	-2,484	-147
Change in fair value of foreign exchange swaps	1,615	1,371
Change in fair value of other investments and marketable securities and bonds	1,668	-297
Realised result on commodity derivatives	-14,899	-11,063
Realised result on cross currency interest rate swaps	-277	-551
Realised result on foreign exchange swaps	-1,373	1,227
Realised result on other investments and marketable securities and bonds	1,163	1,005
Financial assets and liabilities at fair value through profit or loss	**-19,445**	**-3,831**
Amounts recognised in the income statement for realised cash flow hedges		
Commodity derivatives	215,362	-28,386
Interest rate swaps	-1,308	-627
Foreign exchange forwards	6,130	3,377
Hedging instruments	**220,184**	**-25,636**
Interest income on cash and loans granted	27,282	21,870
Expenses for factoring of trade receivables	-3,164	-2,548
Impairment losses on trade receivables	-4,046	-2,725
Impairment losses on deposits and other receivables	0	-2,099
Financial assets at amortised cost	**20,072**	**14,498**
Interest expenses and other expenses on financial liabilities	-37,944	-38,303
Interest expenses for lease liabilities	-3,741	-4,039
Financial liabilities at amortised cost	**-41,685**	**-42,342**

The amounts recognised in the income statement for commodity derivatives and foreign exchange forwards are booked as a correction to the net sales or to production costs that are being hedged. The amounts that are recognised in the income statement for interest rate derivatives and foreign exchange swaps are reported as part of financial income and expenses. Impairment losses on trade receivables are reported in sales and distribution costs, impairment losses on loans granted as well as impairment losses on deposits and other receivables are included in financial expenses.

EUR thousand	2021	2020
Recognised in other comprehensive income		
Commodity derivatives designated as cash flow hedge	474,843	-56,987
Interest rate swaps outstanding designated as cash flow hedge	1,827	-5,682
Foreign exchange forwards designated as cash flow hedge	-14,532	12,284
Foreign exchange effects on long-term loans part of net investments in foreign operations	-2,100	4,020
Foreign exchange effects on loans designated as hedge of investments in foreign operations	-14,687	16,704
Amounts reclassified to the income statement		
Commodity derivatives	-215,362	28,386
Interest rate swaps	1,308	627
Foreign exchange forwards	-6,130	-3,377
Total recognised in other comprehensive income	**225,167**	**-4,025**

Net foreign exchange gains/losses are allocated in the income statement as follows:

EUR thousand	2021	2020 restated
Foreign exchange gains from operating acitivities included in other operating income	34,161	26,899
Foreign exchange losses from operating acitivities included in production costs	-33,851	-30,306
Net foreign exchange gains/losses included in financial income/expenses	-576	-3,387
Total	**-266**	**-6,794**

20. Loans and Borrowings and Lease Liabilities

The composition of interest-bearing loans and borrowings and lease liabilities (current and non-current debt) as of 31 December 2021 was as follows:

EUR thousand		**2021**						
Due		Term loans	Bond	Utilised uncommitted facilities	Export credits	**Total loans and borrowings**	Unutilised committed facilities	**Lease liabilities**
After	5 years	471,272				**471,272**		**66,228**
Within	5 years	83,564				**83,564**	1,000,000	**12,962**
	4 years	327,612	297,955			**625,567**		**15,052**
	3 years	307,911				**307,911**		**17,067**
	2 years	37,964				**37,964**		**22,775**
Total non-current debt		**1,228,323**	**297,955**	**0**	**0**	**1,526,278**	**1,000,000**	**134,084**
Total current debt		73,511	0	122	0	**73,633**	166,011 [1)]	**30,682**
Total debt		**1,301,834**	**297,955**	**122**	**0**	**1,599,911**	**1,166,011**	**164,766**

1) Borealis maintains EUR 166,011 thousand in export credit facilities (these were undrawn on 31 December 2021). These facilities are economically evergreen in nature, but include a one year notice for cancellation.

The composition of interest-bearing loans and borrowings (current and non-current debt) as of 31 December 2020 was as follows:

EUR thousand		**2020**						
Due		Term loans	Bond	Utilised uncommitted facilities	Export credits	**Total loans and borrowings**	Unutilised committed facilities	**Lease liabilities**
After	5 years	390,677				**390,677**		**75,404**
Within	5 years	326,079	297,461			**623,540**	1,000,000	**13,745**
	4 years	292,876				**292,876**		**15,107**
	3 years	35,244				**35,244**		**21,091**
	2 years	69,215				**69,215**		**31,350**
Total non-current debt		**1,114,091**	**297,461**	**0**	**0**	**1,411,552**	**1,000,000**	**156,697**
Total current debt		154,910	0	47,614	107,873 [1)]	**310,397**	58,138 [1)]	**38,101**
Total debt		**1,269,001**	**297,461**	**47,614**	**107,873**	**1,721,949**	**1,058,138**	**194,798**

1) Borealis maintains EUR 166,011 thousand in export credit facilities (these facilities were drawn with EUR 107,873 thousand on 31 December 2020). These facilities are economically evergreen in nature, but include a one year notice for cancellation.

The carrying amounts of loans and borrowings and lease liabilities developed as follows:

EUR thousand	2021					
	Term loans	Bond	Utilised uncommitted facilities	Export credits	**Total loans and borrowings**	**Lease liabilities**
As of 1 January	1,269,001	297,461	47,614	107,873	**1,721,949**	**194,798**
Proceeds from loans and borrowings	150,000	0	122	0	**150,122**	**0**
Repayment of loans and borrowings	-156,023	0	-47,614	-107,873	**-311,510**	**0**
New lease liabilities	0	0	0	0	**0**	**20,472**
Principal elements of lease payments	0	0	0	0	**0**	**-36,532**
Reclassification to liabilities directly related to the disposal group	0	0	0	0	**0**	**-12,957**
Exchange adjustments non-cash	38,222	0	0	0	**38,222**	**3,328**
Other	634	494	0	0	**1,128**	**-4,343**
Balance as of 31 December	**1,301,834**	**297,955**	**122**	**0**	**1,599,911**	**164,766**

EUR thousand	2020					
	Term loans	Bond	Utilised uncommitted facilities	Export credits	**Total loans and borrowings**	**Lease liabilities**
As of 1 January	1,016,544	296,975	69,832	58,138	**1,441,489**	**210,884**
Proceeds from loans and borrowings	500,688	0	372,614	107,873	**981,174**	**0**
Repayment of loans and borrowings	-199,949	0	-394,832	-58,138	**-652,919**	**0**
New lease liabilities	0	0	0	0	**0**	**29,998**
Principal elements of lease payments	0	0	0	0	**0**	**-41,534**
Exchange adjustments non-cash	-47,393	0	0	0	**-47,393**	**-4,156**
Other	-889	486	0	0	**-403**	**-394**
Balance as of 31 December	**1,269,001**	**297,461**	**47,614**	**107,873**	**1,721,949**	**194,798**

The Group's financing mainly comprises committed credit lines (largely syndicated), term loans, bonds, private placements and export credits. The loans and borrowings are all measured at amortised cost.

Borealis continues to maintain a strong diversified liquidity position through its EUR 1 billion fully committed Syndicated Revolving Credit Facility (RCF), of which EUR 1 billion remained undrawn as of year end, and by terming out its debt through diverse funding channels. The RCF was refinanced in December 2019 with a five-year tenor with two one-year extension options at lenders' discretion. The second and final RCF extension option was utilised in December 2021 and the new maturity date is now 19 December 2026.

As of 31 December 2021, the Group had total committed credit facilities of EUR 1,166,011 thousand (EUR 1,166,011 thousand). Besides the above-mentioned undrawn EUR 1 billion RCF, Borealis had OeKB Export Credit Facilities in the amount of EUR 166,011 thousand. These were undrawn at year-end.

In 2021, Borealis decreased its debt position by EUR 152,070 thousand. The net debt position which decreased by EUR 1,610,624 thousand resulted in a gearing ratio of 3%. The net debt and resulting gearing ratio includes interest-bearing debt reclassified as liabilities associated with assets held for sale and includes cash and cash equivalents that were reclassified as assets held for sale.

In March 2021, Borealis successfully increased the long-term factoring programme from EUR 300,000 thousand to EUR 350,000 thousand. In close cooperation with Nordea, Borealis was able to achieve a significant increase of the programme as a working capital initiative during the first quarter of 2021.

In November 2018, S&P Global Ratings issued a BBB+ rating with a stable outlook for Borealis. This constitutes the first public rating for the Company, which has been successfully active in a wide range of financing markets and instruments over the last ten years, and has built up a robust and well-diversified funding portfolio. While Borealis' long-term banking partners and investors have always appreciated the strong credit quality of the Company, the public rating provides a very good additional evaluation basis for all external stakeholders. On 18 November 2021, S&P Global Ratings affirmed Borealis' BBB+ rating with a stable outlook.

Under Borealis' funding strategy, a strongly diversified financing portfolio has been implemented in past years with the aim of maintaining a balanced maturity profile. In addition, Borealis is pursuing a long-term relationship approach with a larger group of international financing institutions that support the Company in funding and risk management transactions.

Based on this, combined with a resilient balance sheet and the strong public rating, Borealis has access to a wide variety of attractive funding instruments (such as bonds, the German Schuldschein, US Private Placement, foreign investment financing, bank loans and other). In order to meet the financing needs in 2022 and beyond, Borealis will continue to explore several suitable financial instruments fitting its strategy.

Some loan agreements have financial covenants based on maintaining certain gearing and solvency ratios. As of 31 December 2021, Borealis was in compliance with all financial covenants stipulated by the loan agreements.

Currency Mix **EUR thousand**	**2021**	**%**	**2020**	**%**
EUR	1,188,835	67%	1,336,607	70%
USD	532,335	30%	498,407	26%
JPY	38,223	2%	39,358	2%
GBP	126	0%	33,750	2%
Other	5,158	0%	8,625	0%
Interest bearing total	**1,764,677**	**100%**	**1,916,747**	**100%**

21. Liquidity Risk

Liquidity risk is the risk of the Group encountering difficulty in meeting the obligations associated with its financial liabilities. Liquidity is managed on a daily basis to ensure the Group's liquidity requirement and is covered at all times with the lowest possible level of working capital. For further details on loans and borrowings and lease liabilities, see note 6, note 20 and for derivatives, note 22.

The following are the contractual maturities of non-derivative financial liabilities, including forecasted interest payments, derivative financial liabilities and off balance sheet liabilities. All carrying amounts exclude outstanding interest accruals at year end. Cash outflows are reported with a minus sign.

EUR thousand	2021						
Non-derivative financial liabilities	Carrying amount	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
EUR floating rate loans	-68,962	**-70,540**	-13,536	-5,878	-326	-50,800	0
EUR fixed rate loans	-1,002,420	**-1,062,051**	-6,596	-10,157	-14,670	-713,876	-316,752
USD floating rate loans	-178,320	**-190,360**	-1,124	-1,492	-3,952	-183,792	0
USD fixed rate loans	-311,376	**-392,031**	-7,295	-55,483	-46,445	-88,073	-194,735
JPY floating rate loans	-38,223	**-38,863**	-82	-98	-171	-38,512	0
Other floating rate loans	-488	**-490**	-490	0	0	0	0
Lease liabilities	-164,766	**-200,943**	-20,552	-14,015	-25,385	-51,676	-89,315
Trade payables	-1,016,936	**-1,016,936**	-1,016,936	0	0	0	0
Utilised uncommitted facilities	-122	**-122**	-122	0	0	0	0
Total	**-2,781,613**	**-2,972,336**	**-1,066,733**	**-87,123**	**-90,949**	**-1,126,729**	**-600,802**

EUR thousand	2020						
Non-derivative financial liabilities	Carrying amount	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
EUR floating rate loans	-203,349	**-204,561**	-13,601	-121,151	-19,239	-23,485	-27,085
EUR fixed rate loans	-944,322	**-1,014,491**	-35,888	-69,869	-16,272	-686,170	-206,292
USD floating rate loans	-164,387	**-174,070**	-1,053	-1,146	-1,992	-156,691	-13,188
USD fixed rate loans	-287,265	**-374,147**	-6,733	-5,574	-57,943	-113,911	-189,986
JPY floating rate loans	-39,358	**-40,162**	-82	-100	-152	-39,828	0
GBP fixed rate loans	-33,369	**-36,506**	-1,568	-34,938	0	0	0
Other floating rate loans	-2,236	**-2,264**	-1,385	-879	0	0	0
Other fixed rate loans	-49	**-50**	-25	-25	0	0	0
Lease liabilities	-194,798	**-233,002**	-22,301	-19,066	-34,602	-57,376	-99,657
Trade payables	-788,170	**-788,170**	-788,170	0	0	0	0
Utilised uncommitted facilities	-47,614	**-47,615**	-47,615	0	0	0	0
Total	**-2,704,917**	**-2,915,038**	**-918,421**	**-252,748**	**-130,200**	**-1,077,461**	**-536,208**

EUR thousand	2021					
Derivative financial liabilities/outflow	Carrying amount	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years
Interest rate swaps	-791	**-1,096**	-653	-402	-200	159
Cross currency interest rate swaps	-3,817	**-44,067**	-316	-403	-1,033	-42,315
Foreign exchange contracts	-8,258	**-437,058**	-238,664	-198,394	0	0
Feedstock derivatives	-13,211	**-20,053**	-19,540	-513	0	0
Electricity derivatives	-563	**-26,304**	-16,577	-7,338	-2,389	0
Natural gas derivatives	-59,211	**-63,079**	-49,375	-13,704	0	0
Total	**-85,851**	**-591,657**	**-325,125**	**-220,754**	**-3,622**	**-42,156**

EUR thousand	2020					
Derivative financial liabilities/outflow	Carrying amount	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years
Interest rate swaps	-3,926	**-4,228**	-632	-559	-1,190	-1,847
Cross currency interest rate swaps	-2,930	**-39,245**	-1,485	-37,760	0	0
Foreign exchange contracts	-798	**-71,541**	-71,541	0	0	0
Feedstock derivatives	-37,789	**-37,845**	-34,346	-3,499	0	0
Electricity derivatives	-14,041	**-13,977**	-5,633	-4,397	-2,895	-1,052
Natural gas derivatives	-7,472	**-7,442**	-2,955	-2,514	-1,973	0
Total	**-66,956**	**-174,278**	**-116,592**	**-48,729**	**-6,058**	**-2,899**

EUR thousand	2021					
Off balance sheet liabilities	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
Short-term and low-value lease payments	**-1,515**	-725	-630	-101	-59	0
Capital commitments – property, plant and equipment	**-149,998**	-111,532	-24,725	-8,484	-5,257	0
Commitments in associated companies	**-27,733**	0	-22,400	-5,333	0	0
Commitments in joint ventures	**-250,854**	0	0	0	-250,854	0

EUR thousand	2020					
Off balance sheet liabilities	**Contractual cash flows**	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
Short-term and low-value lease payments	**-2,316**	-1,240	-777	-138	-161	0
Capital commitments – property, plant and equipment	**-304,528**	-253,870	-21,767	-24,379	-4,512	0
Commitments in associated companies	**-15,733**	0	-2,900	-12,833	0	0
Commitments in joint ventures	**-406,745**	0	0	0	-406,745	0

For details in respect of off balance sheet liabilities, please see note 5, note 9, note 30 and note 31.

22. Derivative Financial Instruments

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk, interest rate risk and commodity price risk.

The Group's risk management strategy and how it is applied to manage risk is explained in note 17 and in the Group Management Report in general and in this note, notes 23, 24 and 25 in detail for the risks mentioned in the preceding paragraph.

Hedge Accounting Policies of the Group

Hedges are generally placed in the legal entities where the underlying exposure exists. When certain conditions are met, Borealis applies IFRS 9 hedge accounting principles 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 hedge accounting relationships:

- Cash flow hedging – foreign exchange (see this note and note 23)
- Cash flow hedging – interest rate (see this note and note 24)
- Cash flow hedging – commodity (feedstock, electricity, natural gas – see this note and note 25)
- Net investment hedging in a foreign operation (see note 23)

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives are not designated as hedging instruments, they are measured at fair value through profit or loss (FVPL) for accounting purposes.

The Group holds the following derivative financial instruments:

EUR thousand	2021	2020
Current assets		
Foreign exchange swaps – FVPL	1,908	1,468
Foreign exchange forwards – cash flow hedges	16	12,714
Feedstock derivatives – FVPL	1,567	1,646
Feedstock derivatives – cash flow hedges	11,853	8,188
Electricity derivatives – cash flow hedges	292,247	18,445
Natural gas derivatives – cash flow hedges	22	2,962
Total current derivative financial instrument assets (Other receivables and other assets)	**307,613**	**45,423**

EUR thousand	2021	2020
Non-current assets		
Cross currency interest rate swaps – FVPL	0	327
Feedstock derivatives – cash flow hedges	0	1,854
Electricity derivatives – cash flow hedges	71,364	5,904
Total non-current derivative financial instrument assets (Other receivables and other assets)	**71,364**	**8,085**

EUR thousand	2021	2020
Current liabilities		
Cross currency interest rate swaps – FVPL	0	2,930
Interest rate swaps – cash flow hedges	68	0
Foreign exchange swaps – FVPL	293	96
Foreign exchange forwards – cash flow hedges	7,965	702
Feedstock derivatives – FVPL	7,194	2,356
Feedstock derivatives – cash flow hedges	6,017	35,433
Electricity derivatives – cash flow hedges	59	10,057
Natural gas derivatives – cash flow hedges	59,211	5,484
Total current derivative financial instrument liabilities (Other liabilities)	**80,807**	**57,058**

EUR thousand	2021	2020
Non-current liabilities		
Cross currency interest rate swaps – FVPL	3,817	0
Interest rate swaps – cash flow hedges	723	3,926
Electricity derivatives – cash flow hedges	504	3,984
Natural gas derivatives – cash flow hedges	0	1,988
Total non-current derivative financial instrument liabilities (Other liabilities)	**5,044**	**9,898**

Impact of Hedge Accounting on Equity

The Group's hedging reserve disclosed in the Consolidated Statement of Changes in Equity relates to the following hedging instruments:

Hedging Reserve EUR thousand	2021					
	Cash flow hedge – foreign currency	Cash flow hedge – interest rate	Cash flow hedge – feedstock	Cash flow hedge – electricity	Cash flow hedge – natural gas	Hedging reserve total
As of 1 January	9,009	-2,945	-16,145	7,731	-3,381	**-5,731**
Change in fair value of hedging instrument recognised in OCI	-14,532	1,827	-38,580	478,171	35,252	**462,138**
Reclassifications from OCI to the income statement	-6,130	1,308	0	-125,431	-89,931	**-220,184**
Reclassifications to the cost of non-financial items	702	0	67,683	0	0	**68,385**
Deferred tax	4,990	-783	-7,276	-88,185	13,669	**-77,585**
As of 31 December	**-5,961**	**-593**	**5,682**	**272,286**	**-44,391**	**227,023**

EUR thousand	2020					
	Cash flow hedge – foreign currency	Cash flow hedge – interest rate	Cash flow hedge – feedstock	Cash flow hedge – electricity	Cash flow hedge – natural gas	Hedging reserve total
As of 1 January	2,243	846	206	-1,328	-620	**1,347**
Change in fair value of hedging instrument recognised in OCI	12,284	-5,682	-36,998	-20,102	113	**-50,385**
Reclassifications from OCI to the income statement	-3,377	627	0	32,181	-3,795	**25,636**
Reclassifications to the cost of non-financial items	115	0	15,197	0	0	**15,312**
Deferred tax	-2,256	1,264	5,450	-3,020	921	**2,359**
As of 31 December	**9,009**	**-2,945**	**-16,145**	**7,731**	**-3,381**	**-5,731**

Reserve for unrealised exchange gains/losses **EUR thousand**	**2021**	**2020**
As of 1 January	-40,435	282,204
Foreign currency revaluation of USD loans, designated as net investment hedge	-14,687	16,704
Foreign currency revaluation of financial statements of foreign operations	283,973	-324,944
Reclassifications to the income statement during the period	357	-17,094
Foreign currency revaluation of long-term loans to foreign operations	-2,100	4,020
Share of other comprehensive income of associated companies accounted for using the equity method	1,036	1,893
Foreign currency revaluation of financial statements of foreign operations – Non-controlling interests	-20	1,963
Deferred tax	4,197	-5,181
As of 31 December	**232,321**	**-40,435**

As of 31 December 2021 and 31 December 2020, the Group had the following cash flow and net investment hedging relationships. The table shows the profile of the timing (maturity) of the nominal amount of the hedging instruments.

	2021									
	Unit	**Total**	3 months or less	3–6 months	6–12 months	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
Foreign exchange forwards	EUR thousand	**343,918**	53,192	92,424	198,302	0	0	0	0	0
USD loans, designated as net investment hedge	USD thousand	**216,000**	0	0	56,000	40,000	49,000	30,000	21,000	20,000
Interest rate swaps	EUR thousand	**108,660**	0	0	11,538	0	97,122	0	0	0
Feedstock derivatives	tonnes	**273,757**	194,032	29,085	50,640	0	0	0	0	0
Electricity derivatives	GWh	**5,544**	926	797	1,506	1,516	799	0	0	0
Natural gas derivatives	GWh	**1,280**	735	271	274	0	0	0	0	0

	2020									
	Unit	**Total**	3 months or less	3–6 months	6–12 months	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
Foreign exchange forwards	EUR thousand	**309,038**	57,866	77,103	174,069	0	0	0	0	0
USD loans, designated as net investment hedge	USD thousand	**216,000**	0	0	0	56,000	40,000	49,000	30,000	41,000
Interest rate swaps	EUR thousand	**112,719**	0	0	0	23,077	0	89,642	0	0
Feedstock derivatives	tonnes	**462,583**	257,957	66,993	97,133	40,500	0	0	0	0
Electricity derivatives	GWh	**5,352**	717	649	1,341	1,813	832	0	0	0
Natural gas derivatives	GWh	**2,555**	924	271	548	812	0	0	0	0

As of 31 December 2021 and 31 December 2020, no fair value hedges existed.

Offsetting

Financial assets and financial liabilities are offset only when the Group has a current and legally enforceable right to offset the recognised amounts and when there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. In the normal course of business, the Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements.

The following table presents the recognised financial instruments (derivatives) that are offset, or subject to enforceable master netting arrangements, but are not offset. The "Net amount" column shows the impact on the Group's balance sheet if all offsetting rights were exercised.

EUR thousand	2021				
	Gross amounts	Related amounts offset in the balance sheet	Amounts presented in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets					
Derivative financial instruments	415,542	-36,565	378,977	-800	378,177
Financial liabilities					
Derivative financial instruments	122,416	-36,565	85,851	-800	85,051

EUR thousand	2020				
	Gross amounts	Related amounts offset in the balance sheet	Amounts presented in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets					
Derivative financial instruments	53,508	0	53,508	-23,372	30,136
Financial liabilities					
Derivative financial instruments	66,956	0	66,956	-23,372	43,584

There is no further netting potential for non-derivative financial instruments.

23. Foreign Currency Risk

Foreign exchange risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

Borealis incurs foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than EUR. The most significant currencies in terms of hedged amounts are USD and SEK.

The foreign exchange risk related to short-term commercial cash flows is hedged and limits for long-term foreign exchange exposures are established. Based on regular cash flow forecasts, Borealis hedges its foreign exchange exposure coming from forecasted sales and purchases and from committed investment projects.

Borealis hedges forecasted positions denominated in 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 foreign exchange forwards. Borealis classifies its foreign exchange forwards, which hedge a forecasted currency position, as cash flow hedges and states them at fair value.

Changes in the fair value of foreign exchange forwards that hedge monetary assets and liabilities in foreign currencies and the forward legs of foreign exchange 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 financial expenses.

There is an economic relationship between the hedged items and the hedging instruments as the critical terms of the foreign exchange forwards match the terms of the expected highly probable forecast transactions (i.e. nominal amount, exchange rate and expected payment date). Hence, the Group has established a hedge ratio of 1:1. To test the hedge effectiveness, the Group uses the Dollar Offset method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness may arise from:

- differences in the timing of the cash flows of the hedged items and the hedging instruments,
- different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments,
- the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items,
- changes to the forecasted amount of cash flows of hedged items,
- change in fair value of the cross currency basis spread element of the foreign exchange forwards ("ccbs").

Borealis does not recognise any ineffectiveness in the income statement due to immateriality.

Net Investment Hedges in Foreign Operations

A foreign currency exposure arises from the Group's long-term net investment in its subsidiaries, associated companies and joint ventures in foreign currencies. Foreign exchange translation differences relating to these net investments are recognised in other comprehensive income. Borealis has hedged part of its investment in an associated company, which has USD as its functional currency, by designating certain external loans in USD as hedges of the Group's investments in its foreign operations. The hedged risk in the net investment hedge is the risk of a weakening USD against the EUR that will result in a reduction in the carrying amount of the Group's net investment in the associated company in USD. The EUR/USD impact on the measurement of the loan is recognised in other comprehensive income.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the dollar-offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the USD borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. Hedge ineffectiveness will arise when the amount of the investment in the foreign associated company becomes lower than the amount of the borrowing.

Effects of Hedge Accounting on the Financial Position and Performance

The effects of the foreign currency-related hedging instruments on the Group's financial position and performance are as follows:

Foreign exchange forwards **EUR thousand**	**2021**	**2020**
Carrying amount (asset – current)	16	12,714
Carrying amount (liability – current)	7,965	702
Line item in the balance sheet where the hedging instrument is included	Other receivables and other assets/ Other liabilities	Other receivables and other assets/ Other liabilities
Total nominal amount	kEUR 343,918	kEUR 309,038
Hedge ratio	1:1	1:1
Hedged rate for the year	EUR/USD 1.15–1.20 EUR/SEK 10.01–10.30	EUR/USD 1.08–1.15 EUR/SEK 10.16–11.07
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	-14,532	12,284
Change in value of the hedged item used for measuring ineffectiveness for the period	14,532	-12,284
Hedging reserve (net of deferred taxes)	-5,961	9,009
Total hedging gain (+) or loss (-) recognised in OCI	-14,532	12,284
Hedge ineffectiveness recognised in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	-6,130	-3,377
Line item in the income statement affected by the reclassification	Net sales and production costs	Net sales and production costs
Amount reclassified from hedging reserve to the cost of non-financial items	702	115

Net investment hedges in foreign operations EUR thousand	2021	2020
Carrying amount (liability)	190,712	176,024
Line item in the balance sheet where the hedging instrument is included	Loans and borrowings	Loans and borrowings
Total nominal amount	kUSD 216,000	kUSD 216,000
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	-14,687	16,704
Change in value of the hedged item used for measuring ineffectiveness for the period	14,687	-16,704
Reserve for unrealised exchange gains/losses (net of deferred taxes)	-15,445	-4,430
Balances remaining in the reserve for unrealised exchange gains/losses from hedging relationships for which hedge accounting is no longer applied	-6,290	-6,290
Total hedging gain (+) or loss (-) recognised in OCI	-14,687	16,704
Hedge ineffectiveness recognised in the income statement	0	0

Sensitivity Analysis

The Group's exposure to the risk of changes in foreign exchange rates primarily relates to the Group's operating activities, mainly invoicing in EUR and mainly purchasing raw materials in USD and the Group's net investments in associated companies and joint ventures mainly denominated in USD. The sensitivity analysis has been prepared on the basis that the financial instruments in foreign currencies and all other parameters, apart from changes in foreign exchange rates themselves (foreign exchange rate against EUR), are constant, and on the basis of hedge designations in place as of 31 December 2021. The Group assumes that the prevailing polyolefin market pricing mechanisms reduce the foreign exchange risk in practice. As of 31 December 2021, the Group showed a net receivable (prior year: net payable) position in USD and a net payable (prior year: net payable) position in SEK.

Effect in EUR thousand	Profit before taxation		Other comprehensive income	
	Strengthening +1%	Weakening -1%	Strengthening +1%	Weakening -1%
31 December 2021				
USD	16,335	-13,365	-3,863	3,161
SEK	-69	56	1,612	-1,319
USD – including net investment	16,335	-13,365	25,828	-21,132
SEK – including net investment	-69	56	7,244	-5,927
31 December 2020				
USD	-3,988	3,263	-3,566	2,917
SEK	-536	439	1,647	-1,347
USD – including net investment	-3,988	3,263	37,563	-30,733
SEK – including net investment	-536	439	7,384	-6,042

The key foreign exchange rates used for the Group were as follows:

	2021		2020	
	Closing rate	Average rate	Closing rate	Average rate
USD	1.1326	1.1827	1.2271	1.1326
SEK	10.2503	10.1465	10.0343	10.5146

24. Interest Rate Risk

Interest rate risk is the risk of the fair value or future cash flows of a financial instrument fluctuating because of changes in market interest rates.

Borealis adopts a policy of managing its interest rate risk through the modified duration of its loan portfolio. The average modified duration is allowed to deviate within a predefined range. Overall, Borealis' risk management strategy according to its financial procedures is to protect itself against adverse interest rate movements and to obtain predictable interest costs. As of 31 December 2021, Borealis had three outstanding interest rate swaps. Borealis classifies these interest rate swaps as cash flow hedges and states them at fair value. The purpose of these hedges is to fix the cash outflows related to the floating rate loans.

The Group enters into interest rate swaps that have matching critical terms with the hedged item, such as reference rate, reset dates, payment dates, maturities and nominal amount.

The hedge ratios are based on interest rate swaps with a nominal amount in EUR and USD and a receive leg of a rate index. This results in 1:1 hedge ratios (100%). Since loans and hedging instruments are fully aligned and cannot be changed unless terminated, the hedge ratios will not change and hence, do not result in any imbalances that would create hedge ineffectiveness.

Hedge effectiveness will be assessed by comparing changes in the fair values of the hedging instruments to changes in the fair values of the respective hypothetical derivatives.

The terms of the hypothetical derivative are as such that its fair value changes offset exactly the changes in the fair value of the hedged item. The terms are identical to the hedging instrument but, assume no counterparty risk. Hence, the hedge is expected to be highly effective.

A significant change in the credit risk of either Borealis or the counterparty is identified as a potential source of ineffectiveness. The Group treasury monitors the Company and the bank's credit risk for significant adverse changes.

Hedge ineffectiveness may arise from:

- differences in the timing of the cash flows of the hedged items and the hedging instruments,
- the counterparties' credit risk impacting the fair value movements of the hedging instruments and hedged items differently.

Borealis has one cross currency interest rate swap that is measured at fair value through profit or loss (FVPL).

Of loans and borrowings, approximately 82% (76%) have a fixed interest rate and 18% (24%) are based on a floating interest rate before applying interest rate swaps. After applying interest rate swaps, approximately 89% (83%) have a fixed interest rate and 11% (17%) are based on a floating interest rate. The floating interest rates are set by adding a spread to the reference rates (mainly EURIBOR and LIBOR).

Effects of Hedge Accounting on the Financial Position and Performance

The effects of the interest rate related to hedging instruments on the Group's financial position and performance are as follows:

Interest rate swaps **EUR thousand**	**2021**	**2020**
Carrying amount (liability – current)	68	0
Carrying amount (liability – non-current)	723	3,926
Line item in the balance sheet where the hedging instrument is included	Other receivables and other assets/ Other liabilities	Other receivables and other assets/ Other liabilities
Total nominal amount	kEUR 108,660	kEUR 112,719
Hedge ratio	1:1	1:1
Weighted average hedged rate for the year	2.17%	1.99%
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	1,827	-5,682
Change in value of the hedged item used for measuring ineffectiveness for the period	-1,827	5,682
Hedging reserve (net of deferred taxes)	-593	-2,945
Total hedging gain (+) or loss (-) recognised in OCI	1,827	-5,682
Hedge ineffectiveness recognised in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	1,308	627
Line item in the income statement affected by the reclassification	Financial expenses	Financial expenses

Interest Rate Benchmark Reform

The table below provides an overview of IBOR related exposure by currency and nature of financial instruments as of 31 December 2021:

	Benchmark	carrying amount (notional amount for derivatives)
Non-derivative financial assets		
Loans granted	USD LIBOR	kEUR 985,240
Non-derivative financial liabilities		
Term loans (loans and borrowings)	USD LIBOR	kEUR 178,320
Term loans (loans and borrowings)	JPY LIBOR	kEUR 38,223 [1)]
Derivatives		
Interest rate swap – cash flow hedge	USD LIBOR	kUSD 50,000
Interest rate swap – cash flow hedge	USD LIBOR	kUSD 60,000
Cross currency interest rate swap – FVPL	JPY LIBOR to USD LIBOR	kJPY 5,000,000 [1)]
Off balance sheet items		
Commitments in associated companies	USD LIBOR	kEUR 250,854
Unutilised committed facilities	Multicurrency	kEUR 1,000,000

1) transitioned to TONAR

The Group continuously evaluates contractual terms in respect of the LIBOR transition exposures. Where necessary, agreements will be amended to provide for alternative benchmark rates, which will be in accordance with the LMA standard at the time, to apply in relation to the affected currencies.

As of the end of December 2021, for the EUR 1,000,000 thousand multicurrency Revolving Credit Facility (RCF), a drawdown waiver is in place for currencies where IBOR rates were discontinued as a screen rate from 31 December 2021 (CHF, GBP, JPY). The RCF drawdown waiver will cease to have effect if the facility is amended to provide for alternative benchmark rates, which will be in accordance with the LMA standard at any given time.

In addition, the JPY 5,000,000 thousand Samurai loan tranche has been successfully transitioned to TONAR.

Borealis considers that it is, in principle, exposed to uncertainties resulting from the interest rate benchmark reform in respect of its hedges of (three month) USD LIBOR interest risks related to the existence of two outstanding USD interest rate swaps, with a nominal amount of USD 110 million in total. Their hedging period spans beyond 2021 when uncertainties about the existence of the USD LIBOR rates arise. Borealis expects that the hedging instrument and the hedged risk of the hedged item will not change as a result of the reform. However, any hedge ineffectiveness would be accounted for in the income statement.

For further information in respect of IBOR reform, see the New Accounting Standards section.

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. The sensitivity analysis has been prepared on the basis of the amount of net debt, floating interest rates of the debt and the derivatives as of 31 December 2021.

Effect in EUR thousand	Profit before taxation		Other comprehensive income	
	Strengthening +1%	Weakening -1%	Strengthening +1%	Weakening -1%
31 December 2021				
Interest rate	-1,904	1,916	484	-488
31 December 2020				
Interest rate	-1,967	1,982	548	-552

25. Commodity Price Risk

Commodity price risk is the risk of future cash flows or the fair value of inventories fluctuating because of changes in commodity prices. Borealis states its inventories at the lower of cost and net realisable value, taking into account future price developments. Commodity price risk is managed by the feedstock and energy traders and monitored by Trade Support and Risk Management. The commodity price risk exposure is calculated by a trading software program. Trade Support and Risk Management take a snapshot of all data in the trading system on a daily basis and retrieve the daily position from the system. The position is analysed and compared with the trading limits. Traders use financial derivatives (i.e. financial swaps) in order to stay within the limits.

Feedstock Derivatives

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. Some of the derivatives have been designated as cash flow hedges for future sales and purchases. Derivatives not designated as cash flow hedges are measured at fair value through profit or loss (FVPL).

Electricity Derivatives

Borealis hedges its forecasted electricity purchases using electricity swaps. Cash flow hedge accounting has been applied for these derivatives.

Natural Gas Derivatives

Borealis hedges part of its forecasted natural gas purchases and exposure in commercial contracts to changes in natural gas prices using natural gas swaps. Cash flow hedge accounting has been applied for these derivatives.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e. nominal quantity and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- differences in the timing of the cash flows of the hedged items and the hedging instruments, and
- changes to the forecasted amount of cash flows of hedged items and hedging instruments.

Effects of Hedge Accounting on the Financial Position and Performance

The effects of the commodity-related hedging instruments on the Group's financial position and performance are as follows:

Feedstock derivatives **EUR thousand**	**2021**	**2020**
Carrying amount (asset – current)	11,853	8,188
Carrying amount (asset – non-current)	0	1,854
Carrying amount (liability – current)	6,017	35,433
Line item in the balance sheet where the hedging instrument is included	Other receivables and other assets/ Other liabilities	Other receivables and other assets/ Other liabilities
Total nominal amount	273,757 tonnes	462,583 tonnes
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	-38,580	-36,998
Change in value of the hedged item used for measuring ineffectiveness for the period	38,580	36,998
Hedging reserve (net of deferred taxes)	5,682	-16,145
Balances remaining in the hedging reserve for hedging instruments that have expired but forecast transaction still has to occur	1,742	3,863
Total hedging gain (+) or loss (-) recognised in OCI	-38,580	-36,998
Hedge ineffectiveness recognised in the income statement	0	0
Amount reclassified from hedging reserve to the cost of non-financial items	67,683	15,197

Electricity derivatives EUR thousand	2021	2020
Carrying amount (asset – current)	292,247	18,445
Carrying amount (asset – non-current)	71,364	5,904
Carrying amount (liability – current)	59	10,057
Carrying amount (liability – non-current)	504	3,984
Line item in the balance sheet where the hedging instrument is included	Other receivables and other assets/ Other liabilities	Other receivables and other assets/ Other liabilities
Total nominal amount	5,544 GWh	5,352 GWh
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	478,171	-20,102
Change in value of the hedged item used for measuring ineffectiveness for the period	-478,171	20,102
Hedging reserve (net of deferred taxes)	272,286	7,731
Total hedging gain (+) or loss (-) recognised in OCI	478,171	-20,102
Hedge ineffectiveness recognised in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	-125,431	32,181
Line item in the income statement affected by the reclassification	Production costs	Production costs

Natural gas derivatives EUR thousand	2021	2020
Carrying amount (asset – current)	22	2,962
Carrying amount (liability – current)	59,211	5,484
Carrying amount (liability – non-current)	0	1,988
Line item in the balance sheet where the hedging instrument is included	Other receivables and other assets/ Other liabilities	Other receivables and other assets/ Other liabilities
Total nominal amount	1,280 GWh	2,555 GWh
Hedge ratio	1:1	1:1
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	35,252	113
Change in value of the hedged item used for measuring ineffectiveness for the period	-35,252	-113
Hedging reserve (net of deferred taxes)	-44,391	-3,381
Total hedging gain (+) or loss (-) recognised in OCI	35,252	113
Hedge ineffectiveness recognised in the income statement	0	0
Amount reclassified from hedging reserve to the income statement	-89,931	-3,795
Line item in the income statement affected by the reclassification	Production costs	Production costs

Sensitivity Analysis

The sensitivity analysis has been prepared for all derivative financial instruments on the basis that the amount of the feedstock held and all other parameters besides commodity prices (in particular sales prices) are constant and on the basis of the hedge designations in place on 31 December 2021. The Group assumes that the prevailing market pricing mechanisms reduce the commodity price risk in practice.

Effect in EUR thousand	Profit before taxation		Other comprehensive income	
	Strengthening +1%	Weakening -1%	Strengthening +1%	Weakening -1%
31 December 2021				
Feedstock – Naphtha	-120	120	-240	240
Feedstock – Other	0	0	122	-122
Electricity	0	0	5,710	-5,710
Natural gas	0	0	326	-326
31 December 2020				
Feedstock – Naphtha	-125	125	167	-167
Feedstock – Other	64	-64	-2,349	2,349
Electricity	0	0	2,408	-2,408
Natural gas	0	0	-211	211

26. Factoring

Borealis has a factoring programme under which the Company sells certain trade receivables to external parties. The Group does not retain any major interest in the trade receivables and thus accordingly derecognises the receivables sold. Borealis continues to administer the relationship with debtors and has to transfer all receivables collected and previously sold to the purchaser under this programme. Several reserves are deducted from the nominal value of the sold receivables and will be released upon transfer of the respective collected receivables to the purchaser.

The total nominal value sold to the purchaser under the factoring programme in the current year amounted to EUR 3,609,439 thousand (EUR 2,760,426 thousand). As of 31 December 2021, receivables worth EUR 378,734 thousand (EUR 284,359 thousand) were sold to the purchaser under the factoring programme. The reserves deducted from the nominal value of the sold receivables amounted to EUR 31,012 thousand (EUR 24,521 thousand) as of 31 December 2021 and are included in other current receivables. During the year, expenses amounting to EUR 3,164 thousand (EUR 2,548 thousand) were recognised in the income statement for the factoring programme.

27. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Group has three types of financial assets that are subject to the expected credit loss model:
- trade receivables (excluding trade receivables at FVPL) and contract assets,
- cash and cash equivalents,
- debt investments carried at amortised cost.

On each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. For trade receivables, the Group applies the IFRS simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance.

Trade Receivables Credit Risk

A credit control procedure is in place. Credit risk is monitored on an ongoing basis. Credit risk for 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 reviewed annually at least. Approval and escalation limits are used to authorise the available credit limits to customers. For some trade receivables, the Group may obtain security in the form of guarantees (bank and parental guarantees), letters of credit or credit insurance, which can be called upon if the counterparty is in default under the terms of the agreement. As of the reporting date, Borealis has no large concentrations of credit risks for trade receivables from external parties representing more than 10% of the total outstanding trade receivables. For details on trade receivables from related parties, see note 30. No credit risk is retained in trade receivables sold under the factoring programme (note 26).

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

EUR thousand	2021	2020
EU countries	543,733	345,731
Non-EU in Europe	251,015	85,761
US	63,234	35,500
Middle East and Asia	141,259	94,007
Other regions	114,545	79,091
Total	**1,113,786**	**640,090**

The maximum exposure to credit risk for trade receivables as of the reporting date by type of segment and group of customers was:

EUR thousand	2021	2020
Polyolefins	695,428	421,918
Base Chemicals	305,066	89,279
Borealis NITRO	30,629	106,671
Non-Allocated	82,663	22,222
Total	**1,113,786**	**640,090**

All customers are classified in risk categories based on external and internal ratings with associated probabilities of default in order to measure the lifetime expected losses.

The table below shows the maximum exposure (gross carrying amount) for each risk class based on which loss allowance was determined for trade receivables (excluding trade receivables at FVPL).

EUR thousand	31 December 2021				
	Equivalent to external rating	Probability of default	Gross carrying amount	Loss allowance	Credit-impaired
Risk category 1	AAA, AA+, AA, AA-, A+, A, A-	0.07%	187,165	-1	No
Risk category 2	BBB+, BBB, BBB-	0.24%	32,987	-4	No
Risk category 3	BB+, BB, BB-	1.21%	211,533	-834	No
Risk category 4	B+, B, B-, CCC/CC	10.37%	452,628	-2,917	No
Risk category 5	SD/D	100.00%	9,938	-9,938	Yes
Total			**894,251**	**-13,694**	

EUR thousand	31 December 2020				
	Equivalent to external rating	Probability of default	Gross carrying amount	Loss allowance	Credit-impaired
Risk category 1	AAA, AA+, AA, AA-, A+, A, A-	0.07%	66,803	-2	No
Risk category 2	BBB+, BBB, BBB-	0.25%	58,885	-7	No
Risk category 3	BB+, BB, BB-	1.19%	308,943	-496	No
Risk category 4	B+, B, B-, CCC/CC	10.26%	178,428	-975	No
Risk category 5	SD/D	100.00%	14,126	-14,126	Yes
Total			**627,185**	**-15,606**	

The identified impairment loss for contract assets was immaterial.

The movement in the loss allowance in respect of trade receivables during the year was as follows:

EUR thousand	2021		2020	
	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired
Balance as of 1 January	1,480	14,126	577	13,993
Impairment loss recognised	2,441	2,162	1,480	1,838
Written off	0	-2,045	0	-642
Reversal of impairment	0	-557	-577	-16
Reclassification to assets directly related to the disposal group	-165	-3,783	0	0
Other movements	0	0	0	-995
Exchange adjustments	0	35	0	-53
Balance as of 31 December	**3,756**	**9,938**	**1,480**	**14,126**

In 2021, the Group did not renegotiate the terms of trade receivables. Generally, trade receivables written off during 2021 are not subject to enforcement activity.

The total guarantees received (bank guarantees and parental guarantees) in respect of the trade receivables amounted to EUR 234,195 thousand (EUR 218,726 thousand). The Group does not require collateral in respect of trade receivables. The Group does not have trade receivables for which no loss allowance is recognised because of collateral or guarantees received.

Other Credit Risk

The Group is also exposed to credit risk relating to other financial assets. The maximum exposure to credit risk as of the reporting date is the carrying amount of each class of financial assets disclosed in note 28.

The table below shows the maximum exposure to credit risk (gross carrying amount) for financial assets that are measured at amortised cost and subject to a 12-month expected credit loss.

EUR thousand	Credit risk (Gross carrying amount) 2021	2020	Loss allowance recognised 2021	2020
Cash and cash equivalents	1,540,973	83,404	0	0
Debt investments carried at amortised cost				
Loans granted	1,015,018	753,955	0	-3,151
Deposits and other receivables	171,133	170,107	0	-2,099

Borealis' cash balances are deposited with relationship banks or are invested in liquid securities with counterparties that fulfil a certain predefined credit rating 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. Borealis' management does not expect any counterparty to fail to meet any of its current obligations.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. All of the entities' other debt investments at amortised cost are considered in general to have low credit risk and the loss allowance recognised during the period is therefore limited to 12-month expected losses.

In 2020, a balance of restricted cash in the amount of EUR 2,099 thousand was classified as other financial assets and fully impaired. Additionally, one loan to an external party in the amount of EUR 651 thousand was ully impaired. In 2021, these two impaired financial assets were reclassified to assets directly related to the disposal group. Additionally, a fully impaired loan in the amount of EUR 2,500 thousand was written off. The loss allowance for all other debt investments was immaterial.

28. Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value, if the carrying amount is a reasonable approximation of fair value.

EUR thousand	31.12.2021			31.12.2020		
Assets	**Carrying amount**	**Fair value**	**Fair value hierachy level**	**Carrying amount**	**Fair value**	**Fair value hierachy level**
Other investments						
Other investments	18,355	18,355	3	31,443	31,443	3
thereof at fair value through profit or loss	**15,287**			**31,443**		
thereof at fair value through other comprehensive income	**3,068**					
Trade receivables						
Trade receivables	1,113,786			640,090		
thereof at amortised cost	**880,557**			**611,579**		
thereof at fair value through profit or loss	**233,229**			**28,511**		
Cash and cash equivalents						
Cash	161,342			81,626		
Other current deposits	1,379,631			1,778		
at amortised cost	**1,540,973**			**83,404**		
Loans granted						
Loans granted	1,015,018	1,017,414	2	750,804	754,883	2
at amortised cost	**1,015,018**			**750,804**		
Other receivables and other assets (current and non-current)						
Marketable securities and bonds	29,521	29,521	1	35,164	35,164	1
at fair value through profit or loss	**29,521**			**35,164**		
Derivative financial instruments for which hedge accounting is applied	375,501	375,501	2	50,067	50,067	2
Hedging instruments	**375,501**			**50,067**		
Derivative financial instruments for which hedge accounting is not applied	3,476	3,476	2	3,441	3,441	2
at fair value through profit or loss	**3,476**			**3,441**		
Deposits and other receivables	171,133			168,008		
at amortised cost	**171,133**			**168,008**		
Other non financial assets	209,471	n/a	n/a	256,108	n/a	n/a
Total other receivables and other assets (current and non-current)	**789,102**			**512,788**		

EUR thousand	31.12.2021			31.12.2020 restated		
Liabilities	**Carrying amount**	**Fair value**	**Fair value hierachy level**	**Carrying amount**	**Fair value**	**Fair value hierachy level**
Loans and borrowings (current and non-current)						
Bond	297,955	316,932	1	297,461	324,432	1
Floating rate loans and borrowings	285,992	286,645	2	409,331	410,687	2
Fixed rate loans and borrowings	1,015,964	1,050,893	2	1,015,158	1,093,381	2
at amortised cost	**1,599,911**			**1,721,949**		
Trade payables						
Trade payables	1,016,936			788,170		
at amortised cost	**1,016,936**			**788,170**		
Other liabilities (current and non-current)						
Derivative financial instruments for which hedge accounting is applied	74,547	74,547	2	61,573	61,573	2
Hedging instruments	**74,547**			**61,573**		
Derivative financial instruments for which hedge accounting is not applied	11,304	11,304	2	5,382	5,382	2
at fair value through profit or loss	**11,304**			**5,382**		
Interest accruals on loans and borrowings	5,945			7,032		
Other financial liabilities [1]	78,947			258,058		
at amortised cost [1]	**84,892**			**265,090**		
Other non-financial liabilities	441,837	n/a	n/a	207,759	n/a	n/a
Total other liabilities (current and non-current) [1]	**612,580**			**539,805**		

1) 2020 amounts for line items marked with footnote [1] have been restated. For further details, please refer to the Restatement section.

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.

In 2021, no transfers between the different levels of the fair value hierarchy took place.

Other Investments

For details on other investments, see note 10. The equity value of the other investments is assumed to equal other investments' fair value. If the equity decreases (increases), the fair value decreases (increases) accordingly.

The following table presents the changes in other investments (level 3 items):

EUR thousand	2021	2020
Balance as of 1 January	31,443	31,692
Investments and acquisitions	3,068	0
Reclassification to assets of the disposal group held for sale	-18,052	0
Other changes [1]	0	51
Fair value changes recognised in income statement (financial income/expenses)	1,914	-342
Exchange adjustments	-18	42
Balance as of the reporting date	**18,355**	**31,443**

1) New subsidiary in 2020 excluded from consolidation due to immateriality.

Trade and Other Receivables and Other Assets

The fair value of trade and other receivables and assets is estimated to equal the nominal values less impairments (= carrying amount).

The carrying amount of deposits and other receivables is not materially different from their fair value.

Loans granted

The fair value of loans granted is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest adjusted for the respective counterparty credit risk as of the reporting date

Derivatives

The fair value of foreign exchange derivatives is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the derivative using market rates as of 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 derivative and using market rates for a hypothetical instrument as of the reporting date. The credit quality of counterparties did not lead to a significant change in the fair values.

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

Other Non-financial Assets and Liabilities

Other non-financial assets and liabilities are shown solely for reconciliation purposes.

Non-derivative Financial Liabilities

Fair value for non-current and current loans and borrowings is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest adjusted for Borealis' credit risk as of the reporting date. All fair values are excluding the outstanding interest accruals as of the reporting date.

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

Contingent Consideration

For the acquisition of the remaining 50% of Novealis, a contingent consideration up to EUR 10,150 thousand was agreed based on an earnings target for 2022. According to Borealis' assessment, the earnings target will not be met. Thus, the contingent consideration has been valued at a fair value of EUR 0 thousand (EUR 0 thousand).

29. Other Operating Income

In 2021, other operating income consisted mainly of intangible assets received by way of government grants as allowances for emissions (EU Emissions Trading System) of EUR 38,009 thousand (EUR 33,547 thousand). Furthermore, compensation for property damage and business interruption with regards to the incident which occurred on 9 May 2020 in Stenungsund, Sweden of EUR 33,946 thousand (EUR 92,800 thousand) is recognised here. Gains from foreign currency translation effects related to working capital amount to EUR 34,161 thousand (EUR 26,899 thousand). The remainder of other operating income is mainly related to re-invoicing of seconded employees.

30. Transactions with Related Parties

	Transaction values		Balance outstanding	
EUR thousand	**2021**	**2020**	**31.12.2021**	**31.12.2020**
Sales of goods and services to				
Associated companies	450,647	435,939	142,997	76,281
Joint ventures	6,435	11,846	8,416	7,257
Companies with significant influence	21,565	23,818	4,124	1,771
Other related parties	78,440	39,093	14,724	4,680
Purchases of goods and services from				
Associated companies	588,584	334,889	108,052	63,865
Joint ventures	5,814	5,488	40	331
Companies with significant influence	74,153	61,263	5,757	4,049
Other related parties	1,776,173	1,078,725	245,707	116,189
Others				
Loans granted and related interest – Associated companies	1,131	1,037	29,778	16,648
Loans granted and related interest – Joint ventures	26,538	20,370	987,143	735,616
Lease liabilities and related interest – Other related parties	277	361	14,355	16,715
Income taxes liability and related expense – Parent company	347,094	0	282,363	0

Due to ownership changes in Borealis in October 2020, transactions and balances with OMV subsidiaries are shown under “Other related parties”, whereas transactions and balances with Mubadala group entities are shown under “Companies with significant influence”.

The sales to associated companies and joint ventures mainly include sales of finished goods and services.

Transactions with associated companies further include the granting of licences for the use of Group technologies. Contract assets with Abu Dhabi Polymers Company Limited (Borouge) amounting to EUR 8,250 thousand (EUR 478 thousand) and with Bayport Polymers LLC (Baystar) amounting EUR 7,284 thousand (EUR 6,452 thousand) are included in the balance outstanding. For details on contract assets, please see note 2. Also included in the balance outstanding from associated companies are prepayments to Kilpilahden Voimalaitos Oy (KPP) of EUR 12,345 thousand

(EUR 13,225 thousand) and to Renasci N.V. (Renasci) of EUR 9,877 thousand. Purchases from associated companies mainly include purchases of finished goods produced in Borouge and sold in Europe. Purchases from other related parties mainly relate to purchases of feedstock and utilities from OMV group companies. Receivables from and payables to related parties are included in trade receivables/ payables. Lease liabilities and related interest from other related parties relate to rented land and infrastructure from OMV in Germany. Loans granted, including interest receivables, to joint ventures amounting to EUR 987,143 thousand (EUR 735,616 thousand) were outstanding from Baystar. For further details on loans granted, see note 10.

All transactions with related parties were conducted on an arm's length basis.

Borealis has a commitment to grant a loan to Baystar with a total value of EUR 1,236,093 thousand (EUR 1,140,901 thousand). Until year end 2021, Baystar had already drawn EUR 985,240 thousand (EUR 734,156 thousand). The commitment is available until the cracker and Borstar® unit are in service or 10 June 2023, whatever occurs first. On the reporting date, the Group further has financing commitments to KPP amounting to EUR 15,733 thousand (EUR 15,733 thousand). KPP's entitlements are dependent on the fulfilment of specific events, as defined in the underlying contracts. At year end 2021, Borealis also had a commitment to grant an additional convertible loan to Renasci amounting to EUR 12,000 thousand. The entitlements are dependent on the fulfilment of certain conditions of utilisation, as stated in the underlying agreement.

As of 1 January 2021, Austrian Borealis group entities belong to Austrian OMV tax group and tax charges resulting from tax allocation agreements are settled with OMV Aktiengesellschaft. Hence, income tax liabilities to the parent company is shown under Other current liabilities.

For further information in respect of dividends received from associated companies and joint ventures, please refer to note 9. For further information regarding commitments to joint ventures and associated companies, see note 21. For information regarding dividends paid, please refer to the statement of changes in equity. For details regarding the remuneration of key management personnel, please see note 14.

31. Commitments and Contingent Liabilities

Legal Claim Contingencies

While the 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 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 guarantees to respective authorities for the Group's payment obligations. These guarantees have been provided to the extent the authorities have requested them.

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

In addition to the contractual commitments for property, plant and equipment (see note 5) and contractual obligations for additional capital contributions (see note 9 and note 30), no further significant risks and uncertainties have been identified compared to year end 2020.

32. Subsequent Events

On 20 January 2022, the government bill for the Eco Social Tax Reform Act passed the third reading of the National Parliament of Austria. The bill stipulates the reduction in the Austrian corporate income tax rate from 25% to 24% in 2023 and further to 23% from 2024 onwards. Had the new tax rates been substantially enacted as of 31 December 2021, deferred tax assets of the Group would have decreased by EUR 2,256 thousand.

On 2 February 2022, the Group received a binding offer from EuroChem for the acquisition of the nitrogen business including fertilizer, melamine and technical nitrogen products. The offer values the business on an enterprise value basis at EUR 455,000 thousand. Borealis will initiate mandatory information and consultation procedures with employee representatives. The transaction is also subject to certain closing conditions and regulatory approvals, with closing expected for the second half of 2022.

The Group will continue to focus on its core activities of providing innovative and sustainable solutions in the fields of polyolefins and base chemicals and on the transformation towards a circular economy.

33. Subsidiaries Included in the Consolidated Accounts

	Company name	Country	City	Percentage of shares owned	
				2021	2020
	Borealis AG				
■	Borealis Agrolinz Melamine GmbH	Austria	Linz	100.00	100.00
■■	Borealis Agrolinz Melamine Deutschland GmbH	Germany	Wittenberg	100.00	100.00
■	Borealis Argentina SRL 1)	Argentina	Buenos Aires	100.00	100.00
■	BOREALIS ASIA LIMITED 1)	Hong Kong	Hong Kong	100.00	100.00
■	Borealis Brasil S.A.	Brazil	Itatiba	80.00	80.00
■	BOREALIS CHEMICALS ZA (PTY) LTD 1)	South Africa	Germiston	100.00	100.00
■	Borealis Chile SpA 1)	Chile	Santiago	100.00	100.00
■	Borealis Chimie S.A.R.L. 1)	Morocco	Casablanca	100.00	100.00
■	Borealis Circular Solutions Holding GmbH (formerly CERHA HEMPEL Leilani Holding GmbH)	Austria	Vienna	100.00	0.00
■	Borealis Colombia S.A.S. 1)	Colombia	Bogota	100.00	100.00
■	Borealis Denmark ApS 1)	Denmark	Copenhagen	100.00	100.00
■	Borealis Digital Studio B.V. 1)	Belgium	Zaventem	100.00	100.00
■	Borealis Financial Services N.V.	Belgium	Mechelen	100.00	100.00
■	Borealis France S.A.S.	France	Courbevoie	100.00	100.00
■■■	Borealis Chimie S.A.S.	France	Courbevoie	100.00	100.00
■■■	AGRIPRODUITS S.A.S. 1)	France	Courbevoie	100.00	100.00
■■■	STOCKAM G.I.E. 1)	France	Grand-Quevilly	100.00	100.00
■■	Borealis L.A.T France S.A.S.	France	Courbevoie	100.00	100.00
■■	Borealis Produits et Engrais Chimiques du Rhin S.A.S.	France	Ottmarsheim	100.00	100.00
■■	Borealis Services S.A.S. 1)	France	Courbevoie	100.00	100.00
■	Borealis Insurance A/S (captive insurance company)	Denmark	Copenhagen	100.00	100.00
■	BOREALIS ITALIA S.p.A.	Italy	Monza	100.00	100.00
■	Borealis L.A.T GmbH	Austria	Linz	100.00	100.00
■■	Borealis L.A.T Belgium B.V. 1)	Belgium	Beringen	100.00	100.00
■■	Borealis L.A.T Bulgaria EOOD 1)	Bulgaria	Sofia	100.00	100.00
■■	Borealis L.A.T Czech Republic s.r.o. 1)	Czech Republic	Budweis	100.00	100.00
■■	Borealis L.A.T doo, Beograd	Serbia	Belgrade	100.00	100.00
■■	Borealis L.A.T Greece Single Member P.C. 1)	Greece	Athens	100.00	100.00
■■	Borealis L.A.T Hrvatska d.o.o. 1)	Croatia	Klisa	100.00	100.00
■■	Borealis L.A.T Hungary Kft. 1)	Hungary	Budapest	100.00	100.00
■■	Borealis L.A.T Polska sp. z o.o. 1)	Poland	Warsaw	100.00	100.00
■■	Borealis L.A.T Romania s.r.l. 1)	Romania	Bucharest	100.00	100.00

1) Excluded from the consolidation due to immateriality (individual and in total) // ■ subsidiary of Borealis AG // ■■ second-tier subsidiary of Borealis AG // ■■■ third-tier subsidiary of Borealis AG

	Company name	Country	City	Percentage of shares owned	
				2021	2020
■■	Borealis L.A.T Slovakia s.r.o. [1)]	Slovakia	Chotin	100.00	100.00
■	Borealis L.A.T Italia s.r.l. [1)]	Italy	Milan	100.00	100.00
■	Borealis México, S.A. de C.V. [1)]	Mexico	Mexico City	100.00	100.00
■	Borealis Plasticos, S.A. de C.V. [1)]	Mexico	Mexico City	100.00	100.00
■	Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Sirketi [1)]	Turkey	Istanbul	100.00	100.00
■	Borealis Plastomers B.V.	The Netherlands	Geleen	100.00	100.00
■	Borealis Poliolefinas da América do Sul Ltda [1)]	Brazil	Itatiba	100.00	100.00
■	Borealis Polska Sp. z o.o. [1)]	Poland	Warsaw	100.00	100.00
■	Borealis Polymere GmbH	Germany	Burghausen	100.00	100.00
■	Borealis Polymers N.V.	Belgium	Beringen	100.00	100.00
■■	Borealis Antwerpen N.V.	Belgium	Zwijndrecht	100.00	100.00
■■	Borealis Kallo N.V.	Belgium	Kallo	100.00	100.00
■	Borealis Polymers Oy	Finland	Porvoo	100.00	100.00
■	Borealis Polyolefine GmbH	Austria	Schwechat	100.00	100.00
■	Borealis Química España S.A.	Spain	Barcelona	100.00	100.00
■	Borealis RUS LLC [1)]	Russia	Moscow	100.00	100.00
■	Borealis s.r.o. [1)]	Czech Republic	Prague	100.00	100.00
■	Borealis Sverige AB	Sweden	Stenungsund	100.00	100.00
■■	Borealis AB	Sweden	Stenungsund	100.00	100.00
■■■	Borealis Group Services AS	Norway	Bamble	100.00	100.00
■■■	Etenförsörjning i Stenungsund AB	Sweden	Stenungsund	80.00	80.00
■■■	KB Munkeröd 1:72 [1)]	Sweden	Stenungsund	100.00	100.00
■	Borealis Technology Oy	Finland	Porvoo	100.00	100.00
■	BOREALIS UK LTD	UK	Manchester	100.00	100.00
■	Borealis USA Inc.	US	Port Murray	100.00	100.00
■■	Borealis BoNo Holdings LLC	US	Port Murray	100.00	100.00
■■	Borealis Compounds Inc.	US	Port Murray	100.00	100.00
■■■	Borealis US Holdings LLC [2)]	US	Port Murray	0.00	100.00
■■	Star Bridge Holdings LLC	US	Port Murray	100.00	100.00
■■■	Novealis Holdings LLC	US	Port Murray	100.00	100.00
■	DYM Solution Co., Ltd	South Korea	Cheonan	98.71	90.52
■	Ecoplast Kunststoffrecycling GmbH	Austria	Wildon	100.00	100.00
■	Feboran EOOD	Bulgaria	Sofia	100.00	100.00

1) Excluded from the consolidation due to immateriality (individual and in total) // 2) Company was dissolved as of 7 December 2021 // ■ subsidiary of Borealis AG // ■■ second-tier subsidiary of Borealis AG // ■■■ third-tier subsidiary of Borealis AG

	Company name	Country	City	Percentage of shares owned	
				2021	2020
■	mtm compact GmbH	Germany	Niedergebra	100.00	100.00
■	mtm plastics GmbH	Germany	Niedergebra	100.00	100.00
■	Rosier S.A.	Belgium	Moustier	77.47	77.47
■■	Rosier France S.A.S.	France	Beaumetz-Les-Loges	77.47	77.47
■■	Rosier Nederland B.V.	The Netherlands	Sas Van Gent	77.47	77.47

■ subsidiary of Borealis AG // ■■ second-tier subsidiary of Borealis AG // ■■■ third-tier subsidiary of Borealis AG

For further details relating to discontinued operation and other changes in the legal structure during the financial year 2021, please see note 8.

34. Auditor's Fees

The following fee information relates to the auditors of the Group (including their related networking firms):

EUR thousand	2021	2020
Audit of Borealis AG's subsidiaries	1,123	1,121
Audit of consolidated and standalone financial statements of Borealis AG	351	332
Other assurance services	368	634
Tax consulting services	702	705
Other services	0	0
Total	**2,544**	**2,792**

The following fees for 2021 relate to the Group auditor, PwC Wirtschaftsprüfung GmbH, Vienna, Austria: audit of Borealis AG's subsidiaries amounting to EUR 227,200 (EUR 222,800), audit of consolidated and standalone financial statements of Borealis AG amounting to EUR 351,100 (EUR 332,000) and other assurance services amounting to EUR 249,174 (EUR 276,139).

35. Executive Board and Supervisory Board

Executive Board

Alfred Stern (Chairman until 1 April 2021), Thomas Gangl (Chairman since 1 April 2021), Mark Tonkens, Martijn Arjen van Koten (Member until 1 July 2021), Wolfram Krenn (Member since 1 July 2021), Philippe Roodhooft, Lucrèce De Ridder

Supervisory Board

Rainer Seele (Chairman until 1 September 2021), Alfred Stern (Chairman since 1 September 2021, Member since 1 April 2021), Musabbeh Al Kaabi (Vice Chairman until 9 February 2022), Saeed Al Mazrouei (Vice Chairman since 10 February 2022), Reinhard Florey, Thomas Gangl (Member until 1 April 2021), Martijn Arjen van Koten (Member since 1 September 2021), Alvin Teh (Member since 10 February 2022)

Vienna, 17 February 2022
Executive Board:

Thomas Gangl m.p.
Chief Executive Officer

Mark Tonkens m.p.
Chief Financial Officer

Wolfram Krenn m.p.

Philippe Roodhooft m.p.

Lucrèce De Ridder m.p.

Statement of the Executive Board according to Section 124(1)(3) of the Vienna Stock Exchange Act

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

Vienna, 17 February 2022
Executive Board:

Thomas Gangl m.p.
Chairman of the Executive Board

Mark Tonkens m.p.
Member of the Executive Board

Wolfram Krenn m.p.
Member of the Executive Board

Philippe Roodhooft m.p.
Member of the Executive Board

Lucrèce De Ridder m.p.
Member of the Executive Board

Auditor's Report [1] [2]

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of Borealis AG, Vienna, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2021, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow and the consolidated statement of changes in equity for the financial year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2021, and of its financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian Generally Accepted Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:
– Description
– Audit approach and key observations
– Reference to related disclosures

1. Recoverability of Property, Plant and Equipment and Intangible Assets including Goodwill

<u>Description</u>

In the consolidated financial statements of Borealis AG, Vienna, as of 31 December 2021, an amount of EUR 2,943.9 million (22.7% of total assets) is presented under "property, plant and equipment" and an amount of EUR 658.6 million (5.1% of total assets) is presented under "intangible assets" which includes goodwill in the amount of EUR 132.2 million (1.0% of total assets).

Goodwill is tested for impairment at least annually. The carrying amounts of property, plant and equipment and intangible assets are reviewed for impairment triggers on each reporting date and whenever triggering events occur that indicate that property, plant and equipment and intangible assets including goodwill may be impaired. For this purpose, Borealis AG, Vienna, estimates the recoverable amount using the discounted cash flow method.

Property, plant and equipment and intangible assets including goodwill are allocated to cash-generating units ("CGUs"). The carrying amounts of the CGUs are compared to the recoverable amounts (value in use) derived from the valuation model. The valuation models also had to take into account the effects of the COVID-19 pandemic on the consolidated financial statements as of 31 December 2021. As far as the recoverable amount is lower than the carrying amount, an impairment is recognised.

1) We draw attention to the fact that the English translation of this auditor's report according to section 274 UGB (Austrian Company Code) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Based on the impairment tests performed, an impairment in the amount of EUR 38.6 million was recognised for the Rosier CGU.

Given the complexity of the impairment model, the estimation uncertainty involved in the derivation of data and parameters used and the immanent discretionary decisions, the recoverability of property, plant and equipment and intangible assets including goodwill is considered as a key audit matter.

Audit Approach and Key Observations
As part of our audit of the consolidated financial statements, we have evaluated the determination of CGUs.

We have assessed the annual process, the procedure for budgeting and the impairment test for property, plant and equipment and intangible assets including goodwill. In particular, we have verified the appropriateness of the significant assumptions used in the valuation model.

We evaluated whether the assumptions used to derive the future cash flows are based on the most recent five-year plan prepared by management and approved by the Supervisory Board. We verified whether the effects of the COVID-19 pandemic were adequately taken into account in the current planning. We confirmed the accuracy of the five-year plan by performing an analysis of historic budget deviations.

We have further evaluated the tenability of assumptions used to determine the discount rates. Our internal specialists have evaluated whether the assumptions used for the discount rates as well as the growth rates for the perpetuity are in line with external market and industry data.

Additionally, we carried out own sensitivity analyses to determine the impact of parameter changes (changes in discount rate and cash flows) on the recoverable amount. Furthermore, we have assessed whether the long-term profitability in the terminal value period is plausible. We also evaluated whether the disclosures on impairment made by Borealis AG, Vienna, in the notes to the consolidated financial statements are complete and accurate.

Our audit procedures have verified the appropriateness and tenability of the valuation model used by the entity to carry out an impairment test as required by IFRS (impairment test in accordance with IAS 36) and to estimate the impairment amount as of 31 December 2021. The assumptions and parameters used in the valuation – also taking into account the effects of the COVID-19 pandemic – are appropriate. The disclosures required by the relevant standards are complete and appropriate.

Reference to Related Disclosures
Management has disclosed this key audit matter under "7. Depreciation, Amortisation and Impairment" in the consolidated financial statements.

2. Discontinued Operation – IFRS 5 – NITRO

Description
On 4 February 2021, Borealis announced the start of the process to divest its nitrogen business unit ("NITRO") including fertilizers, technical nitrogen and melamine products, excluding its interest in Rosier S.A., Belgium. Management determined the criteria of IFRS 5 to be met and presents NITRO as asset held for sale and as a discontinued operation as of 31 December 2021. On 2 February 2022, Borealis received a binding offer by EuroChem Group AG, Switzerland, for the acquisition of NITRO, which values the business on an enterprise value basis of EUR 455 million. This enterprise value indicated a fair value less cost of disposal below the carrying amounts and the need for an impairment. Based on the fair value less cost of disposal, management has recognized an impairment in the amount of EUR 443.7 million in line with IFRS 5 as of 31 December 2021.

We considered the accounting treatment of this transaction in the consolidated financial statements as a key audit matter because of the size of the transaction, the complexity of the accurate and complete classification of assets and liabilities of the disposal group and the measurement of the fair value less cost of disposal in line with IFRS 5.

Audit Approach and Key Observations
We held meetings and performed inquiries with the Borealis M&A and legal departments to obtain an understanding of the status of the negotiation and the disposal process.

We read and reviewed the information available in relation to the status of the sales process as of 31 December 2021 to evaluate whether the criteria of IFRS 5 have been met and whether the accounting treatment of NITRO as asset held for sale and as a discontinued operation is appropriate.

We performed procedures to verify the completeness and accuracy of the assets and liabilities presented as held for sale and the results stated as discontinued operation, including measurement in accordance with IFRS 5.

Our audit procedures included reviewing and challenging management's valuation of the impairment loss based on the fair value less cost of disposal of NITRO; we noted that up to closing of the transaction, the calculation of some amounts is based on judgment.

Our audit procedures have verified the appropriateness of NITRO being classified as asset held for sale and as a discontinued operation. Our audit procedures have furthermore confirmed the impairment amount recognised based on the fair value less cost of disposal. The disclosures required by the relevant standards are complete and appropriate.

Reference to Related Disclosures

Management has disclosed this key audit matter under "8. Discontinued Operation and Other Changes" in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the financial report, but does not include the consolidated financial statements, the management report for the Group and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

– identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
– conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian standards on auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal regulations, comprising the details in accordance with section 243a UGB, and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Additional Information in Accordance with Article 10 of the EU Regulation

We were elected as statutory auditor at the ordinary general meeting dated 24 February 2021. We were appointed by the Supervisory Board on 24 February 2021. We have audited the Company for an uninterrupted period since the financial year 2016.

We confirm that the audit opinion in the “Report on the Consolidated Financial Statements” section is consistent with the additional report to the Audit Committee referred to in Article 11 of the EU Regulation.

We declare that no prohibited non-audit services (Article 5 para. 1 of the EU Regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement is Alexander Riavitz, Austrian Certified Public Accountant.

Vienna, 17 February 2022
PwC Wirtschaftsprüfung GmbH

Alexander Riavitz m.p.
Austrian Certified Public Accountant

2) This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor’s report is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This auditor’s report is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of section 281 para. 2 UGB apply.

Report of the Supervisory Board of Borealis AG

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 seven plenary sessions.

The Executive Board informed the Supervisory Board regularly, in a timely fashion and comprehensively, both in writing and verbally, on all the relevant issues of business development as well as on the state and strategy of the company and the important Group companies, including risk conditions and risk management.

The Executive Board of Borealis AG submitted the financial statements as of 31 December 2021, including the management report, and the consolidated financial statements as of 31 December 2021, including the Group management report, and the consolidated non-financial report to the Supervisory Board and explained it thoroughly.

The financial statements of Borealis AG have been prepared in accordance with the applicable provisions of the Austrian Commercial Code ("Unternehmensgesetzbuch"), and PwC Wirtschaftsprüfung GmbH issued an unqualified audit opinion ("uneingeschränkter Bestätigungsvermerk") on the financial statements.

Furthermore, the consolidated financial statements of Borealis AG have been prepared in accordance with the International Financial Reporting Standards (IFRS), and PwC Wirtschaftsprüfung GmbH issued an unqualified audit opinion ("uneingeschränkter Bestätigungsvermerk") on the consolidated financial statements.

The (consolidated) financial statements documents, the consolidated non-financial report and the audit reports were submitted to the Audit Committee and the Supervisory Board in due time. Following a thorough examination and discussion by the Audit Committee and by the Supervisory Board with the auditors, the Supervisory Board reached the final agreement that no material objections would be raised and the drawn up financial statements, the management report, the proposal for the appropriation of retained earnings, the proposal for the appointment of the auditor for the financial year 2022, the consolidated financial statements, the Group management report and the consolidated non-financial report were approved/acknowledged.

Vienna, 21 February 2022

Alfred Stern m.p.
Chairman of the Supervisory Board

IMPRINT
This report is available in English and German. The original version was written in English. Both documents are available online and can be downloaded from www.borealisgroup.com.

Trademark information:
Ambicat, Baystar, Borcycle, Borlink, Bormed, The Bornewables, Casico, Daploy, EverMinds, Nimblicity, Visico, Visioneering Philosophy, Quentys and Queo are trademarks of Borealis AG.
Borstar is a registered trademark of Borealis AG.
ReOil is a registered trademark of OMV AG.
Responsible Care is a registered trademark of the Chemistry Industry Association of Canada.

Content owner:
Borealis AG
Trabrennstrasse 6–8, 1020 Vienna, Austria
Tel.: +43 1 22 400 300
www.borealisgroup.com | info@borealisgroup.com

Project Management: Virginia Wieser, Dorothea Wiplinger, Borealis;
support: Ute Greutter, UKcom Finance
Editorial team: Virginia Wieser, Dorothea Wiplinger and representatives of featured business segments of Borealis; support: Martin Zenker, denkstatt GmbH
Sustainability Report advisor: denkstatt GmbH
Graphic Design: Martina Veratschnig
Photography: Cover: Getty Images; Daniela Beranek, Borealis archive
Published in March 2022

Keep Discovering

Borealis AG
Trabrennstrasse 6–8 · A-1020 Vienna · Austria
Tel. +43 1 22 400 300 · Fax +43 1 22 400 333
www.borealisgroup.com · info@borealisgroup.com