

A photograph of an industrial facility, likely a refinery or chemical plant. The scene is dominated by large, complex machinery with various pipes, tanks, and structural elements. In the foreground, a group of about ten workers wearing blue hard hats and high-visibility yellow safety vests are gathered, looking towards the machinery. One worker in the center-left is pointing upwards. The background shows more industrial structures, including large cylindrical tanks and a complex network of pipes. The overall lighting is somewhat dim, with a blueish tint, suggesting an indoor or shaded industrial environment.

Financial Statements 2019

Standalone

 **BOREALIS**

Keep Discovering



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About Borealis

Executive Board

Alfred Stern

Chief Executive Officer

Appointed: July 2018

In April 2018, Alfred Stern was appointed CEO effective 2 July 2018, after having held the position of Borealis Executive Vice President Polyolefins and Innovation & Technology since 2012. Alfred Stern joined Borealis as Senior Vice President Innovation & Technology in 2008. Prior to that, he spent over twelve years at E.I. DuPont de Nemours, holding leadership positions in R&D, sales and marketing, and quality and business management. Following posts in Switzerland and Germany, his final DuPont assignment was as Global Business Manager of an Engineering Polymers business unit in the US.

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 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 held a variety of positions at multinationals, including Dow Chemical, Rohm and Haas, Dow Corning and Tyco. She currently serves on the board of Royal Vopak.

Martijn Arjen van Koten

Executive Vice President Base Chemicals & Operations

Appointed: September 2013

Martijn van Koten joined Borealis in 2013 and holds the role of Executive Vice President Base Chemicals & Operations. He joined Borealis after a 19-year career at Shell, where he held numerous and international leadership posts in Manufacturing, Technical Service, R&D and Strategic Development, culminating in the position of Vice President Manufacturing East, based in Singapore.

Philippe Roodhooft

Executive Vice President Middle East & 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.



from left: Philippe Roodhooft, Mark Tonkens, Alfred Stern, Lucrèce Foufopoulos-De Ridder, Martijn Arjen van Koten



Our Mission and Strategy ¹⁾

Continuity combined with the flexibility to seize new opportunities

Our Mission

To be **the** leading provider of innovative plastics, chemical and fertilizer solutions that create value for society.

Our Strategy

We will

- Grow our PO business with a focus on **advanced applications** and **differentiated products**, strengthen our European base and ensure cost competitiveness from feedstock to customer.
- Pursue excellence and optimise **Borouge** in the Middle East and Asia, including **leveraging into Europe**.
- Continue to maximise the value of **Base Chemicals** with a focus on **strengthening the cracker asset base** with increased feedstock flexibility and integrated economics for our polyolefin products.
- Realise **growth opportunities** in other geographies/related businesses.
- Pursue **operational excellence** and a **Goal Zero** mindset
- Achieve a step change in **innovation**.
- Exceed in serving our customers with a focus on **quality** and **reliable execution**.
- Continue to develop our cross-cultural **organisational capability** and a learning organisation
- **Drive sustainability**, explore and realise business opportunities from the **circular economy**.

Outperform Financially

11%+
average return on capital
employed (ROCE) after tax

40–60%
debt to equity ratio

¹⁾ Borealis' Mission, Strategy and Purpose were updated during 2019. The new 'Group Strategy 2035' will be rolled out during 2020.

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 on all levels of the organisation to increase ownership and speed to realisation.
- We welcome change and manage it to shape our future.



Borealis Business Activities

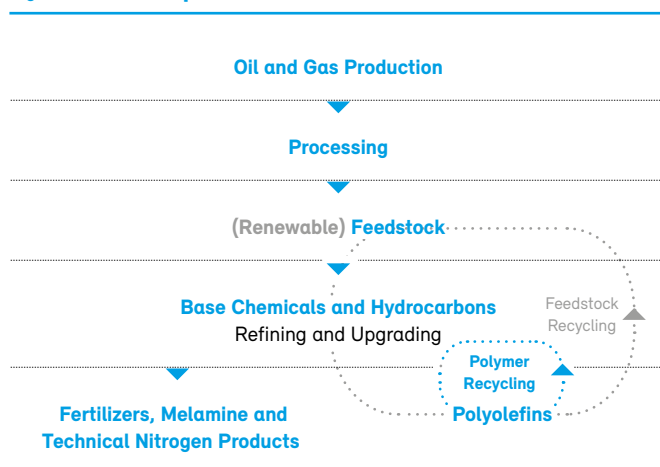
Our Business

Borealis is a leading provider in the fields of polyolefins and base chemicals.

Borealis believes in progress. By driving ideas forward, Borealis aims to change the world for the better.

Borealis keeps discovering new applications and material solutions that address global challenges in the areas of climate, energy, food, health, water and sanitation, waste, and the waste, and the circular economy. As a reliable partner, Borealis creates ever more value for its customers and partners by developing new approaches, technologies and products.

Fig. 1: Chemical production flow



Polyolefins

The polyolefin products manufactured by Borealis form the basis of many valuable plastics applications that are an intrinsic part of our daily lives. 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 that make end products safer, lighter, more affordable and more sustainable.

Borealis provides services and products to customers around the world in collaboration with Borouge, a joint venture with the Abu Dhabi National Oil Company (ADNOC).

Base Chemicals

At Borealis, the Base Chemicals business is a solid foundation to build upon. Borealis produces a wide range of base chemicals for use in numerous and diverse industries, including phenol, acetone, ethylene and propylene.

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. With more than 60 warehouses across Europe and an inventory capacity of over 700,000 tonnes. 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.

As the second-largest producer of high-quality melamine in Europe, 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.

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

Our Business Model

Industry Segments

Borealis clustered its business in three units: Polyolefins; Hydrocarbons & Energy and Fertilizers, Melamine & Technical Nitrogen Products.

Polyolefins

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, automotive, 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 communications cables 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. Exhibiting 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 Qentys™ in 2017, Borealis moved into the global solar industry.

Fig. 2: Industries served by Borealis' polyolefins applications





Pioneering new products based on Quentys are making solar energy more effective and affordable. For example, Borealis Polyolefin encapsulant films improve the operational reliability of photovoltaic modules throughout product lifetime. This results in better cost efficiency and thus greater viability for solar power.

Automotive

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

Proprietary Borealis technologies are lighter weight replacement solutions for conventional materials like 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 polypropylene (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.

Pipes & Fittings

A trusted partner to the pipe industry for over 50 years, Borealis supplies advanced polyolefin pipe system materials to a wide range of projects and communities 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 whilst 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 polyethylene (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.

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, but 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 fresher longer, and less must be thrown away. What is more, 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, stand-up pouches); rigid packaging (caps and closures, bottles, thin wall and transport packaging); and non-woven and technical fibres (filtration systems, hygiene products, technical textiles).

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

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 whilst improving usability, a key criterion in today's ageing society.

Healthcare products that have all 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 the security of supply, and provide technical support tailored to the specific and stringent requirements of the market.

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 multitasking Queo™ brand helps bridge the performance gap between conventional plastics such as 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), PP-based foamed products fulfil the varying and sophisticated needs of both converters and consumers in the packaging, automotive and construction industries. For example, foam solutions in packaging offer excellent recyclability, especially when compared to conventional alternatives. Furthermore, HMS PP foam also offers weight reduction, heat stability (for microwavable 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 and design for recyclability (DfR).

Over the recent years, mechanical recycling has proven to be effective, and 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 reinvent 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 re-use. 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 recycle material.

Base Chemicals

Hydrocarbons & Energy

Borealis produces a wide range of products for use in numerous and diverse 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.

Fertilizers, Melamine and Technical Nitrogen Products (TEN)

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 thus more grain to feed livestock must be produced. 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 environmental awareness of the need to promote fertilizers with low carbon footprints, maintain healthy soil environments, and reduce run-off from fields.

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. With more than 60 warehouses across Europe and an inventory capacity of over 700,000 tonnes. 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.

In the manufacture of everyday objects used in the kitchen or around the house, melamine also plays an important role, 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 and diverse uses: as a precursor or intermediate product in the production of nitrogenous materials; as a refrigerant in cooling systems; as an 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 an NO_x reduction agent.



Financial Statements including Management Report



Auditor's Report ¹⁾

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

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 2019, the income statement for the year 2019 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 2019, and of its financial performance for the fiscal year then ended in accordance with the Austrian Commercial Code.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. 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 is sufficient and appropriate to provide a basis for our opinion.

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 fiscal 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 and Associated Companies

Description

Borealis AG, Vienna, owns investments in affiliated companies with book values in the amount of EUR 2,318.7 million as well as investments in associated companies in the amount of EUR 418.0 million of 31 December 2019. The following investments in affiliated companies show a negative result for the fiscal year 2019:

- Borealis France S.A.S., Courbevoie, France
- FEBORAN EOOD, Sofia, Bulgaria
- mtm compact GmbH, Niedergebra, Germany
- Rosier S.A., Moustier, Belgium
- Ecoplast Kunststoffrecycling GmbH, Wildon

In accordance with Section 204 (2) UGB, investments are to be written down if the impairment is expected to be permanent. Management is of the opinion that the impairment of the investments in FEBORAN EOOD, Sofia, Bulgaria, as of 31 December 2019 is permanent and therefore write-downs in the amount of EUR 3.8 million were recognized.

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 is considered a key audit matter.

Audit Approach and Key Observations

When assessing the recoverability of investments, 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 planning prepared by management and approved by the Supervisory Board. 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 and if the underlying assumptions are reasonable and acceptable.

The valuation model as well as the assumptions and parameters used in the valuation and the corresponding impairment are acceptable.

Reference to Related Disclosures

Management explained this key audit matter in section E. Financial result in the notes to the financial statements.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Commercial Code 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 auditing standards, 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 auditing standards, 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 the Austrian Commercial Code, 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 requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

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 requirements, includes accurate disclosures pursuant to 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.

Other Information

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

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 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, 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.

Additional Information in Accordance with Article 10 of the EU Regulation

We were appointed as auditor at the ordinary general meeting dated 21 February 2019. We were engaged by the Supervisory Board on 21 February 2019. We have audited the Company for an uninterrupted period since the fiscal 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.

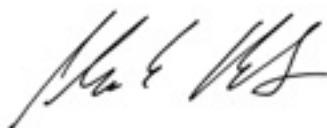
We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

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

Vienna, 19 February 2020

PwC Wirtschaftsprüfung GmbH



Alexander Riavitz

Austrian Certified Public Accountant

1) 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 (2) UGB apply.



Management Report as of 31 December 2019

Operational Review

Borealis AG had another successful year and delivered strong results in 2019. Sales volumes of its European-produced polyolefins were stable in 2019, while the European-produced polyolefins market declined by 1% compared to 2018. Consequently, Borealis' market share increased by 1% to 15% in 2019.

In 2019, the integrated polyolefin industry margins remained solid for the first three quarters of the year. However, the margin contracted in the last quarter to a level last seen in 2014. Consequently, the profit contribution delivered from the Polyolefins business segment was lower than in 2018.

The feedstock prices retreated in 2019 and helped to counter the decreasing price developments. The Brent Crude oil price was impacted in 2019 by increasing global instability expressed mainly in the China-US trade conflict, uncertainty with regard to the Brexit, and concerns over a general economic slowdown. Accordingly, the oil price experienced higher volatility, fluctuating throughout 2019 from 60 USD/bbl at the beginning of the year, to a peak of 72 USD/bbl in April, and ending at 65 USD/bbl in December. The annual average Brent Crude oil price of 64 USD/bbl was down 11% from the average of 72 USD/bbl in 2018. Feedstock prices developed in a similar pattern as the Brent Crude oil price. The polyethylene prices averaged 9% lower compared to 2018 and the polypropylene prices averaged 8% lower in 2019 than in 2018.

The sales margin of the Hydrocarbons & Energy business improved by 5% compared to 2018, the production volume decreased marginally, by 2%, due to phenol/acetone market related production reductions.

The total sales volume of Borealis AG's products in 2019 decreased by 1% versus 2018. The operating result decreased from a profit of EUR 511.2 million in 2018 to a profit of 156.1 million in 2019.

The major driver behind the profit reduction is a resolution of a tax dispute regarding two Finnish subsidiaries of Borealis AG through a Mutual Agreement Procedure (MAP) between Finland and Austria. The disputes emerged during the years 2014-2015, after Borealis Technology Oy and Borealis Polymers Oy had received re-assessment decisions from the Finnish Tax Authority regarding the intercompany license agreements in place. The Finnish Tax Authority held

the view that the Finnish companies had not actually licensed their intangible assets, but had instead sold them to their Austrian parent company, Borealis AG. In both cases, the MAP agreement has confirmed the nature of the intercompany license agreements, albeit with an increase of the applicable license fees to Borealis AG.

Financial Result Overview

The financial result improved to EUR 637.0 million (2018: EUR 462.1 million). Dividend income increased by 5% to EUR 707.3 million and interest and similar charges decreased by 21% to EUR 95.8 million. In addition, the financial results in 2018 included impairment charges on financial investments of EUR 110.7 million.

Overall, Borealis AG generated a net income of EUR 764.9 million compared to a net income of EUR 865.2 million in 2018.

In 2019, Borealis passed several major milestones in the advancement of significant growth projects in Europe, North America, Asia, and the Middle East.

In September, Borealis held the groundbreaking ceremony for its new, world-scale propane dehydrogenation (PDH) plant located at the existing Borealis production site in Kallo, Belgium. With a targeted production capacity of 750,000 metric tonnes/year (t/y) of propylene, the Kallo facility will be one of the largest and most efficient plants of its kind in the world. The EUR 1 billion invested over the course of this project is the largest single investment ever made by Borealis in Europe. It signals the company's dedication to its operations on the Continent, and its aim to be the supplier of choice to its European customers.

Another important groundbreaking ceremony took place in February 2019 in Pasadena, Texas (USA), where a new Borstar polyethylene (PE) unit is currently under construction as part of the Baystar™ joint venture between Total Petrochemicals & Refining USA, Inc., and Novalis Holdings LLC (a joint venture co-owned by Borealis and NOVA Chemicals). With an anticipated production volume of 625,000 metric t/y upon start-up in 2021, the facility will enable Borealis to offer its Borstar technology to North American customers for the first time. Using this proprietary state-of-the-art technology, Baystar will produce enhanced PE products for the most demanding applications. The Baystar joint venture is also building an ethane-based steam cracker in nearby Port Arthur, Texas, which is

projected to supply around 1 million t/y of competitively-priced ethylene, and will supply monomers for its existing 400,000 t/y PE units as well as the new Borstar PE unit.

At the end of 2019, Borealis and NOVA Chemicals agreed that Borealis will buy NOVA Chemicals' 50% ownership interest in Novealis Holdings, the joint venture co-owned by Borealis and NOVA Chemicals which supported the original foundation of the current Baystar joint venture. While the new agreement is subject to regulatory approvals and other conditions, both parties foresee the successful closure of the deal in the first half of 2020.

Borealis' commitment to serving its automotive customers in North America was cemented with the inauguration of the new polypropylene (PP) compounding plant in Taylorsville, North Carolina (USA), in May. In its first phase of operations, this large (over 4,645 m²) facility has added nearly 30 Kt (66 million US lbs) capacity of thermoplastic olefins and short-glass fibre compounds to Borealis' and Borouge's global output. The compounds produced at the plant are used by major original equipment manufacturers and Tier customers to produce interior and exterior automotive parts.

Following signing of a Memorandum of Understanding (MoU) with ADNOC in March 2019 to examine strategic opportunities in the polyolefins industry, ADNOC, Adani, BASF and Borealis announced that they had signed an additional MoU to explore potential collaboration on the establishment of a major chemical production complex in Mundra, India. With a total investment estimated at up to USD 4 billion, the chemical complex would feature a world-scale PDH unit which would produce propylene based on propane feedstock supplied by ADNOC. Project partners are currently developing a supply concept that would enable the complex to be 100% supplied by renewable energy sources. If the concept can be realised, the new plant would be the first in the world to be powered solely by renewable energy and would significantly advance the companies' respective commitments to achieving greater sustainability and energy efficiency in operations.

A major milestone was passed in the fourth expansion phase of the Borouge complex in Ruwais, UAE, upon the ceremonial signing of vital contracts for FEED (Front-End Engineering and Design), PMC (Project Management Contract), and the licence contract associated with the mixed-feed cracker complex. The new cracker will be the fourth in the Borouge complex.

Borealis keeps discovering opportunities for growth in the circular economy sphere

As a global provider of innovative plastics solutions, Borealis intends to capitalise on the enormous potential for business growth offered by the circular economy. Within the industry, Borealis continues to lead the way towards a future in which plastics are always reused and recycled, and never wasted. By leveraging the polyolefins expertise built up over decades, creating value through innovation, and co-operating with value chain partners, Borealis has made meaningful progress towards shaping a circular economy of plastics in 2019. Its efforts are wide-ranging, from the launch of multiple products and innovations in the circular economy sphere, to investments in mechanical and chemical plastics recycling, but also through its dedication to effecting change by working closely with leading industry and social welfare initiatives.

A clear sign that Borealis' leadership in a circular economy of plastics is bearing fruit is the announcement in October that Borealis had become the first virgin polyolefins producer to be named a Core Partner in the New Plastics Economy, an important global initiative led by the Ellen MacArthur Foundation that seeks to unite a broad range of global stakeholders to bring about a circular economy of plastics.

Borealis is making its core business more circular by focussing on recycling and the use of renewable feedstock. It aims to increase the volume of recycled plastics solutions to 350,000 t/y by 2025 by continuing to invest in plants and recycling technology. For example, in October Borealis and Ecoplast announced that the capacity at the Wildon (Austria) recycling plant had been increased by 60% after a capital investment in the facility. In June, Borealis and the EREMA Group, the global market leader in the development and production of plastics recycling systems, signed a Letter of Intent signalling their aim to deepen their existing co-operation in mechanical recycling. In the field of chemical recycling, Borealis and OMV announced in May their plans to step up collaboration in the area of chemical recycling of post-consumer plastics at their integrated production location in Schwechat, Austria. Most recently, as announced at the end of 2019, a strategic co-operation between Borealis and Neste facilitates the production of renewable PP at Borealis' facilities in Kallo and Beringen (Belgium) through the use of Neste's proprietary NEXBTL™ technology.



Research and Development – A wide range of product and technology innovations in 2019

Borealis' commitment to Value Creation through Innovation is unwavering. Because it applies not only to individual products and solutions, but also to the polyolefins value chain in its entirety, it involves truly circular thinking. Value Creation through Innovation embraces the entire life cycle of a product: from genesis to design, processing, deployment, and ultimate recovery for recycling or reuse.

Over 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.

Among the numerous circular-economy related launches in 2019 is Borcycle™, a state-of-the-art technology grounded in profound Borealis polymer expertise. It transforms plastic waste streams into value-adding, versatile recycled polyolefins (rPO). Since its introduction in June, Borcycle has been used to produce high-quality compounds made of rPOs, such as Borcycle MF1981SY, an rPO with over 80% recycled content intended for use in visible appliance parts.

A number of value-added product innovations with enhanced circularity were launched in 2019, including a series of new, monomaterial pouch solutions based on PE and PP which have been designed for recyclability; and two new stand-up pouches that combine virgin PE and up to 30% Ecoplast-produced post-consumer recycle (PCR). In the caps and closures market segment, the new monomaterial solution BorPure™ RF777MO was designed for use in flip-top caps and fulfils value chain demand for high-quality and 100%-recyclable solutions. Finally, in automotive, new and more sustainable low-density material solutions have been introduced, several of which are based on the next generation of Fibremod Carbon, a second-use carbon fibre.

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It builds on value-chain co-operation with trusted and established partners in healthcare compounding.

Changes to the Supervisory Board

Effective as of 3 July 2019, Thomas Gangl, member of the Executive Board at OMV, was appointed Supervisory Board member, succeeding Manfred Leitner.

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 12 employees to 263 by the end of 2019.

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 subsidiary companies.

SAP supplies standardised resource planning software which is used throughout the group. This enables management to obtain an overview of the companies' development at all times. 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.

Subsequently, potential financial risks and corresponding risk mitigation measures are discussed. Risk management for the group companies is driven by Borealis AG. Contracts for derivative short-term financial instruments are concluded by Borealis Financial Services N.V. Borealis AG addresses the following potential 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 percent 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 and foreign currency options.



Interest Rate Risk

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

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

Outlook for 2020

Management expects that the weaker market environment will last into 2020. Building on the strong foundation established over recent years, an improved operational reliability, and its well-established commercial excellence mindset, Borealis will implement the new Group Strategy 2035, which will further improve the long-term competitiveness and the growth of the company. With European polyolefin prices coming under pressure, a declining contribution from the Polyolefins business is expected, while the profit contribution from Borouge to Borealis is expected to remain at the same level as in 2019.

Borealis' management believes that the company is in a strong position to take advantage of the opportunities that the current economic and market environments provide by maintaining their commitment to being the leading provider of sustainable chemical and innovative plastic solutions that create value for society.

Vienna, 19 February 2020

Executive Board:



Alfred Stern
Chief Executive



Mark Tonkens
Chief Financial Officer



Martijn Arjen van Koten



Philippe Roodhooft



Lucrèce De Ridder



Group Management Report

The following information is based on the consolidated financial statements of Borealis AG from 31 December 2019, prepared in accordance with IFRS and accepted by the EU.

Safety Performance

In 2019, Borealis reported a Total Recordable Injuries (TRI) frequency per million working hours of 1.6. While a TRI frequency of less than two is considered world-class in the industry, the 2019 result is not satisfactory, and is a deterioration versus the 1.3 reported in 2018. The ratio reflects the 28 individuals injured during 2019 as well as one fatal accident in Stenungsund, Sweden. Borealis deeply regrets this tragic accident and all other incidents. The company has strengthened its commitment to working with all employees and contractors in order to reach the ultimate goal of zero injuries. Safety continues to be the top priority at Borealis.

Market Environment

The Brent Crude oil price was impacted in 2019 by increasing global instability rooted in the China-US trade conflict, uncertainty with regard to Brexit, and concerns over a general economic slowdown. Accordingly, the oil price was marked by higher volatility, fluctuating throughout 2019 from 60 USD/bbl at the beginning of the year, to a peak of 72 USD/bbl in April, and ending at 65 USD/bbl in December. The annual average Brent Crude oil price of 64 USD/bbl was down 11% from the average 72 USD/bbl in 2018. Feedstock prices developed in a similar pattern as the Brent Crude oil price. In accordance with feedstock prices, polyethylene prices averaged 9% lower compared to 2018; polypropylene prices averaged 8% lower in 2019 than in 2018.

Borealis' sales volume of its European-produced polyolefins was stable in 2019, while the European-produced polyolefins market contracted by 1% compared to 2018.

Thus, Borealis' reported market share of 14% in 2018 improved to 15% in 2019. Fertilizer sales volumes increased by 10% in 2019 compared to 2018 and the European market share increased to 8% in 2019 accordingly.

In 2019, the integrated polyolefin industry margins remained solid for the first three quarters of the year. However, the margin contracted in the last quarter of the year to a level last seen in 2014. Consequently, the profit contribution delivered from the Polyolefins business segment was lower than in 2018.

As of the second quarter 2019, the fertilizers market benefitted from a favourable gas price development, leading to a reasonable industry margin despite the absence of the expected market price recovery. Calcium Ammonium Nitrate (CAN) fertilizer sales prices hit a low in the second quarter of 2019, in line with typical seasonality, but failed to recover from this low level as would be expected in a typical fertilizer season. Higher production volumes thanks to the improved operability of the assets, and a successful turnaround programme in combination with the improved market environment led to an acceptable profit contribution in 2019 being a material improvement from the loss – giving situation in 2018.

Strategy and Purpose

In the first quarter of 2020, Borealis will begin with the roll-out of the new corporate strategy that includes an expanded definition of purpose. The new Group Strategy 2035 aims to build on core Borealis values and capabilities in order to achieve sustainable growth moving forward. The essential dimensions of the new strategy include the transformation to a circular economy, creation of an even more customer-centric organisation that adds value on a global scale, and geographic expansion aimed at capitalising on demand in global growth markets.

Accompanying the Group Strategy 2035 is a new umbrella programme, StepChange2020, which encompasses an entire range of measures aimed at making Borealis more agile, efficient, and cost-competitive. To this end, around 180 initiatives have been launched to ensure that Borealis will continue to be innovative, profitable, and ever more sustainable in its operations over the coming years.

Company Focus Remains on Sustainable Growth on a Global Scale

In 2019, Borealis passed several major milestones in the advancement of significant growth projects in Europe, North America, Asia, and the Middle East.

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establishment of a major chemical production complex in Mundra, India. With a total investment estimated at up to USD 4 billion, the chemical complex would feature a world-scale PDH unit which would produce propylene based on propane feedstock supplied by ADNOC. Project partners are currently developing a supply concept that would enable the complex to be 100% supplied by renewable energy sources. If the concept can be realised, the new plant would be the first in the world to be powered solely by renewable energy and would significantly advance the companies' respective commitments to achieving greater sustainability and energy efficiency in operations.

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EverMinds™ – Thinking Circular: Borealis Keeps Discovering Opportunities for Growth in the Circular Economy Sphere

As a global provider of innovative plastics solutions, Borealis intends to capitalise on the enormous potential for business growth offered by the circular economy. Within the industry, Borealis continues to lead the way towards a future in which plastics are always reused and recycled, and never wasted. By leveraging the polyolefins expertise built up over decades, creating value through innovation, and co-operating with value chain partners, Borealis has made meaningful progress in 2019 towards effecting a circular economy of plastics. Its efforts are wide-ranging, from the launch of multiple products and innovations in the circular economy sphere, to investments in mechanical and chemical plastics recycling, but also through its dedication to effecting change by working closely with leading industry and social welfare initiatives.

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Borealis is making its core business more circular by focussing on recycling and the use of renewable feedstock. It aims to increase the volume of recycled plastics solutions to 350,000 t/y by 2025 by continuing to invest in plants and recycling technology. For example, in October Borealis and Ecoplast announced that the capacity at the Wildon, Austria, recycling plant had been increased by 60% after a capital investment in the facility. In June, Borealis and the EREMA Group, the global market leader in the development and production of plastics recycling systems, signed a Letter of Intent signalling their aim to deepen their existing co-operation in mechanical recycling. In the field of chemical recycling, Borealis and OMV announced their plans in May to step up collaboration in the area of chemical recycling of post-consumer plastics at their integrated production location in Schwechat, Austria. Most recently, as announced towards the end of 2019, a strategic co-operation between Borealis and Neste made possible the production of renewable PP at Borealis' facilities in Kallo and Beringen, Belgium, through the use of Neste's proprietary NEXBTL technology.

Wide Range of Product and Technology Innovations in 2019

Borealis' commitment to Value Creation through Innovation is unwavering. Because it applies not only to individual products and solutions, but also to the polyolefins value chain in its entirety, it involves truly circular thinking. Value Creation through Innovation embraces the entire life cycle of a product: from genesis, to design, processing, deployment, and ultimate recovery for recycling or reuse.

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A number of value-added product innovations with enhanced circularity were launched in 2019, including a series of new, monomaterial pouch solutions based on PE and PP which have been designed for recyclability; and two new stand-up pouches that combine virgin PE and up to 30% Ecoplast-produced post-consumer recycle (PCR). In the caps and closures market segment, the new monomaterial solution BorPure RF777MO was designed for use in flip-top caps and fulfils value chain demand for high-quality and 100%-recyclable solutions. Finally, in automotive, new and more sustainable low-density material solutions have been introduced, several of which are based on the next generation of Fibremod Carbon, a second-use carbon fibre.

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Operational Development of the Group

With a net profit of EUR 872 million, Borealis achieved a strong financial result in more difficult market circumstances, only slightly below the net profit of EUR 906 million in 2018. The 2019 result was impacted by a weak polyolefins market in Asia, leading to a significantly lower Borouge contribution to the Borealis financial result. The satisfactory integrated polyolefins margins in Europe and a recovery of the fertilizer business have offset this negative impact to a large degree.

Return on capital employed (ROCE) after tax of 11% in 2019 was in line with the Company's target of 11% through the cycle, but was 2 percentage points below the 2018 result. This decrease reflects the lower net profit combined with an increased average capital employed, the latter mainly impacted by the new accounting treatment of leasing contracts under International Financial Reporting Standard (IFRS) 16, as well as substantial capital investments in growth projects.

In 2019, Borealis' net debt increased by EUR 241 million. This resulted in a gearing ratio of 24% at the end of 2019, compared to 20% at the end of 2018. This gearing level is below the target gearing of 40%–60%. Borealis benefits from a well-diversified financing portfolio and a balanced maturity profile, which was further developed in May with the placement of another *Schuldschein* (German Private Placement) with a final volume of EUR 140 million and USD 70 million. In October, an inaugural dual currency "Samurai" loan was placed, with a final volume of USD 175 million and JPY 5,000 million, which in total amounts to approximately EUR 200 million equivalent and a tenor of five years. In December, a US private placement was successfully closed, covering 10-, 12-, and 15-year tenors for USD 165 million as well as 10- and 15-year tenors for EUR 40 million.

Review of Results

Sales

Borealis sold 3.8 million tonnes of polyolefins in 2019, which is at the level of 2018. Borealis Fertilizers sales reached 4.3 million tonnes, an increase of 0.3 million tonnes versus 2018. Melamine sales volumes were 146 thousand tonnes in 2019, an increase of 11 thousand tonnes versus 2018.

Cost Development

In the lower feedstock price environment, production costs decreased in 2019 compared to 2018. Sales and distribution costs increased from EUR 704 million in 2018 to EUR 717 million in 2019; administration costs increased by 10% to EUR 249 million. Research and development costs amounted to EUR 145 million in 2019 compared to EUR 128 million in 2018. The number of full-time equivalent employees (FTE) as per year-end 2019 was 6,869, an increase of 35 compared to last year.

Operating Profit

Operating profit amounted to EUR 605 million compared to EUR 496 million in 2018. The increase is thanks to a recovery of the Fertilizer business within the fertilizer, melamine and technical nitrogen unit and due to a strong result in the Base Chemicals business segment compared to 2018, which was partially offset by a weaker polyolefins contribution.

Return on Capital Employed (ROCE)

The return on capital employed after tax decreased to 11%, compared to 13% in 2018, mainly as a result of the reduced net profit, the higher CAPEX spent for the Growth projects as well as applying the new accounting Standard for lease contracts (IFRS 16).

Financial Income and Expenses

Net financial expenses amounted to EUR 36 million, an increase from EUR 31 million in 2018, due to an increased debt position, unfavourable exchange rate effects and the application of the new leasing Standard (IFRS 16).

Taxes

Income taxes amounted to EUR 82 million, a decrease of EUR 82 million from tax charges of EUR 164 million in 2018. The reduced overall tax charge in 2019 was mainly due to the agreement reached between the Finnish and Austrian tax authorities on two cases regarding the taxation of Borealis' Finnish subsidiaries Borealis Technology Oy and Borealis Polymers Oy. The dispute was resolved through a Mutual Agreement Procedure (MAP) between Finland and Austria which finally eliminates double taxation. Borealis paid income taxes of EUR 225 million in 2019, compared with EUR 154 million in 2018.



Net Profit and Distribution of Dividend

The net profit for the year amounted to EUR 872 million, compared to a net profit of EUR 906 million in 2018. During 2019, Borealis distributed a dividend of EUR 825 million to its shareholders, EUR 525 million for 2018 and EUR 300 million as interim dividend for 2019.

Financial Position

Total Assets/Capital Employed

At year-end, total assets and capital employed stood at EUR 10,118 million and EUR 8,110 million, respectively, compared to EUR 9,949 million and EUR 7,814 million at the end of 2018.

The solvency ratio was 63% at year-end 2019, compared to 64% at year-end 2018. The gearing ratio increased to 24%

at year-end 2019, compared to 20% in 2018, as a result of the increased net debt not fully compensated by an increased total equity.

Cash Flows and Liquidity Reserves

Cash flow from operations was EUR 873 million, driven by solid operating profitability. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,214 million at year-end 2019, compared to EUR 1,072 million at year-end 2018. Net interest-bearing debt increased to EUR 1,546 million at year-end, up from EUR 1,305 million at the end of 2018. The change in net interest-bearing debt is analysed in the following table.

| EUR million | 2019 | 2018 |
|---|-------------|-------------|
| Change of net interest-bearing debt | | |
| Cash flow provided by operating activities | 873 | 517 |
| Capital expenditure | -471 | -420 |
| Capital contributions to and financing of associated companies and joint ventures | -85 | -94 |
| Loans granted to third parties | -156 | 0 |
| Dividends of associated companies | 651 | 573 |
| Acquisitions of subsidiaries net of cash | 0 | -28 |
| Acquisitions of associated companies | 0 | -86 |
| Proceeds from sale of shares in joint ventures | 22 | 0 |
| Proceeds from sale of intangible assets | 0 | 33 |
| Other (mainly relating to foreign exchange differences) | 1 | -10 |
| Dividends paid to equity holders and non-controlling interest | -826 | -1,000 |
| Additions lease liabilities | -250 | 0 |
| Total change | -241 | -515 |

Capital Expenditure

Investments in property, plant and equipment amounted to EUR 376 million in 2019, compared to EUR 326 million in 2018. The largest portion of the total investment relates to the new, world-scale propane dehydrogenation (PDH) plant in Kallo, Belgium, the upgrade and revamp of four cracker furnaces in Stenungsund, Sweden, the debottlenecking of a PP-plant in Kallo, Belgium, and an investment into a new Naphtha cavern in Porvoo, Finland. Health, Safety and

Environment (HSE) capital expenditure amounted to EUR 43 million, compared to EUR 34 million in 2018. Depreciation and amortisation amounted to EUR 427 million, compared to EUR 457 million in 2018.

Shareholders' Equity

The shareholders' equity at year-end 2019 was EUR 6,445 million.

| EUR million | 2019 | 2018 |
|---|--------------|--------------|
| Equity development | | |
| Net result attributable to the parent | 873 | 907 |
| Exchange and fair value adjustment (net) | -22 | 154 |
| Gross increase/decrease | 851 | 1,061 |
| Dividends paid | -825 | -1,000 |
| Reclassification of cash flow hedges to balance sheet | -2 | -13 |
| Net increase/decrease | 24 | 48 |
| Opening equity | 6,421 | 6,365 |
| Adjustments on initial application of IFRS 9 | 0 | 8 |
| Ending equity | 6,445 | 6,421 |

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 Company'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 Company's overall risk landscape is periodically consolidated, reported and reviewed. While the risks discussed below exemplify the Company's risks, the list is not exhaustive. Borealis distinguishes between the following risk categories.

Strategic & reputational risks are those that may severely impact Borealis' 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 & 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 pro-active risk prevention management approach 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 level up 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 Director HSE is responsible for managing all HSE-related risks and reports the Borealis HSE risk landscape to the Executive Board periodically.

Project-related risks are assessed in the Borealis project approval process. The applicable key risks related to an individual project are assessed. These 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 & market risks may refer to risks arising from unexpected changes in market supply, demand, price of commodity, services or financing costs, for instance. Risks arise from liquidity, interest rates, foreign exchange rates, credit, commodity prices, and insurance, the inability of a counterparty to meet a payment or delivery commitment but also extend to incorrect assumptions or the inappropriate application of a model, for instance. The assessment of financial risk management is described in detail in note 17 of the consolidated financial statements. The Director Treasury & Funding and the General Counsel shall be 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 Borealis' good reputation and continued success. Tactical or generic risks are risks identified as part of standards or compliance. These risks relate mainly to processes or control weaknesses.

Information security risks relate to the confidentiality, integrity and availability of critical company information. The Director IT and the General Counsel support line managers with the assessment of information security risk, and the development and implementation of risk mitigation actions.

The Executive Board periodically reviews the Group's key risks, defines the Group's risk tolerance levels, monitors the implementation of mitigation actions, and reports the key risks and mitigation steps to the Supervisory Board. The Executive Board 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 / tolerance levels, risk exposure of the Group, 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.

Greater Energy Efficiency

In 2019, Borealis extended its initial ambition under the Borealis Energy Roadmap 2020 to improve energy efficiency by 10% (equivalent to 2,400 GWh) in 2020 versus the reference year 2015. The enhanced target is to double the energy efficiency reduction by 2030, meaning an increase in energy efficiency by 20% by 2030.

Having implemented ISO 50001 in 2018, Borealis will use this international energy management Standard as the foundation for achieving its energy efficiency targets. Borealis will therefore implement tools to operate its plants in the most efficient way, continuously optimise plant design and monitoring, and implement new technologies to optimise energy efficiency. Furthermore, industrial clusters will be used to seek further energy integration.

Changes to the Supervisory Board

Effective as of 3 July 2019, Thomas Gangl, member of the Executive Board at OMV, was appointed Supervisory Board member, succeeding Manfred Leitner.

Following up on the 2019 Borealis People Survey

The Borealis People Survey is a very important instrument for enabling employee feedback. Among other things, it measures levels of employee engagement, and compares these to other companies in the chemical sector and beyond. The response rate to the 2019 survey, which was sent to employees in the fall of 2019, was 85%. This rate is excellent and a slight improvement over the previous survey cycle. The results will be reviewed in detail and translated into tangible "People Actions" in the first quarter of 2020.

Economic Development and Outlook

Management expects that the weaker market environment will last into 2020. Building on the strong foundation established over recent years, an improved operational reliability, and its well-established commercial excellence mind-set, Borealis will implement the new Group Strategy 2035, which will further improve the long-term competitiveness and the growth of the Company. With European polyolefin prices coming under pressure, a declining contribution from the Polyolefins business is expected, while the profit contribution from Borouge to Borealis is expected to remain at the same level as in 2019. In the fertilizer segment, a continuation of the recovery of the market environment in 2020 is expected. Borealis' management believes that the Company is in a strong position to take advantage of the opportunities that the current economic and market environments provide by maintaining their commitment to being the leading provider of sustainable chemical and innovative plastic solutions that create value for society.

Other Information

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



| | | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------------------|--------|--------|--------|--------|--------|
| Health, Safety & Environment | | | | | | |
| Total Recordable Injuries | number/million workhours | 1.6 | 1.3 | 1.1 | 0.9 | 1.4 |
| EU ETS CO ₂ emissions | kilotonnes | 4,625 | 4,302 | 4,210 | 4,600 | 4,270 |
| Number of employees (full-time equivalent) | | 6,869 | 6,834 | 6,619 | 6,494 | 6,266 |
| Flaring performance ¹⁾ | tonnes | 27,619 | 26,273 | 51,620 | 38,740 | 47,687 |
| Income and profitability | | | | | | |
| Net sales | EUR million | 8,103 | 8,337 | 7,564 | 7,218 | 7,700 |
| Operating profit | EUR million | 605 | 496 | 791 | 938 | 718 |
| Operating profit as percentage of net sales | % | 7 | 6 | 10 | 13 | 9 |
| Net profit | EUR million | 872 | 906 | 1,095 | 1,107 | 988 |
| Return on capital employed, net after tax | % | 11 | 13 | 15 | 16 | 15 |
| Cash flow and investments | | | | | | |
| Cash flow from operating activities | EUR million | 873 | 517 | 725 | 1,145 | 1,103 |
| Investments in property, plant and equipment | EUR million | 376 | 326 | 453 | 333 | 336 |
| Cash and cash equivalents | EUR million | 106 | 72 | 229 | 762 | 548 |
| Financial position | | | | | | |
| Balance Sheet total | EUR million | 10,118 | 9,949 | 9,395 | 9,932 | 9,261 |
| Net interest-bearing debt | EUR million | 1,546 | 1,305 | 790 | 651 | 1,096 |
| Equity attributable to owners of the parent | EUR million | 6,445 | 6,421 | 6,365 | 6,496 | 5,697 |
| Gearing | % | 24 | 20 | 12 | 10 | 19 |

1) Values from 2015–2018 have been adjusted to display exact values.

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 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, 19 February 2020

Executive Board:




Alfred Stern
Chief Executive



Mark Tonkens
Chief Financial Officer



Martijn Arjen van Koten



Philippe Roodhooft



Lucrèce De Ridder



Financial Statements Standalone

Balance Sheet as of 31 December 2019

| | 31.12.2019 EUR | 31.12.2018 TEUR |
|--|-------------------------|--------------------|
| Assets | | |
| A. Fixed assets | | |
| I. Intangible assets | | |
| 1. Rights and licenses | 49,192,268.98 | 26,294 |
| II. Tangible assets | | |
| 1. Office equipment | 1,581,981.31 | 2,026 |
| III. Financial assets | | |
| 1. Investments in affiliated companies | 2,318,743,104.02 | 2,112,990 |
| 2. Loans to affiliated companies | 37,500,000.00 | 54,125 |
| thereof with residual maturity of more than one year EUR 37,500,000.00; 2018 : TEUR 37,500 | | |
| 3. Investments in associated companies | 417,981,902.49 | 414,816 |
| 4. Loans to associated companies | 257,070,202.19 | 95,036 |
| thereof with residual maturity of more than one year EUR 257,070,202.19; 2018 : TEUR 94,685 | | |
| 5. Securities | 3,499,065.60 | 2,596 |
| | 3,034,794,274.30 | 2,679,562 |
| | 3,085,568,524.59 | 2,707,882 |

| | 31.12.2019 EUR | 31.12.2018 TEUR |
|--|-------------------------|--------------------|
| Assets | | |
| B. Current assets | | |
| I. Inventories | | |
| 1. Raw materials and supplies | 186,445,423.32 | 207,413 |
| 2. Finished goods and merchandise | 627,602,077.65 | 667,915 |
| 3. Services not yet invoiced | 4,087,565.56 | 0 |
| | 818,135,066.53 | 875,328 |
| II. Receivables and other assets | | |
| 1. Trade receivables | 558,751,741.04 | 544,175 |
| thereof with residual maturity of more than one year EUR 0.00; 2018 : TEUR 0 | | |
| 2. Receivables from affiliated companies | 733,593,316.19 | 846,374 |
| thereof with residual maturity of more than one year EUR 0.00; 2018 : TEUR 27,000 | | |
| 3. Receivables from associated companies | 126,578,756.02 | 80,030 |
| thereof with residual maturity of more than one year EUR 7,452,993.89; 2018: TEUR 6,905 | | |
| 4. Other receivables and other assets | 263,475,911.96 | 288,932 |
| thereof with residual maturity of more than one year EUR 0.00; 2018: TEUR 0 | | |
| | 1,682,399,725.21 | 1,759,511 |
| in total thereof with residual maturity of more than one year EUR 7,452,993.89; 2018: TEUR 33,905 | | |
| III. Cash and cash equivalents | 22,411,139.01 | 17,925 |
| | 2,522,945,930.75 | 2,652,764 |
| C. Prepaid expenses | 11,186,696.28 | 7,251 |
| D. Deferred tax assets | 11,685,837.49 | 10,999 |
| Total assets | 5,631,386,989.11 | 5,378,896 |



| | 31.12.2019 EUR | 31.12.2018 TEUR |
|---|-------------------------|--------------------|
| 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; 2018: TEUR 300 | | |
| 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 reserve | 30,000.00 | 30 |
| IV. Retained earnings | 977,247,159.80 | 1,037,374 |
| thereof profit carried forward EUR 512,374,082.76, 2018: TEUR 472,210 | | |
| thereof interim dividends payment EUR -300,000,000.00; 2018: TEUR -300,000 | | |
| | 2,618,965,029.80 | 2,679,092 |
| B. Special item for investment grants for fixed assets | 281,035.00 | 375 |
| C. Provisions | | |
| 1. Provisions for pensions | 23,345,665.00 | 18,561 |
| 2. Provisions for taxes | 61,654,399.73 | 70,398 |
| 3. Other provisions | 144,033,429.15 | 176,009 |
| | 229,033,493.88 | 264,968 |
| D. Liabilities | | |
| 1. Bonds | 300,000,000.00 | 425,000 |
| thereof with residual maturity up to one year EUR 0.00; 2018: TEUR 125,000 | | |
| thereof with residual maturity of more than one year EUR 300,000,000.00; 2018: TEUR 300,000 | | |

| | 31.12.2019 EUR | 31.12.2018 TEUR |
|---|-------------------------|--------------------|
| Shareholders' Equity and Liabilities | | |
| 2. Bank loans and overdrafts | 1,121,891,139.34 | 899,855 |
| thereof with residual maturity up to one year EUR 208,212,411.32; 2018: TEUR 483,898 | | |
| thereof with residual maturity of more than one year EUR 913,678,728.02; 2018: TEUR 415,957 | | |
| 3. Prepayments received | 6,720,000.00 | 0 |
| thereof with residual maturity up to one year EUR 6,720,000.00; 2018: TEUR 0 | | |
| thereof with residual maturity of more than one year EUR 0.00; 2018: TEUR 0 | | |
| 4. Trade accounts payable | 373,135,924.38 | 430,128 |
| thereof with residual maturity up to one year EUR 373,135,924.38; Vorjahr: TEUR 430,128 | | |
| thereof with residual maturity of more than one year EUR 0.00 ; 2018: TEUR 0 | | |
| 5. Accounts payable to affiliated companies | 885,921,239.46 | 592,945 |
| thereof with residual maturity up to one year EUR 885,921,239.46; 2018: TEUR 592,945 | | |
| thereof with residual maturity of more than one year EUR 0.00; 2018: TEUR 0 | | |
| 6. Accounts payable to associated companies | 52,840,557.62 | 68,136 |
| thereof with residual maturity up to one year EUR 52,840,557.62; 2018: TEUR 68,136 | | |
| thereof with residual maturity of more than one year EUR 0.00; 2018: TEUR 0 | | |
| 7. Other liabilities | 42,598,569.63 | 18,397 |
| thereof taxes: EUR 6,888,972.02; 2018: TEUR 9,743 | | |
| thereof social security: EUR 1,999.91; 2018: TEUR 0 | | |
| thereof with residual maturity up to one year EUR 42,598,569.63; 2018: TEUR 18,398 | | |
| thereof with residual maturity of more than one year EUR 0.00; 2018: TEUR 0 | | |
| | 2,783,107,430.43 | 2,434,461 |
| in total thereof with residual maturity up to one year EUR 1,571,310,702.41; 2018: TEUR 1,718,504 | | |
| in total thereof with residual maturity of more than one year EUR 1,213,678.02; 2018: TEUR 715,957 | | |
| Total equity and liabilities | 5,631,386,989.11 | 5,378,896 |



Income Statement for the Year 2019

| | 2019 EUR | 2018 TEUR |
|--|-----------------------|----------------|
| 1. Sales | 6,583,072,596.82 | 6,880,613 |
| 2. Increase or decrease in finished goods and services not yet invoiced | -36,225,089.76 | 27,074 |
| 3. Other operating income | | |
| a) Other income | 82,578,206.56 | 157,450 |
| 4. Cost of materials and purchased services | | |
| a) Cost of materials | -4,302,312,191.96 | -4,621,914 |
| b) Cost of purchased services | -1,226,573,113.44 | -1,184,535 |
| | -5,529,185,305.40 | -5,806,449.37 |
| 5. Personnel expenses | | |
| a) Salaries | -48,983,743.60 | -46,316 |
| b) Social contributions | -16,809,716.95 | -17,800 |
| thereof pension fund contributions EUR 6,988,330.69; 2018: TEUR 5,112 | | |
| aa) thereof expense for severance payments and corporate staff and self-employment fund contributions EUR 694,641.06; 2018: TEUR 2,015 | | |
| bb) thereof expense for statutory social security and payroll related taxes and contributions EUR 7,080,515.49; 2018: TEUR 7,980 | | |
| | -65,793,460.55 | -64,116 |
| 6. Amortisation and depreciation of intangible and tangible assets | -2,240,788.20 | -2,267 |
| 7. Other operating expenses | | |
| a) Taxes, other than those reported in line item 17 | -1,549,391.00 | -1,372 |
| b) Other expenses | -874,588,711.03 | -679,758 |
| | -876,138,102.03 | -681,130 |
| 8. Subtotal of line 1 to 7 | 156,068,057.44 | 511,175 |

| | 2019 EUR | 2018 TEUR |
|--|-----------------------|------------------|
| 9. Income from investments | 707,363,533.77 | 670,189 |
| thereof affiliated companies EUR 56,259,807.55; 2018: TEUR 97,116 | | |
| 10. Interest income from long-term loans | 9,300,190.62 | 2,461 |
| thereof affiliated companies EUR 605,824.36; 2018: TEUR 846 | | |
| 11. Other interest and similar income | 19,937,262.41 | 20,054 |
| thereof affiliated companies EUR 13,275,214.27; 2018: TEUR 18,149 | | |
| 12. Gains on reversal of previously recognised impairment losses on financial assets | 13,635.95 | 0 |
| 13. Expenses arising from financial assets | -3,840,000.00 | -109,317 |
| thereof affiliated companies EUR 3,840,000.00; 2018: TEUR 109,315 | | |
| Impairment losses on financial assets EUR 3,840,000.00; 2018: TEUR 109,317 | | |
| 14. Interest and similar expenses | -95,782,174.83 | -121,299 |
| thereof affiliated companies EUR 6,597,503.32; 2018: TEUR 7,506 | | |
| 15. Subtotal of line 9 to 14 | 636,992,447.92 | 462,088 |
| 16. Income before Tax (subtotal of line 8 and 14) | 793,060,505.36 | 973,263 |
| 17. Taxes on income | -28,187,428.32 | -108,099 |
| thereof income from deferred tax assets EUR 686,475.52; 2018: TEUR 2,776 | | |
| 18. Income after Tax | 764,873,077.04 | 865,164 |
| 19. Net income for the year | 764,873,077.04 | 865,164 |
| 20. Profit carried forward from previous years | 512,374,082.76 | 472,210 |
| 21. Interim dividends | -300,000,000.00 | -300,000 |
| 22. Retained earnings | 977,247,159.80 | 1,037,374 |



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 corresponds with the criteria set out in the Austrian Commercial Code.

Presentation, valuation and disclosure of financial statement items are in line with the Austrian Commercial Code and its special regulations for corporations. The financial statements have been prepared on a going concern basis, and assets and liabilities have been reported using the unit account method of valuation. The financial statements have been compiled according to the principle of completeness. The principle of prudence was taken into account insofar that particularly only gains realised at balance sheet date were accounted for. All recognisable risks and impending losses incurred until balance sheet date were included. Estimates are based on prudent judgement. On existence of statistically determined experiences for similar facts, those experiences were taken into account for estimates.

Prevailing accounting and valuation principles have been maintained. In order to enhance the clarity and information value of the financial statements, the classification was changed compared to the prior year.

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 by valuation allowances.

According to Position Paper No. 27 dated March 2018 of the Austrian Financial Reporting and Auditing Committee (AFRAC) “Accruals for pensions and severance payments, provisions for anniversary 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 2019-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 % (2018: 1.75 %).

The discount rate is determined by reference to market rates at 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. The interest expense relating to provisions for pensions along with effects on changes in discount rates are recorded under the corresponding personnel expense.

Provisions for anniversary bonuses are calculated in accordance with IFRS (IAS 19) using a discount rate of 1.00 % (2018: 1.75 %).

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 acquisition rate or the exchange rate prevailing at balance sheet date, whereas liabilities denominated in foreign currencies are valued at the higher rate of origin or the exchange rate prevailing at balance sheet date.

Derivative financial instruments are reported at the lower of acquisition cost or the fair value at balance sheet date. Provisions for impending losses from unclosed transactions are measured following the imparity principle at the unit account method. Starting on 1 January 2011 due to the implementation of the new 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.

A prerequisite for hedge accounting is primarily the effectiveness of the hedge relationship, which is represented by matching risks and chances out of hedged items or transactions and hedging instruments, matching currencies and interest maturities, matching credit ratings and durations. Hedging cash flows requires the hedge to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk (risks of transactions being matched by counter-risks of derivatives) during the period for which the hedge is designated.

Hedge accounting requires the entity to assess retrospectively whether the hedge relationship was highly or completely effective during the particular period. Hedge ineffectiveness of designated derivative instruments is 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. Foreign exchange receivables and payables with their exchange risk being hedged by foreign exchange transactions are measured at the forward exchange rate. In case of effective hedge relationships, measurement of provisions for impending losses of designated derivatives is based on opposite income-related cash flows of the hedged transaction.

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 companies signed toll manufacturing contracts with Borealis:

- 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

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 at market rates for their services.



II. Notes to the Balance Sheet

Assets

1. Fixed Assets

Development of fixed assets:

| EUR | Acquisition Cost | | | | Balance as of 31 December 2019 |
|-------------------------------------|------------------------------------|-----------------------|-----------------------|-------------------|--------------------------------------|
| | Balance as of 1 January 2019 | Additions | Disposals | Reclassifications | |
| Intangible assets | | | | | |
| Rights and licenses | 74,760,795.29 | 24,459,702.67 | 0.00 | 0.00 | 99,220,497.96 |
| | 74,760,795.29 | 24,459,702.67 | 0.00 | 0.00 | 99,220,497.96 |
| Tangible assets | | | | | |
| Office equipment | 4,947,083.82 | 238,818.68 | -26,622.84 | 0.00 | 5,159,279.66 |
| Construction in progress | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 4,947,083.82 | 238,818.68 | -26,622.84 | 0.00 | 5,159,279.66 |
| Financial assets | | | | | |
| Investments in affiliated companies | 2,795,455,457.65 | 209,593,332.37 | -10.00 | 0.00 | 3,005,048,780.02 |
| Loans to affiliated companies | 54,125,000.00 | | -16,625,000.00 | 0.00 | 37,500,000.00 |
| Investments in associated companies | 414,815,835.21 | 3,166,067.28 | 0.00 | 0.00 | 417,981,902.49 |
| Loans to associated companies | 95,035,739.28 | 162,034,462.91 | 0.00 | 0.00 | 257,070,202.19 |
| Securities | 2,694,048.75 | 889,809.90 | 0.00 | 0.00 | 3,583,858.65 |
| | 3,362,126,080.89 | 375,683,672.46 | -16,625,010.00 | 0.00 | 3,721,184,743.35 |
| Total fixed assets | 3,441,833,960.00 | 400,382,193.81 | -16,651,632.84 | 0.00 | 3,825,564,520.97 |

| Accumulated Amortisation/Depreciation | | | | Carrying Values | |
|---------------------------------------|----------------------|------------------|-----------------------------------|---------------------------|---------------------------|
| Balance as of 1 January 2019 | Additions | Disposals | Balance as of 31 December 2019 | as of 31 December 2018 | as of 31 December 2019 |
| -48,466,918.34 | -1,561,310.64 | 0.00 | -50,028,228.98 | 26,293,876.95 | 49,192,268.98 |
| -48,466,918.34 | -1,561,310.64 | 0.00 | -50,028,228.98 | 26,293,876.95 | 49,192,268.98 |
| -2,921,199.13 | -679,477.56 | 18,283.03 | -3,577,298.35 | 2,025,884.69 | 1,581,981.31 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| -2,921,199.13 | -679,477.56 | 18,283.03 | -3,577,298.35 | 2,025,884.69 | 1,581,981.31 |
| -682,465,676.00 | -3,840,000.00 | 0.00 | -686,305,676.00 | 2,112,989,781.65 | 2,318,743,104.02 |
| 0.00 | 0.00 | 0.00 | 0.00 | 54,125,000.00 | 37,500,000.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 414,815,835.21 | 417,981,902.49 |
| 0.00 | 0.00 | 0.00 | 0.00 | 95,035,739.28 | 257,070,202.19 |
| -98,429.00 | 0.00 | 13,635.95 | -84,793.05 | 2,595,619.75 | 3,499,065.60 |
| -682,564,105.00 | -3,840,000.00 | 13,635.95 | -686,390,469.05 | 2,679,561,975.89 | 3,034,794,274.30 |
| -733,952,222.47 | -6,080,788.20 | 31,918.98 | -739,995,996.38 | 2,707,881,737.53 | 3,085,568,524.59 |



Intangible Assets

Intangible assets purchased from affiliated companies amount to acquisition costs of EUR 31,802,173.36 (2018: TEUR 25,532). Amortisation/Depreciation is calculated on a straight-line basis over expected useful lives of three to nineteen years.

In the financial year 2019, no impairment losses on intangible assets have been recognised (2018: TEUR 0).

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:

| | Investment in % | proportional equity IFRS TEUR | proportional net profit IFRS TEUR |
|--|--------------------|-------------------------------------|---|
| Investments in affiliated companies | | | |
| Borealis Argentina S.R.L., Buenos Aires, Argentina | 98 | 20 | 18 |
| Borealis Asia Ltd, Hongkong, Hongkong | 100 | 473 | 119 |
| Borealis Brasil SA., Itatiba, Brazil | 80 | 28,203 | 1,863 |
| Borealis Chemicals ZA Proprietary Limited, Germison South, South Africa | 100 | 47 | 22 |
| Borealis Chile SpA, Santiago, Chile | 100 | 5 | 45 |
| Borealis Chimie S.A.R.L., Casablanca, Morocco | 100 | 195 | 66 |
| Borealis Colombia S.A.S., Bogotá, Colombia | 100 | 104 | 14 |
| Borealis Compounds Inc., Rockport, USA | 100 | 106,875 | 6,966 |
| Borealis Denmark ApS, Copenhagen, Denmark | 100 | 30 | 0 |
| Borealis Digital Studio BVBA, Zaventem, Belgium | 90 | 61 | 43 |
| Borealis Financial Services N.V., Mechelen, Belgium | 99.99 | 183,952 | 1,645 |
| Borealis France S.A.S., Courbevoie, France | 100 | 392,364 | -58,819 |
| Borealis Insurance A/S, Copenhagen, Denmark | 100 | 78,119 | 2,572 |
| Borealis Italia S.p.A., Monza, Italy | 100 | 16,974 | 1,376 |
| Borealis Mexico, S.A. de C.V., Mexico City, Mexico | 100 | 657 | 0 |
| Borealis Plasticos SA. de C.V., Mexico City, Mexico | 99.99 | 20 | 4 |
| Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Sirketi, Istanbul, Turkey | 100 | 243 | 66 |
| Borealis Plastomers B.V., Geleen, the Netherlands | 100 | -4,323 | 2,197 |
| Borealis Poliolefinas da América do Sul Ltda., Campinas, Brazil | 99.99 | 965 | 292 |
| Borealis Polska Sp.z.o.o., Warsaw, Poland | 100 | 443 | 232 |

| | Investment in % | proportional equity IFRS TEUR | proportional net profit IFRS TEUR |
|---|--------------------|-------------------------------------|---|
| Investments in affiliated companies | | | |
| Borealis Polymere GmbH, Burghausen, Germany | 100 | 74,414 | 4,100 |
| Borealis Polymers N.V., Beringen, Belgium | 99.99 | 218,086 | 5,321 |
| Borealis Polymers OY, Porvoo, Finland | 100 | 456,955 | 25,212 |
| Borealis Química Espana S.A., Barcelona, Spain | 100 | 709 | 131 |
| Borealis Rus LLC, Moscow, Russia | 100 | 876 | 184 |
| Borealis s.r.o., Prague, Czech Republic | 100 | 155 | 22 |
| Borealis Sverige AB, Stenungsund, Sweden | 100 | 285,810 | 0 |
| Borealis Technology OY, Porvoo, Finland | 100 | 383,136 | 245,036 |
| Borealis UK Ltd, Manchester, United Kingdom | 100 | 518 | 154 |
| Borealis USA Inc, Delaware, USA | 100 | 192,319 | 8,270 |
| FEBORAN EOOD, Sofia, Bulgaria | 100 | 19,504 | -903 |
| mtm compact GmbH, Niedergebra, Germany | 100 | 1,547 | -869 |
| mtm plastics GmbH, Niedergebra, Germany | 100 | 6,596 | 537 |
| Rosier S.A., Moustier, Belgium | 77.47 | 24,162 | -6,650 |
| Silleno Limited Liability Partnership, Astana, Kazakhstan | 50.1 | 886 | 2 |

| | Investment in % | proportional preliminary equity local GAAP TEUR | proportional preliminary net profit local GAAP TEUR |
|--|--------------------|--|--|
| Investments in affiliated companies | | | |
| Borealis Agrolinz Melamine GmbH, Linz, Austria | 100 | 150,939 | 44,043 |
| Borealis L.A.T GmbH, Linz, Austria | 100 | 74,796 | 19,002 |
| Borealis Polyolefine GmbH, Schwechat, Austria | 99.99 | 151,575 | 20,353 |
| Ecoplast Kunststoffrecycling GmbH, Wildon, Austria | 100 | 1,607 | -1,331 |



| | Investment in % | proportional equity IFRS TEUR | proportional net profit IFRS TEUR |
|--|--------------------|-------------------------------------|---|
| Investments in associated companies | | | |
| Abu Dhabi Polymers Company Ltd, Abu Dhabi, UAE | 40 | 3,258,607 | 371,583 |
| Borouge Pte, Singapore, Singapore | 50 | 82,803 | 11,988 |
| Kilpilahden Voimalaitos Oy, Espoo, Finland | 20 | 2,830 | 186 |

Loans to affiliated companies totalling EUR 37,500,000.00 (2018: TEUR 54,125) will mature within one year, amounting to EUR 0.00 (2018: TEUR 16,625), and in more than five years, amounting to EUR 0.00 (2018: TEUR 0).

Securities serve to fulfil coverage requirements for pension provisions. In the financial year, a gain on reversal of previously recognised impairment losses of EUR 13,635.95 (2018: impairment loss TEUR 2.23) was recognised for securities.

Loans to associated companies totaling EUR 257,070,202.19 (2018: TEUR 95,036), thereof EUR 242,160,003.05 (2018: TEUR 85,738) to Bayport Polymers LLC, USA, will mature within one year, amounting to EUR 0.00 (2018: TEUR 350), and in more than five years, amounting to EUR 251,142,892.30 (2018: TEUR 91,877).

2. Inventories

| | 2019 EUR | 2018 TEUR |
|--------------------------------|-----------------------|----------------|
| Raw materials and supplies | 186,445,423.32 | 207,413 |
| Finished goods and merchandise | 627,602,077.65 | 667,915 |
| Services not yet invoiced | 4,087,565.56 | 0 |
| Total | 818,135,066.53 | 875,328 |

3. Receivables and Other Assets

Trade receivables comprise purchased CO₂ emission allowances amounting to EUR 117,299,431.99 (2018: TEUR 49,333) and are stated at acquisition cost.

Receivables from affiliated companies totalling EUR 733,593,316.19 (2018: TEUR 846,374) are broken down into trade receivables of EUR 38,707,704.01 (2018: TEUR 40,186) and other receivables of EUR 694,885,612.18 (2018: TEUR 806,188).

Receivables from associated companies of EUR 126,578,756.02 (2018: TEUR 80,030) are exclusively trade receivables.

There are 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:

| TEUR | Fixed Assets | Current Assets | Unused tax losses carried forward | Provisions | Total |
|---|--------------|----------------|-----------------------------------|--------------|---------------|
| Deferred tax assets as of 01.01.2019 | 0 | 7,470 | 0 | 3,529 | 10,999 |
| Recognised through profit and loss in 2019 | 0 | -295 | 0 | 982 | 687 |
| Deferred tax assets as of 31.12.2019 | 0 | 7,175 | 0 | 4,511 | 11,686 |

Deferred tax assets are measured at a tax rate of 25%. Deferred tax assets solely comprise long-term deductible temporary differences. Deferred taxes include long-term temporary differences in the amount of TEUR 16,875 (2018: TEUR 14,116).

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 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 per cent interest in Borealis A/S and a 50 per cent interest in IOB, a sum of EUR 1,195,920,552.86 was allocated to 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 reserve.

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 600,000,000.00 less interim dividends of EUR 300,000,000.00 according to Section 54a of the Austrian Stock Corporation Act (AktG), (Dividends 2018: TEUR 825,000) and to carry forward the remaining profit to new account.

2. Special Item for Investment Grants for Fixed Assets

At balance sheet date 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 281,035.00 (2018: TEUR 375). The investment grant is released over a ten-year term and amounted to EUR 94,420.00 (2018: TEUR 34) for the financial year 2019.



3. Other Provisions

| | 2019 EUR | 2018 TEUR |
|---|-----------------------|----------------|
| Provisions for customer rebates and bonuses | 37,423,660.37 | 37,312 |
| Provisions for long-term incentive plan | 14,312,556.60 | 18,971 |
| Provisions for impending losses from uncompleted transactions | 8,935,263.83 | 24,016 |
| Provisions for outstanding invoices | 31,982,597.99 | 47,633 |
| Provisions for employee bonuses | 7,947,596.78 | 6,625 |
| Provisions for not consumed vacation | 4,078,713.00 | 3,708 |
| Provisions for accrued interest | 8,143,528.91 | 10,185 |
| Provisions for anniversary bonuses | 1,410,272.39 | 1,247 |
| Provisions for social fund | 19,226,996.10 | 15,829 |
| Other provisions | 10,572,243.18 | 10,484 |
| Total | 144,033,429.15 | 176,009 |

4. Liabilities

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

| EUR | 2019 | |
|--|------------------------------------|-------------------------|
| | Carrying value as of 31.12.2019 | Maturity >five years |
| Bonds | 300,000,000.00 | 300,000,000.00 |
| Bank loans and overdrafts | 1,121,891,139.34 | 337,157,346.03 |
| Prepayments received | 6,720,000.00 | 0.00 |
| Trade accounts payable | 373,135,924.38 | 0.00 |
| Accounts payable to affiliated companies | 885,921,239.46 | 0.00 |
| Accounts payable to associated companies | 52,840,557.62 | 0.00 |
| Other liabilities | 42,598,569.63 | 0.00 |
| Total | 2,783,107,430.43 | 637,157,346.03 |

| EUR | 2018 | |
|--|------------------------------------|-------------------------|
| | Carrying value as of 31,12,2018 | Maturity >five years |
| Bonds | 425,000,000,00 | 300,000,000.00 |
| Bank loans and overdrafts | 899,854,627,26 | 17,956,261.32 |
| Trade accounts payable | 430,127,677,83 | 0.00 |
| Accounts payable to affiliated companies | 592,944,899,35 | 0.00 |
| Accounts payable to associated companies | 68,135,994,51 | 0.00 |
| Other liabilities | 18,397,584,22 | 0.00 |
| Total | 2,434,460,783,17 | 317,956,261.32 |

Accounts payable to affiliated companies totalling EUR 885,921,239.46 (2018: TEUR 592,945) consist of financial payables of EUR 592.431.021,04 (2018: TEUR 316,510) and trade payables of EUR 293,490,218.42 (2018: TEUR 276,435).

Accounts payable to associated companies amounting to EUR 52,840,557.62 (2018: TEUR 68,136) are exclusively trade payables.

In July 2012, a 7-year bond was issued with a nominal value of TEUR 125,000 and a fixed interest rate of 4.000%.

This bond was repaid in July 2019.

In December 2018, Borealis issued an inaugural rated corporate 7-year bond with a nominal value of TEUR 300,000 and a fixed interest rate of 1.750%. This bond is listed at the secondary market of the Vienna Stock Exchange.

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

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

| TEUR | 2019 | |
|------------------------------------|---------------------------|---------------------------------|
| | expense for the next year | expense for the next five years |
| Obligations from lease agreements | 21,263 | 53,392 |
| Obligations from rental agreements | 2,507 | 3,916 |
| Total | 23,770 | 57,308 |



6. Notes to Financial Instruments

According to the financial policy of Borealis Group, inter alia, derivative instruments are designated to hedge relationships in order to reduce the risks of operating, finance and investment activities, i.e. risks of foreign exchange rates, interest rates and commodity prices. Therefore, Borealis AG uses forward exchange transactions, interest rate swaps, foreign exchange derivative contracts and commodity futures (feedstock, electricity and natural gas).

Financial risk management is centralised in the Treasury and Funding Department where foreign exchange risks out of short-term cash flows are hedged and limits for long-term

foreign exchange exposures are set. The majority of borrowings are based on variable interest rates, which are transformed into fixed interest rates using interest rate swaps. Part of its forecasted 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. Forecasted energy purchases are hedged by using electricity and natural gas swaps.

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

| Derivatives | 2019 | | | | | |
|--|---------------|------|--------------------|----------|------------------------|--------------------|
| | Nominal Value | | Fair Value TEUR | | Carrying Value TEUR | Balance Sheet Item |
| | | unit | positive | negative | | |
| Forward Exchange Transactions | 182,750 | TUSD | 778 | -851 | - | |
| | 1,320,000 | TSEK | 3,063 | - | - | |
| thereof valuation unit with hedged transaction | 182,750 | TUSD | 778 | -851 | - | |
| | 1,320,000 | TSEK | 3,063 | - | - | |
| Interest Rate Swaps | 34,615 | TEUR | - | -447 | - | |
| | 110,000 | TUSD | 1,576 | - | - | |
| thereof valuation unit with hedged transaction | 34,615 | TEUR | - | -447 | - | |
| | 110,000 | TUSD | 1,576 | - | - | |
| Foreign Exchange Derivative Contracts | 30,000 | TGBP | - | -965 | -2.456 | Other Provisions |
| | 5,000,000 | TJPY | - | -1,491 | - | |
| thereof valuation unit with hedged transaction | - | - | - | - | - | |
| Commodity Futures | 417 | kt | 11,156 | -12,188 | -6.479 | Other Provisions |
| | 5,794 | GWh | 15,653 | -18,251 | - | |
| thereof valuation unit with hedged transaction | 275 | kt | 10,004 | -5,709 | - | |
| | 5,794 | GWh | 15,653 | -18,251 | - | |

| Derivatives | 2017 | | | | | |
|--|---------------|------|--------------------|----------|------------------------|--------------------|
| | Nominal Value | | Fair Value TEUR | | Carrying Value TEUR | Balance Sheet Item |
| | | unit | positive | negative | | |
| Forward Exchange Transactions | 192,216 | TUSD | 117 | -4,464 | - | |
| | 1,474,000 | TSEK | 1,961 | - | - | |
| thereof valuation unit with hedged transaction | 192,216 | TUSD | 117 | -4,464 | - | |
| | 1,474,000 | TSEK | 1,961 | - | - | |
| Interest Rate Swaps | 51,923 | TEUR | - | -611 | - | |
| thereof valuation unit with hedged transaction | 51,923 | TEUR | - | -611 | - | |
| Foreign Exchange Derivative Contracts | 30,000 | TGBP | - | -3,645 | -3,645 | Other Provisions |
| thereof valuation unit with hedged transaction | - | - | - | - | - | |
| Commodity Futures | 1,189 | kt | 54,706 | -61,021 | -20,370 | Other Provisions |
| | 6,133 | GWh | 108,934 | -17,430 | - | |
| thereof valuation unit with hedged transaction | 710 | kt | 11,929 | -40,651 | - | |
| | 6,133 | GWh | 108,934 | -17,430 | - | |

The fair value of forward exchange contracts corresponds to the quoted market price at 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 of the position at balance sheet date, with current interest rates taken into account. The fair value of commodity futures corresponds to the market price quoted at balance sheet date.

Impending losses from negative fair values of derivative instruments not presented as valuation units have been provided for in provisions amounting to TEUR 8,935 (2018: TEUR 24,015) at balance sheet date.

Forward exchange transactions mature at an average of six months, where all contracts existing at balance sheet date mature by the end of the year 2020 at the latest. At balance sheet date, Borealis AG had outstanding interest rate derivatives with maturities until 2024 as well as a foreign exchange derivative contract maturing in 2024. At balance sheet date, Borealis AG had commodity futures

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 futures mature up to the year 2022.

Provisions for impending losses are accrued respectively, in case those transactions show a negative fair value at balance sheet date and are not designated as hedging instruments. Forward exchange transactions and commodity futures, respectively, which show a positive fair value at balance sheet date and are not designated as hedging instruments, are not capitalised. Interest rate swaps for interest bearing loans are not capitalised as they are regarded to form a valuation unit with the underlying loan.

Expenses and income from derivative instruments not designated to hedge relationships are generally disclosed in 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, results thereof are disclosed in the same profit and loss item as the results of the hedged transaction.

Hedge effectiveness of all existing hedges is assessed prospectively using the critical-term-match-method. The retrospective assessment uses the cumulative dollar-offset-method. For a hedge to be classified highly effective, the actual results of the hedge (retrospective hedge effectiveness assessment) have to be within a range of 80% to 125%. At balance sheet date all derivatives designated as hedging instruments are classified highly effective.

7. Contingent Liabilities

Borealis AG assumed guarantees amounting to EUR 28,644,761.96 (2018: TEUR 33,494) for external loans and liabilities for 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.

| TEUR | Sales by Market and Business Areas 2019 | | | |
|-------------------------|---|------------------|----------------|------------------|
| | Polyolefins | Base Chemicals | Other | Total |
| EU countries | 3,604,687 | 1,028,661 | 299,887 | 4,933,235 |
| Non-EU countries | 632,867 | 225,626 | 0 | 858,493 |
| Total Europe | 4,237,554 | 1,254,287 | 299,887 | 5,791,728 |
| North America | 131,982 | 7,522 | 1,696 | 141,200 |
| South America | 111,139 | 0 | 0 | 111,139 |
| Middle East (excl. UAE) | 30,876 | 0 | 0 | 30,876 |
| United Arab Emirates | 10,534 | 11,739 | 98,538 | 120,811 |
| Asia | 247,528 | 20,029 | 0 | 267,557 |
| Australia, New Zealand | 3,315 | 0 | 0 | 3,315 |
| Africa | 116,447 | 0 | 0 | 116,447 |
| Total | 4,889,375 | 1,293,577 | 400,121 | 6,583,073 |

| TEUR | Sales by Market and Business Areas 2018 | | | |
|-------------------------|---|------------------|----------------|------------------|
| | Polyolefins | Base Chemicals | Other | Total |
| EU countries | 3,866,523 | 1,021,976 | 222,272 | 5,110,771 |
| Non-EU countries | 643,765 | 259,637 | 414 | 903,816 |
| Total Europe | 4,510,288 | 1,281,613 | 222,686 | 6,014,587 |
| North America | 125,687 | 42,160 | 0 | 167,848 |
| South America | 123,112 | 0 | 0 | 123,112 |
| Middle East (excl. UAE) | 41,759 | 0 | 0 | 41,759 |
| United Arab Emirates | 10,704 | 5,687 | 127,482 | 143,873 |
| Asia | 224,572 | 20,457 | -4 | 245,025 |
| Australia, New Zealand | 6,201 | 0 | 0 | 6,201 |
| Africa | 138,208 | 0 | 0 | 138,208 |
| Total | 5,180,531 | 1,349,917 | 350,164 | 6,880,613 |

B. Personnel Expenses

In the year 2019, the average number of employees was 263 (2018: 251).

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

| | 2019 EUR | 2018 TEUR |
|----------------------|---------------------|--------------|
| Management Board | 546,487.76 | 1,778 |
| Managerial Employees | 1,024,587.45 | 934 |
| Other Employees | 1,304,656.67 | 1,499 |
| Total | 2,875,731.88 | 4,211 |

Severance payments amounted to TEUR 51 (2018: TEUR 1,331) and are broken down as follows:

| | 2019 EUR | 2018 TEUR |
|----------------------|------------------|--------------|
| Management Board | 0.00 | 1,034 |
| Managerial Employees | 0.00 | 0 |
| Other Employees | 51,371.40 | 297 |
| Total | 51,371.40 | 1,331 |



C. Other Operating Expenses

| | 2019 EUR | 2018 TEUR |
|---------------------|-----------------------|----------------|
| Freight | 268,373,767.90 | 263,266 |
| Storage | 27,411,673.91 | 30,796 |
| Insurance | 14,633,234.37 | 12,911 |
| Consulting services | 44,748,353.03 | 34,437 |
| Commission | 14,623,430.86 | 13,193 |
| Rents | 3,648,768.06 | 4,483 |
| Travel expense | 3,191,824.70 | 3,656 |
| Trainings, seminars | 3,306,811.56 | 3,326 |
| Royalties | 330,346,117.27 | 117,176 |
| Sundry | 164,304,729.37 | 196,514 |
| Total | 874,588,711.03 | 679,758 |

D. Audit Expenses

| | 2019 EUR | 2018 TEUR |
|--|-------------------|--------------|
| Audits of statutory national and consolidated financial statements | 274,000.00 | 296 |
| Other assurance services | 180,256.00 | 266 |
| Other services | 0.00 | 3 |
| Total | 454,256.00 | 565 |

E. Financial Result

The financial result is broken down as follows:

| | 2019 EUR | 2018 TEUR |
|--|----------------|--------------|
| Income from investments | | |
| Abu Dhabi Polymers Company Ltd, UAE | 639,958,933.07 | 565,002 |
| Borealis Agrolinz Melamine GmbH, Austria | 35,000,000.00 | 36,000 |
| Borealis Brasil S.A., Brazil | 2,638,606.07 | 0 |
| Borealis Italia S.p.A., Italy | 600,000.00 | 11,000 |
| Borealis Polyolefine GmbH, Austria | 17,999,972.04 | 50,000 |
| Borealis s.r.o., Czech Republic | 21,229.44 | 116 |
| Borouge Pte, Singapore | 11,144,793.15 | 8,071 |
| | 707,363,533.77 | 670,189 |
| Interest income from loans to affiliated and associated companies | | |
| Borealis Brasil S.A., Brazil | 0.00 | 52 |
| Borealis Polyolefine GmbH, Austria | 605,824.36 | 794 |
| Kilpilahden Voimalaitos Oy, Finland | 674,566.17 | 513 |
| Bayport Polymers LLC, USA | 8,019,800.09 | 1,102 |
| | 9,300,190.62 | 2,461 |



| | 2019 EUR | 2018 TEUR |
|---|-----------------------|----------------|
| Other interest and similar income | | |
| Interest and other income from interest rate swaps | 4,896,943.37 | 0 |
| Interest income from intercompany financing | 13,275,314.27 | 16,534 |
| Other | 1,765,004.77 | 3,520 |
| | 19,937,262.41 | 20,054 |
| Gains on reversal of previously recognised impairment losses on financial assets | | |
| Gains on securities held as fixed assets | 13,635.95 | 0 |
| Expense arising from financial assets | | |
| Impairment losses recognised on securities held as fixed assets | 0.00 | 2 |
| Impairment of Borealis L.A.T GmbH, Austria | 0.00 | 98,972 |
| Impairment of FEBORAN EOOD, Bulgaria | 3,840,000.00 | 10,343 |
| | 3,840,000.00 | 109,317 |
| Interest and similar expense | | |
| Interest expense from intercompany financing | 6,597,503.32 | 7,506 |
| Interest expense from interest rate swaps and FX-hedges | 0.00 | 16,043 |
| Result from foreign exchange translations | 42,731,598.49 | 53,168 |
| Interest charged from banks | 34,671,960.08 | 34,589 |
| Interest expense in the context of forfeiting | 2,463,555.62 | 3,658 |
| Other | 9,317,557.32 | 6,335 |
| | 95,782,174.83 | 121,299 |
| Financial result | 636,992,447.92 | 462,087 |

F. Taxes on Income

Becoming effective on 1 January 2019, the existing tax group, comprising Borealis AG (tax group parent), Borealis Polyolefine GmbH, Borealis Agrolinz Melamine GmbH, and Borealis L.A.T GmbH (tax group members) added Ecoplast Kunststoffrecycling GmbH as an additional tax group member.

According to the group tax contract, the group is charged with the related corporation tax expense attributable to any positive result. In case of negative results of the tax group members, no tax compensation is credited. Negative results have to be documented by the group parent and offset against positive future results.

Provisions for deferred taxes of EUR 61,654,399.79 (2018: TEUR 70,398) have been recognised in connection with notional accumulated losses brought forward from Borealis Polyolefine GmbH amounting to TEUR 138,908 (2018: TEUR 164,889), from Borealis L.A.T. GmbH amounting to TEUR 119,973 (2018: TEUR 137,791) and from Borealis Agrolinz Melamine GmbH amounting to TEUR 0.00 (2018: TEUR 7,347) since the existing losses carried forward had already been used.

G. Significant Events After the Balance Sheet Date

There are no significant events to report for Borealis AG after the balance sheet date.

IV. Other Information

The total remuneration received by Management Board members amounted to TEUR 9,870 (2018: TEUR 12,913):

- active Board members: TEUR 7,011 (2018: TEUR 10,486)
- former Board members: TEUR 2,859 (2018: TEUR 2,427)

along with additional payments into pension funds amounting to TEUR 445 (2018: TEUR 568).

Active members of the Supervisory Board received a remuneration totalling TEUR 856 (2018: TEUR 856). 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 Reporting Committee (IFRIC) as adopted by the EU and as applicable to the financial year. The consolidated financial statements are filed under No. 269858a at the Commercial Register in Vienna.

Borealis AG is included in the consolidated financial statements of the Mubadala Investment Company PJSC, Abu Dhabi, UAE.



Executive Board

Alfred Stern (Chairman), Mark Tonkens, Martijn Arjen van Koten, Philippe Roodhooft, Lucrece De Ridder (Member since 1 January 2019)

Supervisory Board

Suhail Mohamed Faraj Al Mazrouei (Chairman), Rainer Seele (Vice Chairman), Musabbeh Al Kaabi, Khalifa Al Suwaidi, Manfred Leitner (Member until 1 July 2019), Thomas Gangl (Member since 3 July 2019)

Vienna, 19 February 2020

Executive Board:

Alfred Stern
Chief Executive

Mark Tonkens
Chief Financial Officer

Martijn Arjen van Koten

Philippe Roodhooft

Lucrece De Ridder

Statement of the Executive Board according to § 124 (1) Z 3 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, 19 February 2020

Executive Board:



Alfred Stern

Chairman of the Executive Board



Mark Tonkens

Member of the Executive Board



Martijn Arjen van Koten

Member of the Executive Board



Philippe Roodhooft

Member of the Executive Board



Lucrèce De Ridder

Member of the Executive Board



IMPRINT

This report is available in English and German language, whereas the English version is the original one. Both documents are available online and can be downloaded from www.borealisgroup.com.

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