
Financial Statements 2020

Standalone



 **BOREALIS**

Keep Discovering



Cover Image:

Preventing the spread of COVID-19 with mask republic face masks

In spring 2020, as part of a social business initiative, Borealis teamed up with paper republic, a Vienna-based stationery brand, to produce sustainable and reusable face masks.

The face masks have an integrated plastic-based filter produced by Borealis on a small-scale pilot line at their Innovation Headquarters in Linz, Austria, providing up to four times more effective filtration than conventional hand-sewn cotton-based face masks.

www.mask-republic.eu

Contents

4 About Borealis

4	Executive Board
6	Our Group Strategy 2035
7	Our Values

8 Our Business

13 Financial Statements including Management Report

14	Auditor's Report
18	Management Report
24	Group Management Report
34	Financial Statements Standalone
40	Notes
59	Statement of the Executive Board according to Section 124(1)(3) of the Vienna Stock Exchange Act



About Borealis

Executive Board



Alfred Stern

Chief Executive

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

Martijn Arjen van Koten

Executive Vice President Base Chemicals & Operations

Appointed: September 2013

Martijn Arjen 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 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.





Our Group Strategy 2035

Life demands progress – we are re-inventing for more sustainable living

Geographical expansion

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

– North America

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

– MEA

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

Transformation

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

– Circular Economy

Lead the transformation to a truly circular economy across all applications

– Value Add

Acquire adjacencies to complement and accelerate value creation through innovation

Leading from the core

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

– Sustainability

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

– People

Drive impactful leadership in a high-performing, diverse and mobile organisation and a purposeful work place

– Excellence

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

Our Values

Responsible

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



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

Respect

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



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

Exceed

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



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

Nimblicity™

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



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

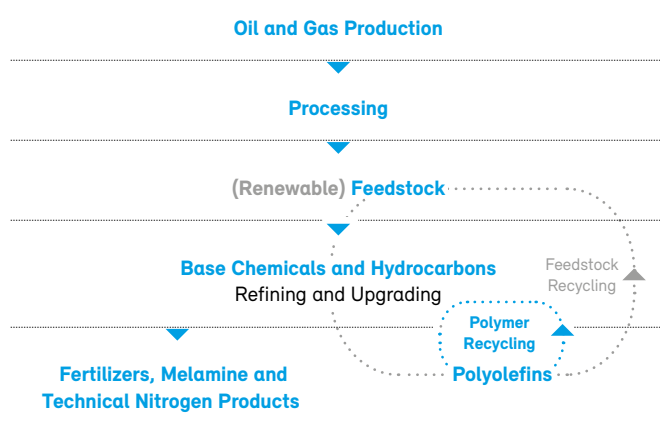


Our Business

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

Borealis believes in progress because life demands 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 circular economy. As a reliable partner, Borealis creates ever more value by re-inventing for more sustainable living for society, its customers and partners, by developing new approaches, technologies and products.

Fig. 1: Chemical production flow



Industry Segments

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

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. These solutions make end products safer, lighter and more affordable, and consequently enable more sustainable living.

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

Borealis produces polyolefin products for the following industries:

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 communication cable solutions for advanced data, copper multipair, fibre optic and coaxial cables, all of which enhance the efficiency of data and communication networks.

Fig. 2: Industries served by Borealis' polyolefins applications



Energy



Automotive



Pipes & Fittings



Consumer Products



Healthcare



Polymer Solutions



Circular Economy Solutions

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

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

With the launch of the new flagship solar brand Qentys™ in 2017, Borealis moved into the global solar industry.

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

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

Borealis offers these leading-edge, lightweight polyolefins for a wide range of exterior, interior and under-the-bonnet applications, including: bumpers, body panels, dashboards,



door claddings, central consoles, pedal housings, cooling systems, battery trays and semi-structural body parts. Working closely with key value chain partners, Borealis continually develops novel materials for specific composite applications, such as structural carriers.

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, while at the same time offering energy savings.

Water and sanitation systems can be made more efficient and reliable by using proprietary Borealis materials. For example, when compared to conventional materials, modern 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 fresh 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 and stand-up pouches); rigid packaging (caps and closures, bottles, thin wall and transport packaging); and non-woven and technical fibres (filtration systems, hygiene products and technical textiles).

Advanced PP solutions offered by Borealis make white goods (such as washing machines, refrigerators, air conditioning units and more) and small appliances (such as toasters, ventilators and power tools) lighter yet more robust, 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, while 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 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 multitiered 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 recent years, mechanical recycling has proven to be effective and it will likely remain the eco-efficient method of choice in the foreseeable future, when implementing the principles of the circular economy. The circular economy opens up new ways to 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 reuse. To this end, Borealis is collaborating with value chain partners – designers, retailers, packaging producers and brand owners – to develop material solutions and concepts to improve end-of-life recyclability and the performance properties of recycle material.

Base Chemicals

Hydrocarbons & Energy

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

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



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

Fertilizers, Melamine and Technical Nitrogen Products

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

Fertilizers

Efficient and effective use of fertilizers has become more essential than ever. The world's population is expected to rise from today's 7.6 billion to over 9.6 billion by 2050, and an increasing number of people will live in densely populated urban areas. As incomes in emerging nations rise, more meat is consumed and more grain 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 awareness of the need to promote fertilizers with low carbon footprints, maintain healthy soil environments and reduce run-off from fields.

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

Melamine

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

Technical Nitrogen Products

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

AdBlue®

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

Ammonia

A compound of nitrogen and hydrogen, ammonia has many uses: as a precursor or intermediate product in the production of nitrogenous materials; as a refrigerant in cooling systems; as 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 UGB (Austrian Company Code) 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 2020, the income statement for the financial year then ended and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2020, and of its financial performance for the financial year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion

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

Key Audit Matters

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

We have structured key audit matters as follows:

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

Recoverability of Investments in Affiliated Companies

Description

Borealis AG, Vienna, owns investments in affiliated companies with book values in the amount of EUR 2,526.9 million as of 31 December 2020. Among others, the following investments in affiliated companies show a negative result for the financial year 2020:

- mtm compact GmbH, Niedergebra, Germany
- Rosier S.A., Moustier, Belgium
- Borealis Insurance A/S, Copenhagen, Denmark
- Ecoplast Kunststoffrecycling GmbH, Wildon

In the financial year 2020, Borealis AG announced not to further pursue the development of an integrated cracker and polyethylene project in the Republic of Kazakhstan, which was carried out through the affiliated company Silleno Limited Liability Partnership, Nur-Sultan, Kazakhstan.

In accordance with section 204 para. 2 UGB, investments in affiliated companies are to be written down if the impairment is expected to be permanent. In the annual financial statements as of 31 December 2020, the assessment of the recoverability of the investments in affiliated companies also had to take into account the effects of the COVID-19 pandemic. Management is of the opinion that a permanent impairment exists as of 31 December 2020 due to the termination of the project of Silleno Limited Liability Partnership. Therefore, the investment in Silleno Limited Liability Partnership was 100% impaired and write-downs in the amount of EUR 7.1 million were recognised in the income statement in the financial year.

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 as a key audit matter.

Audit Approach and Key Observations

When assessing the recoverability of investments in affiliated companies, we evaluated the appropriateness of the respective valuation models. In doing so, we assessed the valuation method as well as evaluated the parameters used by management. We confirmed that the assumptions used to derive the future cash flows are based on the most recent five-year planning prepared by management and approved by the Supervisory Board. In particular, we verified whether the effects of the COVID-19 pandemic

were adequately taken into account in the current planning. 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 according to expert opinion KFS/BW1, if they are calculated correctly and consistent with the prior year, and if the underlying assumptions are reasonable and appropriate.

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

Reference to Related Disclosures

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

Other Information

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

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

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

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

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Austrian Generally Accepted Accounting Principles, and for

such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



We also:

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

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

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

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

Report on Other Legal and Regulatory Requirements **Comments on the Management Report for the Company**

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

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

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

Opinion

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

Statement

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

Additional Information in Accordance with Article 10 of the EU Regulation

We were elected as statutory auditor at the ordinary general meeting dated 21 February 2020. We were appointed by the Supervisory Board on 21 February 2020. We have audited the Company for an uninterrupted period since the financial year 2016.

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

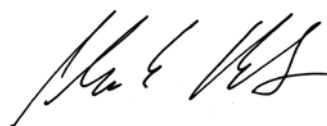
We declare that no prohibited non-audit services (Article 5 para. 1 of the EU Regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

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

Vienna, 19 February 2021

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 para. 2 UGB apply.



Management Report as of 31 December 2020

Operational Review

Following the reduced demand as a consequence of the global Covid-19 pandemic, the Brent crude oil price dropped from 64 USD/bbl in January 2020 to 27 USD/bbl in April 2020. The recovery of the Brent crude oil price to 50 USD/bbl by December 2020 was supported by the disciplined supply reduction implemented by the OPEC plus countries and, towards the end of the year, the anticipated end of the pandemic thanks to the first availability of vaccines. Overall, the annual average Brent Crude oil price of 42 USD/bbl was down 35% from the average of 64 USD/bbl in 2019.

The price of naphtha developed in a similar pattern, decreasing from 527 USD/t in January 2020 to 138 USD/t in April 2020. Since then, its price has partially recovered, reaching 433 USD/t in December 2020. In line with feedstock prices, polyethylene prices averaged 10% lower compared to 2019; polypropylene prices averaged 14% lower in 2020 than in 2019.

Borealis polyolefins sales volumes have shown resilience in a market environment impacted by Covid-19, increasing by 2% versus the same period in 2019. The sales volumes of both Borouge and Baystar increased by ~10% year on year. Overall, integrated polyolefin industry margins increased in 2020 versus the previous year. The olefin share of the integrated industry margin contracted during 2020, as the light feedstock advantage reduced in the low oil price environment of 2020. Consequently, the profit contribution delivered from the Hydrocarbons business segment was lower than in 2019.

The total sales volume of Borealis AG's products in 2020 decreased by 18% versus 2019, mainly driven by lower Hydrocarbon sales. The operating result increased from a profit of EUR 156.1 million in 2019 to a profit of 353.0 million in 2020.

The major driver behind the profit increase is the resolution of the tax dispute regarding two Finnish subsidiaries of Borealis AG through a Mutual Agreement Procedure (MAP) between Finland and Austria in 2019, which depressed the operating profit of the prior year. 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 has confirmed the nature of the intercompany license agreements, albeit with an increase of the applicable license fees to Borealis AG.

Despite disruptions to infrastructure and supply chains around the world due to the pandemic, Borealis successfully proceeded with its growth projects in Europe, North America and the Middle East.

In June, a propylene splitter – one of the largest single pieces of equipment ever shipped – arrived safely at the construction site of the new world-scale propane dehydrogenation (PDH) plant under construction at the existing Borealis production site in Kallo, Belgium. Having passed this milestone, the facility is on track to start up in 2023 with a propylene production capacity of 750,000 metric tons/year (t/y). The approximately EUR 1 billion to be invested in the project constitutes the largest single investment ever made by Borealis in Europe and is a clear sign of the company's commitment to being the supplier of choice to its European customers.

As construction on the new Borstar® polyethylene (PE) unit in Texas, US, progresses, changes were made with regard to ownership of this joint venture. In April, Borealis acquired the 50% ownership share in Novealis Holdings LLC that had previously been held by NOVA Chemicals. Thus Baystar™ is now a 50/50 joint venture between Borealis and Total Petrochemicals & Refining USA, Inc. The new unit will expand the Borealis footprint by enabling supply of locally-produced Borstar products to North American customers for the first time. The project also entails the construction of an ethane-based steam cracker in nearby Port Arthur, which will supply approximately 1 million t/y of competitively-priced ethylene. The facility's ethylene monomer will be used for both the existing 400,000 t/y PE units and the new 625,000 t/y Borstar PE unit.

In August, Borealis announced it had taken a controlling stake in the South Korean compounder DYM Solution Co., Ltd., thereby extending its global presence in the wire and cable industry. This acquisition augments the existing Borealis portfolio with complementary products and technologies,

enables Borealis to respond more rapidly to local demand and boosts capacity in order to secure a reliable supply of specialised compounds.

In Ruwais, UAE, construction on another major growth project is nearing completion: the “PP5,” or fifth Borstar polypropylene (PP) plant located at the Bourouge 3 complex. The Bourouge 4 project is also progressing upon the successful completion of the FEED (Front-End Engineering and Design) phase.

A joint feasibility study commissioned by the Abu Dhabi National Oil Company (ADNOC), Adani, BASF and Borealis to evaluate the development of a major chemical complex in Mundra, India was brought to a successful close in November 2020. However, while the partners are convinced of the project’s potential, they have postponed potential next steps due to economic uncertainties also related to the COVID-19 pandemic.

Financial Result Overview

The financial result improved to EUR 836.0 million (2019: EUR 637.0 million). Dividend income increased by 33% to EUR 941.9 million and interest and similar charges increased by 72% to EUR 164.8 million. The main driver behind this increase comes from the result from foreign exchange translations.

Overall, Borealis AG generated a net income of EUR 1,126.8 million compared to a net income of EUR 764.9 million in 2019.

Borealis pursues sustainable growth in the circular economy sphere

As a global provider of innovative plastics solutions, Borealis has taken the lead in transforming the industry. Plastics circularity will have been achieved once this valuable resource is always reused and recycled, and never wasted; and once all applications and products are routinely designed with circularity in mind. Borealis’ dedication to Value Creation through Innovation and customer-centricity have accelerated the shift, making it possible to develop and launch a wide range of innovative material solutions in the circular economy sphere. Moreover, Borealis continues to invest in mechanical and chemical recycling and has deepened its commitment to collaborating with leading industry and social welfare organisations to bring about industry change.

An integral goal on the path to “closing the loop” on plastics circularity is to increase the volume of recycled plastics solutions to 350,000 t/y by 2025. This will enable the production of larger volumes of second-generation recycled products. Another focus area is to ensure that by 2025, 100% of consumer products made with Borealis polyolefins should be recyclable, reusable, or made with renewable content.

Another important step towards circularity was taken early 2020 as Borealis began manufacturing PP based on renewable feedstock at its production facilities in Kallo and Beringen, Belgium. This was the first time that Borealis replaced fossil fuel-based feedstock in the large-scale commercial production of PP. In the meantime, the polyolefin production plants in Kallo and Beringen, but also in Porvoo, Finland, and Schwechat, Austria, have received the ISCC PLUS certification issued by the International Sustainability and Carbon Certification (ISCC) organisation. This certification is the global standard for recycled and bio-based materials. It enables mass balance production of renewable and chemically recycled feedstock.

In September, Borealis announced the launch of the Bornewables™ portfolio. These premium polyolefin products are manufactured with renewable feedstock derived entirely from waste and residue streams. The Bornewables boast the same material performance as virgin polyolefins, yet with a lower carbon footprint.

Borcycle™ is the proprietary state-of-the-art technology launched in 2019. It transforms plastic waste streams into value-adding, versatile recycled polyolefins and serves as the foundation for an increasing number of more sustainable products and applications in the rigid packaging segment. In September, Borealis and MENSHEN, a leading specialist for plastic closures, launched a series of new packaging closures for laundry and homecare applications based on Borcycle UG522MO, a PP compound containing 50% post-consumer-recycled content.

A pilot project announced in December is a prime example of the EverMinds™ approach in practice. Based on the principles of reduce, reuse and recycle, it literally closes the loop by replacing single-use drinking cups with innovative new ones featuring a double-closed loop system. At four different Borealis sites in Belgium, 1.5 million single-use cups could be replaced by reusable lightweight ones. These



durable foamed cups are collected and washed for reuse before eventually being recycled.

Borealis continues to invest in its recycling technologies and facilities. One example of recycling innovation is the ReOil co-operation with OMV. The patented OMV ReOil technology is used to chemically recycle post-consumer plastics into raw materials, which are then used by Borealis to produce polyolefins. Leading European multinational Nestlé has now become the first Borealis customer to use the ISCC PLUS-compliant polyolefins in consumer goods packaging.

Research and Development – Value Creation through Innovation in 2020

Borealis' dedication to Value Creation through Innovation is circular at its core and is applied across the entire polyolefins value chain. It spans the entire life cycle of a product: from creation to design, processing, deployment and finally recovery for recycling or reuse.

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

One important step-change innovation launched by Borealis in 2014 is now powering the Energiewende – or energy transition – in Germany. Crosslinked polyethylene (XLPE) power cables made with Borealis extruded high voltage direct current (HVDC) technology are being used for the majority of the so-called German corridor projects. This is the first time that Borlink™ XLPE HVDC technology is being used at extra-high levels of 525 kilovolt (kV). The Borlink cables will be implemented in the northern part of the SuedOstLink and along the entire SuedLink corridor, thereby enabling the transmission of renewable energy from north to south with minimal loss.

Company Ownership

On 29 October 2020 OMV announced the completion of the acquisition of an additional 39% stake in Borealis from Mubadala, thus increasing its share to 75%. Mubadala retains a 25% share in Borealis. The purchase price for the 39% stake amounted to USD 4.68 billion.

Changes to the Supervisory Board

Effective 21 February 2020, Khalifa Abdulla Khamis Alromaithi was appointed Supervisory Board member, succeeding Khalifa Al Suwaidi. Effective 29 October 2020, Reinhard Florey and Saeed Al Mazrouei were appointed Supervisory Board members, succeeding Suhail Mohamed Faraj Al Mazrouei and Khalifa Abdulla Khamis Alromaithi. In addition, effective 29 October 2020, Rainer Seele was appointed Chairman and Musabbeh Al Kaabi Vice-Chairman of the Supervisory Board.

Funding and financing

Borealis AG continues to benefit from its well-diversified financing portfolio and the related maturities of those refinancing sources, as well as from its improved liquidity position after a period of strong business results. Furthermore, Borealis has a well-established access to capital markets as well as private placements, which serve as additional sources of financing. Overall, the company has sufficient liquidity headroom, which provides flexibility and supports further growth.

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

Non-financial performance indicators are not monitored separately for Borealis AG, but rather within the context of the entire Borealis Group. The average number of employees decreased by 1 employee to 262 by the end of 2020.

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 2021

In 2021, Borealis management will further increase company emphasis on safety – both occupational and process – in order to achieve the ultimate goal of zero incidents. Safety thus remains the number one priority for the Group: from top to bottom and across all global operations.

The rebuilding of the post-pandemic global economy will require innovative technologies and products that help make life safer and more sustainable. Thanks to the company's leading-edge portfolio of advanced and circular polyolefins solutions, Borealis management is confident that it can capitalise on the opportunities for growth during economic recovery. It will maintain its commitment to re-inventing for more sustainable living and by offering chemical and plastic solutions that create value for society.

On 4 February 2021 Borealis announced that it has started a process to divest its nitrogen business unit including fertilizer, technical nitrogen and melamine products. The company's share in fertilizer production sites in the Netherlands and Belgium ("Rosier") is presently not being considered within the potential sales process. Such a divestment would be subject to information and consultation requirements with employee representatives as may be required under applicable laws.

Vienna, 19 February 2021

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 2020, prepared in accordance with IFRS and accepted by the EU.

Safety Performance

In 2020, Borealis reported a Total Recordable Injuries (TRI) frequency per million working hours of 1.7. While this TRI falls short of the goal set by Borealis itself, and is a deterioration versus the 1.6 recorded in 2019, a TRI frequency of less than two is considered world-class in the industry. Due to operational issues at the cracker in Stenungsund, Sweden, at fertilizer plants in France and due to the challenges resulting from the coronavirus, the safety performance failed to reach the target levels. Borealis is not satisfied with these results and has bolstered its commitment to both occupational and process safety in order to achieve the ultimate goal of zero injuries. Safety is and remains the number one priority at Borealis.

As a responsible company, Borealis will continue to take all possible steps to help stop the spread of the coronavirus and protect its employees and business partners. At all locations, this involves physical distancing, the use of personal protective equipment and protective barriers where possible, combined with increased cleaning frequency and other heightened hygiene measures.

Market Environment

Following the reduction in demand as a consequence of the global COVID-19 pandemic, the Brent Crude oil price dropped from 64 USD/bbl in January 2020 to 27 USD/bbl in April 2020. The recovery of the Brent Crude oil price to 50 USD/bbl by December 2020 was supported by the disciplined supply reduction implemented by the OPEC plus countries and, towards the end of the year, the anticipated end of the pandemic thanks to the first available vaccines. Overall, the annual average Brent Crude oil price of 42 USD/bbl was down 35% from the average of 64 USD/bbl in 2019.

The price of naphtha developed in a similar pattern, decreasing from 527 USD/t in January 2020 to 138 USD/t in April 2020. Since then, its price has partially recovered, reaching 433 USD/t in December 2020. In line with feedstock prices, polyethylene prices averaged 10% lower compared to 2019; polypropylene prices averaged 14% lower in 2020 than in 2019.

Borealis polyolefin sales volumes have shown resilience in a market environment impacted by COVID-19, increasing by 2% versus the same period in 2019. Sales volumes of both Borouge and Baystar increased by ~10% year on year. Overall, integrated polyolefin industry margins increased in 2020 versus the previous year. The olefin share of the integrated industry margin contracted during 2020, as the light feedstock advantage reduced in the low oil price environment of 2020. Consequently, the profit contribution delivered from the hydrocarbons business was lower than in 2019.

Demand for Borealis Fertilizers was not impacted by the COVID-19 crisis in 2020. However, operational issues at fertilizer production sites in France led to reduced product availability and consequently, to a decrease in fertilizer sales volumes of 2% versus 2019.

In the first five months of 2020, the fertilizer market benefited from a declining natural gas price environment. Industry margins were thus reasonable, even though the expected market price recovery failed to materialise. The price of natural gas subsequently rose, yet fertilizer sales prices failed to recover to the same degree. This led to a compression of the industry margin. The financial result of the Fertilizer business was negatively impacted by lower production volumes, a weaker market environment and the impairment of fertilizer assets in Belgium and the Netherlands. The profit contribution was lower in 2020 than in 2019.

Strategy and Purpose

The year 2020 commenced with the global roll-out of the new Group Strategy 2035. The commitment to achieving sustainable growth in the long term is reflected in its stated purpose: "Life demands progress – we are re-inventing for more sustainable living." The strategy builds on core Borealis capabilities and traditional values such as Respect, Responsible, Exceed and Nimblivity™. At the same time, it channels Group efforts to act as leaders in the transformation to a circular economy, to create a more customer-centric organisation on a global scale and to capitalise on demand in growth markets by way of geographic expansion.

As the coronavirus pandemic unfolded during the first months of the year, Borealis quickly launched a resilience programme. Its focus is on reducing and/or postponing costs and investments where appropriate in order to safeguard the company's solid financial position.

The overall aim has been to mitigate the potentially negative impacts of the pandemic in all areas of Group business and to ensure a solid operating cash flow to fund ongoing growth projects.

Global Growth and Acquisitions Continue

Despite disruptions to infrastructure and supply chains around the world resulting from the pandemic, Borealis successfully proceeded with its growth projects in Europe, North America and the Middle East.

In June, a propylene splitter – one of the largest single pieces of equipment ever shipped – arrived safely at the construction site of the new world-scale propane dehydrogenation (PDH) plant under construction at the existing Borealis production site in Kallo, Belgium. Having passed this milestone, the facility is on track to start up in 2023 with a propylene production capacity of 750,000 metric tons/year (t/y). The approximately EUR 1 billion to be invested in the project constitutes the largest single investment ever made by Borealis in Europe and is a clear sign of the company's commitment to being the supplier of choice to its European customers.

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In August, Borealis announced it had taken a controlling stake in the South Korean compounder DYM Solution Co., Ltd., thereby extending its global presence in the wire and cable industry. This acquisition augments the existing Borealis portfolio with complementary products and technologies, enables Borealis to respond more rapidly to local demand and boosts capacity in order to secure a reliable supply of specialised compounds.

In Ruwais, UAE, construction on another major growth project is nearing completion: the "PP5" or fifth Borstar polypropylene (PP) plant located at the Borouge 3 complex. The Borouge 4 project is also progressing successfully through the FEED (Front-End Engineering and Design) phase.

A joint feasibility study commissioned by the Abu Dhabi National Oil Company (ADNOC), Adani, BASF and Borealis to evaluate the development of a major chemical complex in Mundra, India was brought to a successful close in November 2020. However, while the partners are convinced of the project's potential, they have postponed further potential next steps due to economic uncertainties also related to the COVID-19 pandemic.

EverMinds™: Borealis Pursues Sustainable Growth in the Circular Economy

As a global provider of innovative plastic solutions, Borealis has taken the lead in transforming the industry. Plastics circularity will be achieved once this valuable resource is always reused and recycled, and never wasted, and once all applications and products are routinely designed with circularity in mind. Borealis' dedication to Value Creation through Innovation and customer-centricity have accelerated the shift, making it possible to develop and launch a wide range of innovative material solutions in the circular economy sphere. Moreover, Borealis continues to invest in mechanical and chemical recycling and has deepened its commitment to collaborating with leading industry and social welfare organisations to bring about industry change.

An integral goal on the path to "closing the loop" on plastics circularity is to increase the volume of recycled plastics solutions to 350,000 t/y by 2025. This will enable the production of larger volumes of second-generation recycled products. Another focus area is to ensure that by 2025, 100% of consumer products made with Borealis polyolefins should be recyclable, reusable or made with renewable materials.



Another important step towards circularity was taken in early 2020 as Borealis began manufacturing PP based on renewable feedstock at its production facilities in Kallo and Beringen, Belgium. This was the first time that Borealis replaced fossil fuel-based feedstock in the large-scale commercial production of PP. In the meantime, the polyolefin production plants in Kallo and Beringen, but also in Porvoo, Finland, and Schwechat, Austria, have received the ISCC PLUS certification issued by the International Sustainability and Carbon Certification (ISCC) organisation. This certification is the global standard for recycled and bio-based materials. It enables mass balance production of renewable and chemically recycled feedstock.

In September, Borealis announced the launch of the Bornewables™ portfolio. These premium polyolefin products are manufactured with renewable feedstock derived entirely from waste and residue streams. The Bornewables boast the same material performance as virgin polyolefins, yet with a lower carbon footprint.

Borcycle™ is the proprietary state-of-the-art technology launched in 2019. It transforms plastic waste streams into value-adding, versatile recycled polyolefins and serves as the foundation for an increasing number of more sustainable products and applications in the rigid packaging segment. In September, Borealis and MENSHEN, a leading specialist in plastic closures, launched a series of new packaging closures for laundry and homecare applications based on Borcycle UG522MO, a PP compound containing 50% post-consumer-recycled content.

A pilot project announced in December is a prime example of the EverMinds approach in practice. Based on the principles of reduce, reuse and recycle, it literally closes the loop by replacing single-use drinking cups with innovative new ones featuring a double-closed loop system. At four different Borealis sites in Belgium, 1.5 million single-use cups could be replaced by reusable lightweight ones made from Borstar HMS. These durable foam cups are collected and washed for reuse before eventually being recycled.

Borealis continues to invest in its recycling technologies and facilities. One example of recycling innovation is the ReOil collaboration with OMV. The patented OMV ReOil technology is used to chemically recycle post-consumer plastics into raw materials, which are then used by Borealis to produce polyolefins. Leading European multinational Nestlé has now become the first Borealis customer to use the ISCC PLUS-compliant polyolefins in consumer goods packaging.

Energy and Climate: Striving for Improved Efficiency in own Operations

Borealis has set ambitious goals to counter climate change by using energy and resources more efficiently. Borealis intends to draw 50% of electricity used in production from renewable sources by 2030. It also seeks to achieve a 20% improvement in energy efficiency (using the year 2015 as a baseline) and aims for zero non-emergency flaring by 2030 as well.

In July, Borealis and partner Neste announced the signing of two long-term power purchase agreements (PPAs) to source renewable electricity from a Finnish wind farm operator. Switching to wind-generated power over the next decade will help Borealis increase the overall share of renewables in its Porvoo production facilities to 13%. In October, another 10-year PPA was signed with the sustainable energy supplier Eneco, in which Borealis will source renewable electricity from a new offshore wind farm for its Belgian operations starting in January 2021.

In December, Borealis and Bionerga announced the joint commissioning of a new waste-to-energy plant constructed and operated by Bionerga in Beringen, Belgium. The new facility allows Borealis to reduce the amount of natural gas used in operations by supplying steam and electricity recovered from the processing of non-recyclable waste collected from nearby communities.

Finally, in October, Borealis commissioned a new 80,000 m³ naphtha cavern in Porvoo. Having invested approximately EUR 25 million in its construction, Borealis can now draw on and store naphtha for its operations in a safer and more economical way. Because it has been designed to store renewable naphtha as well, Borealis can produce ISCC PLUS-certified renewable base chemicals as well as renewable PP and PE for its customers.

Value Creation through Innovation in 2020

The Borealis' dedication to Value Creation through Innovation is circular at its core and is applied across the entire polyolefins value chain. It spans the entire life cycle of a product: from creation to design, processing, deployment and finally recovery for recycling or reuse.

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

One important step-change innovation launched by Borealis in 2014 is now powering the Energiewende – or energy transition – in Germany. Crosslinked polyethylene (XLPE) power cables made with Borealis extruded high voltage direct current (HVDC) technology are being used for the majority of the so-called German corridor projects. This is the first time that Borlink™ XLPE HVDC technology is being used at extra-high levels of 525 kilovolts (kV). The Borlink cables will be implemented in the northern part of the SuedOstLink and along the entire SuedLink corridor, thereby enabling the transmission of renewable energy from north to south with minimal loss.

Operational Development of the Group

The Borealis net profit of EUR 589 million is below the net profit of EUR 872 million in 2019, yet represents a solid financial result in the context of a market environment strongly impacted by the pandemic and a declining oil price, which has consequently reduced inventory value. The 2020 result was also affected by a weaker hydrocarbons business, resulting from limited benefit from feedstock flexibility and operational issues at Borealis crackers in Stenungsund and Porvoo. In 2020, the contribution from the Borealis Fertilizer business declined versus 2019 due to a weaker industry margin and operational issues. The contribution from Borouge remained on a similar level as in 2019, where lower polymer prices in Asia were offset by substantially higher sales volumes.

Return on capital employed (ROCE) after tax of 8% in 2020 was 3 percentage points lower than in the previous year. This weaker result was mainly driven by the lower net profit and the continued investment in growth projects. However, the 5-year average ROCE of 13% remains above the company's target of 11% through the cycle.

In 2020, Borealis net debt increased by EUR 264 million. This resulted in a gearing ratio of 29% at the end of 2020, compared to 24% at the end of 2019. This gearing is reflecting a very healthy balance sheet. Borealis benefits from a well-diversified financing portfolio and a balanced maturity profile. The latter was further enhanced in July by way of a EUR 250 million loan from the European Investment Bank (EIB) to support applied R&D efforts in the area of plastics circularity. The loan affirms the company's alignment with the larger goals of the European Green Deal and the EU Plastics Strategy.

Review of Results

Sales

Borealis sold 3.9 million tonnes of polyolefins in 2020, slightly more than the 3.8 million tonnes sold in 2019. Borealis Fertilizers sales reached 4.3 million tonnes in 2020, a decrease of 2% versus 2019. Melamine sales volumes were 147 thousand tonnes in 2020, which is a similar level compared to 2019.

Cost Development

The lower feedstock price environment saw a drop in 2020 production costs compared to 2019. Furthermore, the stringent cost reduction measures implemented in 2020 to weather the COVID-19 pandemic have resulted in a 3% reduction of fixed costs. Sales and distribution costs decreased correspondingly from EUR 717 million in 2019 to EUR 681 million in 2020; administration costs decreased by 11% to EUR 223 million. Because the Borealis commitment to Value Creation through Innovation remains unchanged, spending on research and development rose to EUR 150 million in 2020, an increase of EUR 5 million versus 2019. At the end of 2020, the number of full-time equivalent employees (FTE) was 6,920, an increase of 51 on the previous year.

Operating Profit

Operating profit amounted to EUR 356 million compared to EUR 605 million in 2019. The reduction is a combination of the effects of reduced olefin margins, the reduction of the light feedstock advantage previously enjoyed and operational issues at Borealis crackers in Stenungsund and Porvoo. The result was also negatively affected by the weaker fertilizer market environment and lower fertilizer sales volumes due to the reduced operability of the company's own fertilizer assets.



Financial Income and Expenses

The decline in net financial expenses from EUR 36 million in 2019 to EUR 23 million in 2020 was mainly due to higher interest income from the member loan granted to the Baystar joint venture with Total. Interest income increased following the acquisition of NOVA Chemical's 50% interest in Novealis Holdings LLC, additional member loan drawdowns and progress of the investment projects.

Taxes

Income taxes amounted to EUR 119 million, an increase of EUR 37 million from tax charges of EUR 82 million in 2019. The higher overall tax charge in 2020 was mainly driven by impairments of deferred tax assets on losses carried forward in France and the Netherlands. Additionally, the 2019 tax charge was positively impacted by 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.

Net Profit and Distribution of Dividend

The net profit for the year amounted to EUR 589 million, compared to a net profit of EUR 872 million in 2019. During 2020, Borealis distributed a dividend of EUR 300 million to its shareholders for 2019.

Financial Position

Total Assets/Capital Employed

At year end, total assets and capital employed stood at EUR 10,600 million and EUR 8,343 million, respectively, compared to EUR 10,118 million and EUR 8,110 million at the end of 2019.

The solvency ratio was 59% at year end 2020, compared to 63% at year end 2019. The gearing ratio increased to 29% at the end of 2020, compared to 24% in 2019.

Cash Flows and Liquidity Reserves

Cash flow from operating activities was EUR 1,083 million, driven by solid operating profitability. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,142 million at year end 2020, compared to EUR 1,191 million at year end 2019. Net interest-bearing debt increased to EUR 1,833 million at year end, up from EUR 1,569 million at the end of 2019. The table below shows the change in net interest-bearing debt.

EUR million	2020	2019
Change of net interest-bearing debt		
Cash flow from operating activities ¹⁾	1,083	872
Capital expenditure	-675	-471
Capital contributions to and financing of associated companies and joint ventures	-299	-85
Loans granted to third parties	0	-156
Dividends of associated companies and joint ventures	510	651
Acquisitions of subsidiaries net of cash	-603	0
Proceeds from sale of shares in joint ventures	0	22
Other (mainly relating to foreign exchange differences)	20	1
Dividend paid to equity holders of the parent and non-controlling interest	-300	-826
Additions lease liabilities	0	-250
Total change	-264	-242

1) 2019 amount has been restated due to reclassification.

Capital Expenditure

Investments in property, plant and equipment amounted to EUR 614 million in 2020, compared to EUR 376 million in 2019. A large portion of the total investment relates to the new, world-scale PDH plant in Kallo, Belgium, the upgrade and revamp of four cracker furnaces in Stenungsund, Sweden and the debottlenecking of a PP-plant in Kallo, Belgium. Health, Safety and Environment (HSE) capital expenditure amounted to EUR 37 million, compared to

EUR 43 million in 2019. Depreciation, amortisation and impairment amounted to EUR 464 million, compared to EUR 427 million in 2019. The increase was partially driven by the impairment of tangible assets in the Fertilizer business in Belgium and the Netherlands.

Shareholders' Equity

Shareholders' equity at year end 2020 was EUR 6,417 million.

EUR million	2020	2019
Equity development		
Net result attributable to the parent	594	873
Exchange and fair value adjustment (net)	-333	-22
Gross increase/decrease	261	851
Dividend paid	-300	-825
Reclassification of cash flow hedges to balance sheet	11	-2
Net increase/decrease	-28	24
Opening equity	6,445	6,421
Closing equity	6,417	6,445



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. Borealis distinguishes between different risk categories as outlined below. While this list is not exhaustive, it does exemplify the Company's risks.

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

Operational and tactical risks usually refer to unfavourable and unexpected short-term or mid-term developments and include all risks that may have a direct impact on the Group's daily business operations. All operational risks are assessed according to documented guidelines and procedures that are administered by the respective business functions. A 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 to portfolio level, enabling a common risk rating system for the whole of Operations.

HSE risks are assessed according to the procedures and framework described in the Borealis Risk-based Inspection Manual. The HSE Director is responsible for managing all HSE-related risks and 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 risks include financial, market, technical, legal, patent infringement, strategic, operational, country-related and political factors. The risk assessment also reflects the probability of project completion within the estimated time frame and forecasted resource requirements and the likelihood that key project objectives will be achieved. Project-related risks are managed by the project manager and reported to the Project Steering Committee.

Financial and market risks may refer to risks arising for instance from unexpected changes in market supply, demand, commodity prices, services or financing costs. Risks may also arise from liquidity, interest rates, foreign exchange rates, credit, commodity prices and insurance, the inability of a counterparty to meet a payment or delivery commitment and may for example extend to incorrect assumptions or the inappropriate application of a model. The assessment of financial risk management is described in detail in Note 18 of the consolidated financial statements. The Treasury & Funding Director and the General Counsel are responsible for reporting and coordinating the management of all financial risks.

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

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

The Executive Board periodically reviews the Group's key risks, defines the Group's risk tolerance levels, monitors the implementation of mitigation actions and reports the key risks and mitigation steps to the Supervisory Board. The Executive Board safeguards the integration of risk assessment in its strategic planning.

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

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

Company Ownership

On 29 October 2020, OMV announced the completion of the acquisition of an additional 39% stake in Borealis from Mubadala, thus increasing its share to 75%. Mubadala retains a 25% share in Borealis. The agreed purchase price for the 39% stake was USD 4.68 billion.

Changes to the Supervisory Board

Effective 21 February 2020, Khalifa Abdulla Khamis Alromaithi was appointed Supervisory Board member, succeeding Khalifa Al Suwaidi. Effective 29 October 2020, Reinhard Florey and Saeed Al Mazrouei were appointed Supervisory Board members, succeeding Suhail Mohamed Faraj Al Mazrouei and Khalifa Abdulla Khamis Alromaithi. In addition, effective 29 October 2020, Rainer Seele was appointed Chairman and Musabbeh Al Kaabi Vice-Chairman of the Supervisory Board.

Borealis Pulse Check 2020

In 2020, the first Borealis Pulse Check was carried out in the interim period between the Group's biannual People Survey. The outcome showed an increased employee engagement level by 7 percentage points compared to the People Survey held in 2019. Higher levels of engagement across all business groups, business units and locations were achieved. The Pulse Check confirms the resilience of Borealis employees in times of rapid and disruptive change.

Economic Development and Outlook

Outlook for 2021

In 2021, Borealis management will further increase company emphasis on safety – both occupational and process – in order to achieve the ultimate goal of zero incidents. Safety thus remains the number one priority for the Group: from top to bottom and across all global operations.

The rebuilding of the post-pandemic global economy will require innovative technologies and products that help make life safer and more sustainable. Thanks to the company's leading-edge portfolio of advanced and circular polyolefin solutions, Borealis management is confident that it can capitalise on the opportunities for growth during economic recovery. It will maintain its commitment to re-inventing for more sustainable living and by offering chemical and plastic solutions that create value for society.

On 4 February 2021, Borealis announced that it has started a process to divest its nitrogen business unit including fertilizer, technical nitrogen and melamine products. The company's share in fertilizer production sites in the Netherlands and Belgium ("Rosier") is presently not being considered within the potential sales process. Such a divestment would be subject to information and consultation requirements with employee representatives as may be required under applicable laws.

Other Information

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



		2020	2019	2018	2017	2016
Health, Safety & Environment ¹⁾						
Total Recordable Injuries	number/million work hours	1.7	1.6	1.3	1.1	0.9
EU ETS CO ₂ emissions	kilotonnes	4,050	4,625	4,302	4,210	4,600
Number of employees	full-time equivalents	6,920	6,869	6,834	6,619	6,494
Flaring performance	tonnes	42,543 ²⁾	27,619	26,273	51,620	38,740
Income and profitability						
Net sales	EUR million	6,818	8,103	8,337	7,564	7,218
Operating profit	EUR million	356	605	496	791	938
Operating profit as percentage of net sales	%	5	7	6	10	13
Net profit	EUR million	589	872	906	1,095	1,107
Return on capital employed, net after tax	%	8	11	13	15	16
Cash flow and investments						
Cash flow from operating activities ³⁾	EUR million	1,083	872	517	725	1,145
Investments in property, plant and equipment	EUR million	614	376	326	453	333
Cash and cash equivalents ³⁾	EUR million	83	83	50	207	741
Financial position						
Balance sheet total	EUR million	10,600	10,118	9,949	9,395	9,932
Net interest-bearing debt ³⁾	EUR million	1,833	1,569	1,327	812	672
Equity attributable to owners of the parent	EUR million	6,417	6,445	6,421	6,365	6,496
Gearing ³⁾	%	29	24	21	13	10

1) Environmental data might be subject to minor adjustments due to ongoing audits and missing third-party data at the time of closing of this report. // 2) Severe upsets led to significant emergency flaring during shut-downs; further there was a lack of recycling capacity. // 3) Amounts from 2016-2019 have been restated due to reclassification.

Definitions

Capital employed	Total assets less non-interest-bearing debt
Return on capital employed	Operating profit, profit and loss from sale of operations, net result of associated companies and joint ventures plus interest income, after imputed tax, divided by average capital employed
Solvency ratio	Total equity, less goodwill, divided by total assets
Gearing ratio	Interest-bearing debt, less cash and cash equivalents, divided by total equity
HSE	Health, Safety and Environment

Vienna, 19 February 2021

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 2020

	31.12.2020 EUR	31.12.2019 TEUR
Assets		
A. Fixed assets		
I. Intangible assets		
1. Rights and licenses	31,506,648.92	49,192
II. Tangible assets		
1. Furniture & office equipment	1,120,499.72	1,582
III. Financial assets		
1. Investments in affiliated companies	2,526,893,107.59	2,318,743
2. Loans to affiliated companies	63,246,475.43	37,500
thereof with residual maturity of more than one year EUR 48,246,475.43; 2019: TEUR 37,500		
3. Investments in associated companies	414,867,152.33	417,982
4. Loans to associated companies	750,346,721.38	257,070
thereof with residual maturity of more than one year EUR 749,215,851.36; 2019: TEUR 257,070		
5. Securities	3,506,441.65	3,499
	3,758,859,898.38	3,034,794
	3,791,487,047.02	3,085,569

	31.12.2020 EUR	31.12.2019 TEUR
Assets		
B. Current assets		
I. Inventories		
1. Raw materials and supplies	199,873,047.15	186,445
2. Finished goods and merchandise	490,649,737.25	627,602
3. Services not yet invoiced	0.00	4,088
	690,522,784.40	818,135
II. Receivables and other assets		
1. Trade receivables	516,559,328.08	558,752
thereof with residual maturity of more than one year EUR 0.00; 2019: TEUR 0		
2. Receivables from affiliated companies	1,044,934,182.51	733,593
thereof with residual maturity of more than one year EUR 354,993,864.00; 2019: TEUR 0		
3. Receivables from associated companies	81,411,350.32	126,579
thereof with residual maturity of more than one year EUR 7,346,685.42; 2019: TEUR 7,453		
4. Other receivables and other assets	165,293,196.27	263,476
thereof with residual maturity of more than one year EUR 0.00; 2019: TEUR 0		
	1,808,198,057.18	1,682,400
in total thereof with residual maturity of more than one year EUR 362,340,549.42; 2019: TEUR 7,453		
III. Cash and cash equivalents	34,669,569.71	22,411
	2,533,390,411.29	2,522,946
C. Prepaid expenses	10,868,322.78	11,187
D. Deferred tax assets	11,332,186.81	11,686
Total assets	6,347,077,967.90	5,631,387



	31.12.2020 EUR	31.12.2019 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; 2019: 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	1,804,095,693.13	977,247
thereof profit carried forward EUR 677,247,159.80; 2019: TEUR 512,374		
thereof interim dividend payments EUR 0.00; 2019: TEUR -300,000		
	3,445,813,563.13	2,618,965
B. Special item for investment grants for fixed assets	216,615.00	281
C. Provisions		
1. Provisions for pensions	24,052,758.13	23,346
2. Provisions for taxes	73,905,004.11	61,654
3. Other provisions	111,954,139.12	144,033
	209,911,901.36	229,033
D. Liabilities		
1. Bonds	300,000,000.00	300,000
thereof with residual maturity of up to one year EUR 0.00; 2019: TEUR 0		
thereof with residual maturity of more than one year EUR 300,000,000.00; 2019: TEUR 300,000		

	31.12.2020 EUR	31.12.2019 TEUR
Shareholders' Equity and Liabilities		
2. Bank loans and overdrafts	1,423,726,024.72	1,121,891
thereof with residual maturity of up to one year EUR 225,227,563.43; 2019: TEUR 208,212		
thereof with residual maturity of more than one year EUR 1,198,498,461.29; 2019: TEUR 913,679		
3. Prepayments received	0.00	6,720
thereof with residual maturity of up to one year EUR 0.00; 2019: TEUR 6,720		
thereof with residual maturity of more than one year EUR 0.00; 2019: TEUR 0		
4. Trade accounts payable	362,785,169.47	373,136
thereof with residual maturity of up to one year EUR 362,785,169.47; 2019: TEUR 373,136		
thereof with residual maturity of more than one year EUR 0.00; 2019: TEUR 0		
5. Accounts payable to affiliated companies	489,769,255.03	885,921
thereof with residual maturity of up to one year EUR 489,769,255.03; 2019: TEUR 885,921		
thereof with residual maturity of more than one year EUR 0.00; 2019: TEUR 0		
6. Accounts payable to associated companies	66,080,470.45	52,841
thereof with residual maturity of up to one year EUR 66,080,470.45; 2019: TEUR 52,841		
thereof with residual maturity of more than one year EUR 0.00; 2019: TEUR 0		
7. Other liabilities	48,774,968.74	42,599
thereof taxes: EUR 5,524,709.25; 2019: TEUR 6,889		
thereof social security: EUR 2,275.40; 2019: TEUR 2		
thereof with residual maturity of up to one year EUR 48,774,968.74; 2019: TEUR 42,599		
thereof with residual maturity of more than one year EUR 0.00; 2019: TEUR 0		
	2,691,135,888.41	2,783,107
in total thereof with residual maturity of up to one year EUR 1,192,637,427.12; 2019: TEUR 1,571,311		
in total thereof with residual maturity of more than one year EUR 1,498,498,461.29; 2019: TEUR 1,213,678		
Total equity and liabilities	6,347,077,967.90	5,631,387



Income Statement for the Year 2020

	2020 EUR	2019 TEUR
1. Sales	5,408,980,210.80	6,583,073
2. Increase or decrease in finished goods and services not yet invoiced	-141,039,905.96	-36,225
3. Other operating income		
a) Other income	185,207,682.77	82,578
4. Cost of materials and purchased services		
a) Cost of materials	-3,389,266,059.22	-4,302,612
b) Cost of purchased services	-1,154,052,870.43	-1,226,573
	-4,543,318,929.65	-5,529,185
5. Personnel expenses		
a) Salaries	-39,127,168.92	-48,984
b) Social contributions	-15,191,781.89	-16,810
thereof pension fund contributions EUR 3,242,926.86; 2019: TEUR 6,988		
aa) thereof expense for severance payments and corporate staff and self-employment fund contributions EUR 1,109,851.07; 2019: TEUR 695		
bb) thereof expense for statutory social security and payroll related taxes and contributions EUR 7,773,835.83; 2019: TEUR 7,081		
	-54,318,950.81	-65,793
6. Amortisation and depreciation of intangible and tangible assets	-2,300,115.13	-2,241
7. Other operating expenses		
a) Taxes, other than those reported in line item 17	-137,013.33	-1,549
b) Other expenses	-500,097,107.06	-874,589
	-500,234,120.39	-876,138
8. Subtotal of line 1 to 7	352,975,871.63	156,068

	2020 EUR	2019 TEUR
9. Income from investments	941,888,646.57	707,364
thereof affiliated companies EUR 452,621,774.70; 2019: TEUR 56,260		
10. Interest income from long-term loans	21,800,617.09	9,300
thereof affiliated companies EUR 393,074.59; 2019: TEUR 606		
11. Other interest and similar income	38,087,905.58	19,937
thereof affiliated companies EUR 14,668,746.42; 2019: TEUR 13,275		
12. Gains on reversal of previously recognised impairment losses on financial assets	6,047,470.42	14
13. Expenses arising from financial assets	-7,052,752.18	-3,840
thereof affiliated companies EUR 7,052,752.18; 2019: TEUR 3,840		
Depreciation EUR 7,052,752.18; 2019: TEUR 3,840		
14. Interest and similar expenses	-164,788,183.42	-95,782
thereof affiliated companies EUR 12,669,794.54; 2019: TEUR 6,598		
15. Subtotal of line 9 to 14	835,983,704.06	636,992
16. Income before Tax (subtotal of line 8 and 14)	1,188,959,575.69	793,061
17. Taxes on income	-62,111,042.36	-28,187
thereof income from deferred tax assets EUR 353,650.68; 2019: TEUR 686		
18. Income after Tax	1,126,848,533.33	764,873
19. Net income for the year	1,126,848,533.33	764,873
20. Profit carried forward from previous years	677,247,159.80	512,374
21. Interim dividends	0.00	-300,000
22. Retained earnings	1,804,095,693.13	977,247



Notes

I. Accounting and Valuation Policies

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

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

Prevailing accounting and valuation principles have been maintained.

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

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

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

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

Acquisition/production costs are stipulated following the first-in, first-out (FIFO) method.

Production costs comprise:

- prime costs
- special production costs
- variable factory overheads

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

According to Position Paper No. 27 dated December 2019 of the Austrian Financial Reporting and Auditing Committee (AFRAC) “Accruals for pensions and severance payments, provisions for 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 2018-P”. Additionally, the earliest date possible for retirement age according to Austrian social insurance legislation is adopted for the calculation. The discount rate used is 0.79% (2019: 1.00%). The discount rate is determined by reference to market rates on the balance sheet date at which high quality corporates are able to borrow capital for the average residual term of the liability. No staff fluctuation deduction is considered. Additionally, an average increase in pension payments of 2.75% is considered. The interest expenses relating to provisions for pensions along with effects on changes in discount rates are recorded under the corresponding personnel expense.

Provisions for anniversary bonuses are calculated in accordance with IFRS (IAS 19) using a discount rate of 0.86% (2019: 1.00%). The discount rate is determined by reference to market rates on the balance sheet date. Additionally, a fluctuation deduction of 2.0% as well as an average wage and salary increase of 2.75% are used for the calculations.

At year end, all risks recognisable in the light of sound commercial judgement and contingent liabilities are provided for, including provisions for impending losses from negative fair values of derivative instruments. Provisions with a residual term of more than one year are discounted using customary market rates.

Liabilities are reported at settlement amount.

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

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

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

Derivative financial instruments are reported at the lower of acquisition cost or the fair value on the balance sheet date. Provisions for impending losses from unclosed transactions are measured following the imparity principle. 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. Predominantly, pending transactions and future cash flows are hedged.

The prerequisites for the formation of valuation units are individual risk compensation, matching interest rate maturities and currencies, matching credit ratings and matching maturities. Hedging cash flows requires the hedge to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk (risks of transactions being matched by counter-risks of derivatives) during the period for which the hedge is designated.

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

Hedge accounting requires designated derivatives to form a valuation unit with the hedged transactions or items. 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 affiliated companies signed toll manufacturing contracts with Borealis AG:

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

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



II. Notes to the Balance Sheet

Assets

1. Fixed Assets

Development of fixed assets:

EUR	Acquisition Cost				Balance as of 31 December 2020
	Balance as of 1 January 2020	Additions	Disposals	Reclassification	
Intangible assets					
Rights and licenses	99,220,497.96	0.00	-15,977,647.72	0.00	83,242,850.24
	99,220,497.96	0.00	-15,977,647.72	0.00	83,242,850.24
Tangible assets					
Furniture & office equipment	5,159,279.66	124,183.79	-252,862.79	0.00	5,030,600.66
Construction in progress	0.00	6,477.41	0.00	0.00	6,477.41
	5,159,279.66	130,661.20	-252,862.79	0.00	5,037,078.07
Financial assets					
Investments in affiliated companies	3,005,048,780.02	291,701,318.57	-89,591,409.37	7,052,752.18	3,214,211,441.40
Loans to affiliated companies	37,500,000.00	45,956,863.80	-15,000,000.00	0.00	68,456,863.80
Investments in associated companies	417,981,902.49	3,938,002.02	0.00	-7,052,752.18	414,867,152.33
Loans to associated companies	257,070,202.19	493,276,519.19	0.00	0.00	750,346,721.38
Securities	3,583,858.65	0.00	0.00	0.00	3,583,858.65
	3,721,184,743.35	834,872,703.58	-104,591,409.37	0.00	4,451,466,037.56
Total fixed assets	3,825,564,520.97	835,003,364.78	-120,821,919.88	0.00	4,539,745,965.87

Accumulated Amortisation/Depreciation				Carrying Value		
Balance as of 1 January 2020	Additions	Disposals	Write-up	Balance as of 31 December 2020	Balance as of 31 December 2019	Balance as of 31 December 2020
-50,028,228.98	-1,707,972.34	0.00	0.00	-51,736,201.32	49,192,268.98	31,506,648.92
-50,028,228.98	-1,707,972.34	0.00	0.00	-51,736,201.32	49,192,268.98	31,506,648.92
-3,577,298.35	-592,142.79	252,862.79	0.00	-3,916,578.35	1,581,981.31	1,114,022.31
0.00	0.00	0.00	0.00	0.00	0.00	6,477.41
-3,577,298.35	-592,142.79	252,862.79	0.00	-3,916,578.35	1,581,981.31	1,120,499.72
-686,305,676.00	-7,052,752.18	0.00	6,040,094.37	-687,318,333.81	2,318,743,104.02	2,526,893,107.59
0.00	-5,210,388.37	0.00	0.00	-5,210,388.37	37,500,000.00	63,246,475.43
0.00	0.00	0.00	0.00	0.00	417,981,902.49	414,867,152.33
0.00	0.00	0.00	0.00	0.00	257,070,202.19	750,346,721.38
-84,793.05	0.00	0.00	7,376.05	-77,417.00	3,499,065.60	3,506,441.65
-686,390,469.05	-12,263,140.55	0.00	6,047,470.42	-692,606,139.18	3,034,794,274.30	3,758,859,898.38
-739,995,996.38	-14,563,255.68	252,862.79	6,047,470.42	-748,258,918.85	3,085,568,524.59	3,791,487,047.02



Intangible Assets

Intangible assets purchased from affiliated companies amount to acquisition costs of EUR 31,802,173.36 (2019: TEUR 31,802). Amortisation/Depreciation is calculated on a straight-line basis over expected useful lives of three to nineteen years.

In the 2020 financial year, no impairment losses on intangible assets have been recognised (2019: 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	98.00	23	6
Borealis Asia Ltd, Hong Kong, Hong Kong	100.00	527	104
Borealis Brasil S.A., Itatiba, Brazil	80.00	19,750	864
Borealis Chemicals ZA Proprietary Limited, Germiston, South Africa	100.00	78	15
Borealis Chile SpA, Santiago, Chile	100.00	-8	50
Borealis Chimie S.A.R.L., Casablanca, Morocco	100.00	217	25
Borealis Colombia S.A.S., Bogotá, Colombia	100.00	112	20
Borealis Denmark ApS, Copenhagen, Denmark	100.00	59	36
Borealis Digital Studio BV, Zaventem, Belgium	90.00	194	134
Borealis Financial Services N.V., Mechelen, Belgium	99.99	184,466	513
Borealis France S.A.S., Courbevoie, France	100.00	395,015	6,270
Borealis Insurance A/S, Copenhagen, Denmark	100.00	57,595	-20,525
Borealis L.A.T Italia s.r.l., Milan, Italy	100.00	10	0
Borealis Italia S.p.A., Monza, Italy	100.00	17,879	944
Borealis México, S.A. de C.V., Mexico City, Mexico	100.00	551	0
Borealis Plásticos S.A. de C.V., Mexico City, Mexico	99.99	21	4
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Şirketi, Istanbul, Turkey	100.00	383	184
Borealis Plastomers B.V., Geleen, Netherlands	100.00	-1,845	2,478
Borealis Poliolefinas da América do Sul Ltda, Campinas, Brazil	99.99	954	291
Borealis Polska Sp. z o.o., Warsaw, Poland	100.00	282	88

	Investment in %	Proportional equity IFRS TEUR	Proportional net profit IFRS TEUR
Investments in affiliated companies			
Borealis Polymere GmbH, Burghausen, Germany	100.00	78,852	2,895
Borealis Polymers N.V., Beringen, Belgium	99.99	230,143	3,802
Borealis Polymers Oy, Porvoo, Finland	100.00	372,093	7,940
Borealis Química España S.A., Barcelona, Spain	100.00	330	121
Borealis RUS LLC, Moscow, Russia	100.00	772	125
Borealis s.r.o., Prague, Czech Republic	100.00	165	35
Borealis Sverige AB, Stenungsund, Sweden	100.00	298,936	3
Borealis Technology Oy, Porvoo, Finland	100.00	29	29
Borealis UK Ltd, Manchester, United Kingdom	100.00	158	87
Borealis USA Inc., Delaware, US	100.00	500,978	-2,593
DYM Solution Co., Ltd., Cheonan, South Korea	90.52	25,855	-618
FEBORAN EOOD, Sofia, Bulgaria	100.00	20,517	1,012
mtm compact GmbH, Niedergebra, Germany	100.00	1,241	-306
mtm plastics GmbH, Niedergebra, Germany	100.00	7,144	548
Rosier S.A., Moustier, Belgium	77.47	4,233	-19,929
Silleno Limited Liability Partnership, Nur-Sultan, Kazakhstan	50.10	2,540	30

	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	100.00	124,064	17,125
Borealis L.A.T GmbH, Linz, Austria	100.00	73,086	465
Borealis Polyolefine GmbH, Schwechat, Austria	99.99	148,579	17,002
Ecoplast Kunststoffrecycling GmbH, Wildon, Austria	100.00	-518	-2,625



	Investment in %	Proportional equity IFRS TEUR	Proportional net profit IFRS TEUR
Investments in associated companies			
Abu Dhabi Polymers Company Ltd., Abu Dhabi, UAE	40.00	2,856,648	337,168
Borouge Pte. Ltd., Singapore, Singapore	50.00	86,407	24,645
Kilpilahden Voimalaitos Oy, Espoo, Finland	20.00	1,222	-2,558

The investment in Borealis Compounds Inc., Rockport, US, has been incorporated in Borealis USA Inc., Delaware, US, in 2020.

Loans to affiliated companies totalling EUR 63,246,475.43 (2019: TEUR 37,500) will mature within one year, in the amount of EUR 15,000,000.00 (2019: TEUR 0), and in more than five years, in the amount of EUR 40,746,475.43 (2019: 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 7,376.05 (2019: TEUR 14) was recognised for securities.

Loans to associated companies totalling EUR 750,346,721.38 (2019: TEUR 257,070) will mature within one year, in the amount of EUR 0.00 (2019: TEUR 0), and in more than five years, in the amount of EUR 548,361,392.16 (2019: TEUR 251,143). Loans to Bayport Polymers LLC, US, total EUR 733,699,177.65 (2019: TEUR 242,160).

2. Inventories

	2020 EUR	2019 TEUR
Raw materials and supplies	199,873,047.15	186,445
Finished goods and merchandise	490,649,737.25	627,602
Services not yet invoiced	0.00	4,088
Total	690,522,784.40	818,135

3. Receivables and Other Assets

Trade receivables comprise purchased CO₂ emission allowances amounting to EUR 116,176,571.05 (2019: TEUR 117,299) and are stated at acquisition cost.

Receivables from affiliated companies totalling EUR 1,044,934,182.51 (2019: TEUR 733,593) are broken down into trade receivables of EUR 29,955,569.79 (2019: TEUR 38,708) and other receivables of EUR 1,014,978,612.72 (2019: TEUR 694,886).

Receivables from associated companies of EUR 81,411,350.32 (2019: TEUR 126,579) are exclusively trade receivables.

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

4. Deferred Tax Assets

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

TEUR	Fixed Assets	Current Assets	Unused tax losses carried forward	Provisions	Total
Deferred tax assets as of 1 January 2020	0	7,175	0	4,511	11,686
Recognised through profit and loss in 2020	1,511	-1,727	0	-138	-354
Deferred tax assets as of 31 December 2020	1,511	5,448	0	4,373	11,332

Deferred tax assets are measured at a tax rate of 25%. Deferred tax assets solely comprise deductible temporary differences. Deferred taxes include long-term temporary differences totalling EUR 21,651,476.97 (2019: TEUR 16,875).

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 Downstream GmbH amounting to EUR 643,990,000.00.

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

Furthermore, due to an agreement of a contribution in kind between Borealis AG, Vienna, International Petroleum Investment Company, Abu Dhabi, and OMV Aktiengesellschaft, Vienna, regarding AMI Agrolinz Melamine International GmbH, Linz, an amount of EUR 101,604,460.00 was allocated to appropriated capital reserves.

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

Retained Earnings

Borealis AG intends to pay a dividend of EUR 150,000,000.00 (2019: TEUR 300,000) and to carry forward the remaining profit to a new account.

2. Special Item for Investment Grants for Fixed Assets

The special item for investment grants for fixed assets comprises subsidies granted to the company in connection with investments in furniture & office equipment amounting to EUR 216,615.00 as at 31 December 2020 (2019: TEUR 281). The investment grant is released over a ten-year term and amounted to EUR 64,420.00 (2019: TEUR 94) for the 2020 financial year.



3. Other Provisions

	2020 EUR	2019 TEUR
Provisions for customer rebates and bonuses	37,456,192.93	37,424
Provisions for long-term incentive plan	4,768,863.25	14,313
Provisions for impending losses from uncompleted transactions	4,361,120.08	8,935
Provisions for outstanding invoices	16,694,166.22	31,983
Provisions for employee bonuses	5,816,012.42	7,948
Provisions for holidays not yet taken	4,698,916.72	4,079
Provisions for accrued interest	7,029,650.66	8,144
Provisions for anniversary bonuses	1,560,194.39	1,410
Provisions for social fund	17,680,150.88	19,227
Other provisions	11,888,871.57	10,572
Total	111,954,139.12	144,033

4. Liabilities

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

EUR	2020	
	Carrying value as of 31.12.2020	thereof maturity > five years
Bonds	300,000,000.00	0
Bank loans and overdrafts	1,423,726,024.72	392,037,801.08
Trade accounts payable	362,785,169.47	0
Accounts payable to affiliated companies	489,769,255.03	0
Accounts payable to associated companies	66,080,470.45	0
Other liabilities	48,774,968.74	0
Total	2,691,135,888.41	392,037,801.08

EUR	2019	
	Carrying value as of 31.12.2019	thereof 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

Accounts payable to affiliated companies totalling EUR 489,769,255.03 (2019: TEUR 885,921) consist of financial payables of EUR 227,741,971.21 (2019: TEUR 592,431) and trade payables of EUR 262,027,283.82 (2019: TEUR 293,490).

In December 2018, Borealis AG issued an inaugural rated corporate seven-year bond with a nominal value of TEUR 300,000 and a fixed interest rate of 1.750%. This bond is listed on the Second Regulated Market of the Vienna Stock Exchange.

Accounts payable to associated companies amounting to EUR 66,080,470.45 (2019: TEUR 52,841) are exclusively trade payables.

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

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

TEUR	2020	
	Expenses for the next financial year	Expenses for the next five financial years
Obligations from lease agreements	19,422	50,714
Obligations from rental agreements	2,592	2,501
Total	22,014	53,215



6. Notes to Financial Instruments

According to the financial policy of the Borealis Group, inter alia, derivative instruments are designated to hedge relationships in order to reduce the risks of operating, finance and investment activities, i.e. risks of foreign exchange rates, interest rates and commodity prices. Therefore, Borealis AG uses 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 in conjunction with short-term cash flows are hedged and

limits for long-term foreign exchange exposures are set. The majority of borrowings are based on variable interest rates, which are transformed into fixed interest rates using interest rate swaps. Part of the forecast feedstock purchases and finished goods sales is hedged by feedstock swaps. Commodity price risks are managed by feedstock traders and monitored by Trade Support and Risk Management. Forecast energy purchases are hedged using electricity and natural gas swaps.

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

Derivatives	2020					
	Nominal Value		Fair Value TEUR		Carrying Value TEUR	Balance Sheet Item
		Unit	Positive	Negative		
Forward Exchange Transactions	195,000	TUSD	7,470	-702	-	
	1,487,000	TSEK	5,244	-	-	
thereof valuation unit	195,000	TUSD	7,470	-702	-	
with hedged transaction	1,487,000	TSEK	5,244	-	-	
Interest Rate Swaps	23,077	TEUR	-	-259	-	
	110,000	TUSD	-	-3,667	-	
thereof valuation unit	23,077	TEUR	-	-259	-	
with hedged transaction	110,000	TUSD	-	-3,667	-	
Foreign Exchange Derivative Contracts	30,000	TGBP	-	-2,930	-2,930	Other Provisions
	5,000,000	TJPY	327	-	-	
thereof valuation unit	30,000	TGBP	-	-	-	
with hedged transaction	5,000,000	TJPY	-	-	-	
Commodity Futures	541,746	kt	11,688	-37,789	-1,431	Other Provisions
	7,906	GWh	27,311	-21,512	-	
thereof valuation unit	462,583	kt	11,279	-36,358	-	
with hedged transaction	7,906	GWh	27,311	-21,512	-	

Derivatives	2019					Balance Sheet Item
	Nominal Value	Unit	Fair Value TEUR		Carrying Value TEUR	
			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	-	

The fair value of forward exchange contracts corresponds to the quoted market price on the balance sheet date, i.e. the present value of the quoted forward price. The fair value of interest rate swaps corresponds to the calculated amount the Group would receive or pay in case of closing of the position on the 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 4,361 (2019: TEUR 8,935) as at the balance sheet date.

Forward exchange transactions mature at an average of six months, where all contracts existing as at the balance sheet date mature by the end of the year 2021 at the latest. As at the balance sheet date, Borealis AG had outstanding interest rate derivatives with maturities until 2024 as well as foreign exchange derivative contracts maturing in 2024.

As at the 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 no later than 2023.

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

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



Hedge effectiveness of all existing hedges is assessed prospectively using the critical-term-match method. The retrospective assessment uses the cumulative dollar-off-set-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%. As at the balance sheet date, all derivatives designated as hedging instruments are classified as highly effective.

7. Contingent Liabilities

Borealis AG assumed guarantees amounting to EUR 26,762,409.00 (2019: TEUR 28,645) for external loans and liabilities to affiliated companies.

III. Notes to the Income Statement

A. Sales and Cost of Materials

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

TEUR	Sales by Market and Business Areas 2020			
	Polyolefins	Base Chemicals	Other	Total
EU countries	3,056,452	638,440	130,596	3,825,488
Non-EU countries	606,466	158,852	0	765,318
Total Europe	3,662,918	797,292	130,596	4,590,806
North America	116,481	1,312	1,397	119,190
South America	99,371	0	0	99,371
Middle East (excl. UAE)	37,672	0	0	37,672
United Arab Emirates	7,172	4,126	135,649	146,946
Asia	281,062	16,119	0	297,181
Australia, New Zealand	2,525	0	0	2,525
Africa	115,289	0	0	115,289
Total	4,322,489	818,849	267,642	5,408,980

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

B. Other Operating Income

In the 2020 financial year, insurance compensation for the business interruption of Borealis AB, Sweden, in the amount of EUR 79,662,714.00 (2019: TEUR 0) is included in the remaining other operating income.

C. Personnel Expenses

In the 2020 financial year, the average number of employees was 262 (2019: 263). Exclusively white-collar workers are employed.

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

	2020 EUR	2019 TEUR
Management Board	581,487.32	546
Managerial employees	1,260,132.67	1,025
Other employees	1,458,389.53	1,305
Total	3,300,009.52	2,876



Voluntary severance payments amounted to EUR 445,830.29 (2019: TEUR 51) and are broken down as follows:

	2020 EUR	2019 TEUR
Management Board	0.00	0
Managerial employees	224,063.51	0
Other employees	221,766.78	51
Total	445,830.29	51

D. Other Operating Expenses

	2020 EUR	2019 TEUR
Freight	246,395,599.27	268,374
Consulting services	25,171,135.71	44,748
Storage	24,032,510.21	27,412
Royalties	22,823,209.61	330,346
Insurance	17,280,066.86	14,633
Commission	13,335,411.45	14,623
Rents	4,116,793.12	3,649
Trainings, seminars	1,647,723.60	3,307
Travel expense	764,381.67	3,192
Sundry	144,530,275.56	164,305
Total	500,097,107.06	874,589

E. Audit Expenses

	2020 EUR	2019 TEUR
Audits of statutory national and consolidated financial statements	332,000.00	274
Other assurance services	276,139.00	180
Other services	0.00	0
Total	608,139.00	454

F. Financial Result

The financial result is broken down as follows:

	2020 EUR	2019 TEUR
Income from investments		
Abu Dhabi Polymers Company Ltd., VAE	473,683,612.75	639,959
Borealis Technology Oy, Finland	293,544,864.88	0
Borealis Polymers Oy, Finland	92,930,727.51	0
Borealis Agrolinz Melamine GmbH, Austria	44,000,000.00	35,000
Borealis Polyolefine GmbH, Austria	19,999,968.93	18,000
Borouge Pte. Ltd., Singapore	15,583,259.12	11,145
Borealis Brasil S.A., Brazil	1,077,021.00	2,639
Borealis Química España S.A., Spain	500,000.00	0
Borealis UK Ltd, United Kingdom	440,868.51	0
Borealis Colombia S.A.S., Colombia	53,120.26	0
Borealis Plastik ve Kimyasal Maddeler Ticaret Limited Şirketi, Turkey	40,628.92	0
Borealis s.r.o., Czech Republic	34,574.68	21
Borealis Italia S.p.A., Italy	0.00	600
	941,888,646.57	707,364
Interest income from loans to affiliated and associated companies		
Borealis Polyolefine GmbH, Austria	393,074.59	606
Kilpilahden Voimalaitos Oy, Finland	1,037,343.59	675
Novealis Holdings LLC, US	20,370,198.91	8,020
	21,800,617.09	9,300



	2020 EUR	2019 TEUR
Other interest and similar income		
Interest and other income from interest rate swaps and FX-hedges	20,328,619.90	4,897
Interest income from intercompany financing	14,668,746.42	13,275
Other	3,090,539.26	1,765
	38,087,905.58	19,937
Gains on reversal of previously recognised impairment losses on financial assets		
Gains on securities held as fixed assets	7,376.05	14
Gains on shares in Borealis Technology Oy, Finland	6,040,094.37	0
	6,047,470.42	14
Expenses arising from financial assets		
Impairment of Silleno Limited Liability Partnership, Kazakhstan	7,052,752.18	0
Impairment of FEBORAN EOOD, Bulgaria	0.00	3,840
	7,052,752.18	3,840
Interest and similar expenses		
Interest expenses from intercompany financing	9,206,499.54	6,598
Interest and similar expenses arising from interest rate swaps and FX-hedges	1,652,228.19	0
Result from foreign exchange translations	109,935,876.37	42,732
Interest charged by banks	35,184,728.36	34,672
Interest expenses in the context of forfaiting	2,549,332.91	2,464
Other	6,259,518.05	9,318
	164,788,183.42	95,782
Financial result	835,983,704.06	636,992

The investment in Silleno Limited Liability Partnership, Kazakhstan, has been impaired in 2020 by EUR 7,052,752.18 (2019: TEUR 0). The book value amounts to EUR 0 as of 31 December 2020. Borealis AG took a decision to not further pursue the development of an integrated cracker and polyethylene project in the Republic of Kazakhstan. The decision to discontinue this project is based on a thorough assessment of all aspects of the prospective venture and impacted by the effects of the COVID-19 pandemic as well as the increased uncertainty of future market assumptions.

G. Taxes on Income

Since 2008, the company has been the parent in a tax group in line with Section 9 of the Austrian Corporate Income Tax Act (KStG). Group members are Borealis Polyolefine GmbH, Borealis Agrolinz Melamine GmbH, Borealis L.A.T GmbH and Ecoplast Kunststoffrecycling GmbH.

According to the group tax agreement, 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 59,127,513.35 (2019: TEUR 61,654) have been recognised in connection with notional accumulated losses brought forward from Borealis Polyolefine GmbH amounting to EUR 119,793,934.18 (2019: TEUR 138,908), from Borealis L.A.T GmbH amounting to EUR 119,280,920.25 (2019: TEUR 119,973) and from

Ecoplast Kunststoffrecycling GmbH amounting to EUR 3,928,507.56 (2019: TEUR 0), since the existing losses carried forward had already been used.

H. Significant Events After the Balance Sheet Date

On 4 February 2021 Borealis announced that they have started a process to divest its nitrogen business unit including fertilizer, technical nitrogen and melamine products. The company's share in fertilizer production sites in the Netherlands and Belgium ("Rosier") is presently not being considered within the potential sales process. Such a divestment would be subject to information and consultation requirements with employee representatives as may be required under applicable laws.

IV. Other Information

The total remuneration received by Management Board members amounted to TEUR 7,331 (2019: TEUR 9,870):

- Active Board members: TEUR 7,331 (2019: TEUR 7,011)
- Former Board members: TEUR 0 (2019: TEUR 2,859)

along with additional payments into pension funds amounting to TEUR 470 (2019: TEUR 445).

Active members of the Supervisory Board received a remuneration totalling TEUR 831 (2019: 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 Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU and as applicable to the financial year. The consolidated financial statements are filed under No. 269858a in the Commercial Register in Vienna.

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



Executive Board

Alfred Stern (Chairman), Mark Tonkens,
Martijn Arjen van Koten, Philippe Roodhooft,
Lucrèce De Ridder

Supervisory Board

Suhail Mohamed Faraj Al Mazrouei (Chairman until 29 October 2020), Rainer Seele (Chairman since 29 October 2020, Vice Chairman until 29 October 2020), Musabbeh Al Kaabi (Vice Chairman since 29 October 2020, Member until 29 October 2020), Khalifa Al Suwaidi (Member until 21 February 2020), Khalifa Abdulla Khamis Alromaithi (Member from 21 February 2020 to 29 October 2020), Reinhard Florey (Member since 29 October 2020), Thomas Gangl, Saeed Al Mazrouei (Member since 29 October 2020)

Vienna, 19 February 2021

Executive Board:

Alfred Stern
Chief Executive

Mark Tonkens
Chief Financial Officer

Martijn Arjen van Koten

Philippe Roodhooft

Lucrèce De Ridder

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

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

and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 19 February 2021

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

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Graphic Design: Martina Veratschnig
Photography: Borealis AG archive, Daniela Beranek
Published in March 2021
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