
Borealis

Interim Consolidated

Financial Statements

as of 30 June 2018



Keep Discovering

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About Borealis

Our Business

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

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

Borealis keeps discovering new applications and material solutions that address global challenges in the areas of climate, energy, food, health, water and sanitation, waste, and the mechanical recycling of polyolefins. As a reliable partner, Borealis creates ever more value for its customers and partners by developing new approaches, technologies and 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 that make end products safer, lighter, more affordable and more sustainable.

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

Industries Served

Automotive

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

Proprietary Borealis technologies are lighter weight replacement solutions for conventional materials like metal, rubber and engineering polymers. Borealis material solutions help facilitate lightweight construction and thus play an important role in reducing carbon emissions. For instance, over the lifespan of an automotive application like a bumper, eight kilogrammes (kg) of carbon emissions can be avoided by using one kg of polypropylene (PP) compounds.

Borealis grades with post-consumer recycled (PCR) plastics content meet growing industry and end-user demand for high quality materials that make better use of the planet's resources. By combining PCR and virgin material to produce high-end grades of consistent quality, fewer resources are used and less waste is generated over the lifetime of the product.

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

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 include extra high, high, and medium voltage solutions for energy transmission, and low voltage solutions for energy distribution cable applications.

Safer wires and cables for the solar, automotive, and construction industries are made possible by unique Borealis polymer manufacturing technologies. Borealis also has a proven track record of innovation in the area of flame retardant cables for these industries.

Borealis offers a comprehensive range of communications cables solutions for advanced data, copper multipair, fibre optic, and coaxial cables, all of which enhance the efficiency of data and communication networks.

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

Polyolefins Industries



Automotive



Energy



Pipes & Fittings

Segments served



Consumer Products



Healthcare



Polymer Solutions



Circular Economy Solutions

Fig. 1: Industries served by Borealis' polyolefins applications

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

Borealis has recently expanded the scope of its endeavours in the energy sector. With the launch of the new flagship solar brand Quentys™ in 2017, Borealis began to revolutionise the global solar industry. Pioneering new products based on Quentys are making solar energy more effective and affordable. For example, the ICOSOLAR® CPO 3G, a co-extruded PP solar backsheets, boosts photovoltaic (PV) module output and reduces output decay. Borealis Polyolefin (BPO) encapsulant films improve the operational reliability of PV modules throughout product lifetime. This results in better cost efficiency and thus greater viability for solar power.

Pipes & Fittings

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

By offering more durable and reliable pipes, Borealis' step change innovations continue to boost the sustainability of pipe networks by making them safer and more efficient. These improved networks also help eliminate wastage and loss whilst at the same time offering energy savings. Water and sanitation systems can be made more efficient and reliable by using proprietary Borealis materials. For example, when compared to conventional materials, modern polyethylene (PE) systems reduce water losses by a factor of eight. Trenchless technology reduces installation costs by up to 60%.

Innovation



Borealis Innovation Headquarters in Linz, Austria



The Value Creation through Innovation strategy sets Borealis apart from other companies in the industry. This is because the Borealis strategy does not focus on any one product or solution, but on the polyolefins value chain in its entirety. Together with Borouge, Borealis does more than offer products. It examines the entire life cycle of a product from start to finish: how it can be created, processed, deployed, and ultimately recovered or recycled.

At Borealis, the Visioneering Philosophy™ describes this drive towards Value Creation through Innovation. The Visioneering Philosophy is about pushing the boundaries of science to develop customer solutions with exceptional performance. This means understanding what the customer wants and leveraging the right competencies, tools and expertise to develop the best solution with a specific service level. True to this mission, Borealis works to address the challenges of society with smarter, more sustainable solutions for the future.

Over 500 employees are active members of the global Borealis innovation community. Borealis invests approximately 1.6% of

its gross turnover in innovation R&D, for example in the development of catalysts, processes and products. This exceeds the industry norm.

Borealis has an extensive patent portfolio comprising around 1,600 patent families. On average, Borealis registers roughly 100 different patents each year which safeguard Borealis' proprietary technologies. These include the Borstar® technology, the Sirius catalyst technology, and the Borealis product portfolio of high-quality plastics developed in house. In 2017, Borealis filed 106 priority patent applications.

The beating heart of innovation at Borealis is best felt at its Innovation Headquarters (IHQ) in Linz, Austria, or at one of the two Innovation Centres in Stenungsund, Sweden, and Porvoo, Finland. While each facility engages in independent yet coordinated efforts, what all have in common is the shared pursuit of innovative solutions that provide added value for customers and end users.

At the IHQ Linz research facilities, the main R&D focus lies on polymer design

and compound research for polymer applications in the energy, automotive, advanced packaging and healthcare industries. Another important focus is the surface aesthetics of plastics. The "Driving Tomorrow" initiative aims to reduce overall fuel consumption thanks to the use of lighter weight components in vehicles. The Borealis Sirius catalyst plant is also located in Linz. In the Innovation Centre in Sweden, the focus is on polymer design, scientific services and R&D in the area of energy and infrastructure industry solutions.

With catalyst scale-up facilities and fully integrated Borstar® PE and PP pilot plant lines, the Borealis Innovation Centre in Finland is the site of advanced catalyst and process research, collaborating closely with both Finnish and international universities and research institutes.

The Borouge Innovation Centre in Abu Dhabi cooperates closely with Borealis' European Innovation Centres to explore enhanced infrastructure, automotive and advanced packaging application solutions.

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

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

Consumer Products

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

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

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

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

Healthcare

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

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

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

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

Polymer Solutions

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

Technology and Product Innovations



Anteo™: the new ingredient for complete success

Its simultaneous launch in October 2017 at three different locations across the globe generated buzz in the industry: Anteo™, the new flagship brand enabled by the proprietary Borstar® Bimodal Terpolymer Technology. The excitement surrounding this new family of linear low-density polyethylene (LLDPE) packaging grades for the global packaging market is grounded in its ability to offer exceptional flexibility when it comes to polymer design, and unique PE resins with superior processability. Other high performance-related attributes include stiffness, toughness, purity, outstanding sealability, and appealing optics.

For more information, please visit:
www.borealisgroup.com/anteo



Smart fertilization creates value for farmers

Now being rapidly adopted across the globe, smart farming technologies increase crop yields whilst ensuring optimal fertilizer application. This not only reduces fertilizer costs to farmers, but also helps avoid over-fertilization and excess run-off from fields. One way in which Borealis L.A.T promotes smart farming is with the N-Pilot®, a diagnostic tool for nitrogen management which has now been launched in many European countries. Using such smart tools in tandem with high-quality fertilizer helps implement the so-called “4Rs” in practice: the right product, right dose, right time, and right place.

The Borealis L.A.T collaboration with the Francisco Josephinum, an agricultural school and research institution in Wieselburg, Austria, includes field trials, precision agriculture and technology development.



Quentys™: empowering the solar industry

In the energy industry, Borealis and Borouge have long established themselves as leaders in Value Creation through Innovation. With the 2017 launch of the new solar umbrella brand Quentys™, Borealis has now entered the global solar industry. Pioneering new products based on Quentys are making solar energy more effective and affordable. For example, the ICOSOLAR® CPO 3G, a co-extruded polypropylene (PP) solar backsheets, boosts photovoltaic (PV) module output and reduces output decay. A second wave of new products developed in partnership with leading solar industry partners will be launched shortly.

In polymer modifiers, Borealis continues to expand its wide range of attractive solutions. The multitented 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

The Borealis Circular Economy Solutions team is dedicated to discovering new opportunities for longterm business growth in the areas of mechanical recycling and design for recyclability (DfR).

In a world of finite resources, the circular economy model offers a path to reinvent the economy in the interest of natural capital conservation and waste minimisation. A transition must be made from the linear model of "take-make-dispose" to the circular model of recycling, re-use, and DfR. For the polyolefins industry, this paradigm shift holds both opportunities and challenges. The move to the circular economy must be made as eco-efficiently as possible, but circularity must be the priority. It requires innovative material solutions and greater cooperation along the entire value chain.

As the first prime polyolefins producer to have acquired a plastics recycler, Borealis has proven its pioneering "Keep Discovering" mindset. Together, Borealis and its wholly owned subsidiary mtm plastics are leveraging their combined expertise and decades of experience to produce more high-quality plastic recyclates.

Over recent years, mechanical recycling has proven to be effective, and will likely remain the eco-efficient method of choice in the foreseeable future when implementing the principles of the circular economy. Borealis and mtm plastics are bundling their respective fields of know-how and experience – in polymer science, compounding and R&D on the one hand; and mechanical recycling, on the other – to explore the opportunities that arise when virgin producers and recyclers join forces.

The aim is to upscale recycling output; ensure the better availability of high-quality plastics recycle for the European market; and ultimately, by enriching wherever possible the Borealis virgin polyolefins product portfolio with non-virgin polyolefin grades and to achieve increased polyolefins circularity.

Base Chemicals

At Borealis, the Base Chemicals business is a solid foundation to build upon. Borealis produces a wide range of base chemicals for use in numerous and diverse industries, including melamine, phenol, acetone, ethylene and propylene; and a wide range of fertilizers and technical nitrogen products. Borealis will continue to develop this profitable area with its unique feedstock capabilities, logistics and integration strengths.

The Borealis Base Chemicals business consists of three units: Hydrocarbons & Energy, Melamine, and Fertilizers.

Hydrocarbons & Energy

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 and Sweden 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 markets. 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.

Melamine

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

Fertilizers

Efficient and effective use of fertilizers has become more essential than ever. The world's population is expected to rise from today's 7.6 billion to over 9.6 billion by 2050, and an increasing number of people will live in densely populated urban areas. As incomes in emerging nations rise, more meat is consumed and thus more grain to feed livestock must be produced. Biofuels also generate demand for increased yields. Because space for agricultural expansion is limited, yields must be optimised.

At the same time, in many nations there is a heightened environmental awareness of the need to promote fertilizers with low carbon footprints, maintain healthy soil environments, and reduce run-off from fields.

Already a leading fertilizer company in Europe, Borealis has ambitious growth plans in select markets around the globe to further expand its fertilizer business. This ambitious growth strategy is reflected in the major investments in its own assets and supply chain facilities, the enlargement of its portfolio, and the continuing expansion of its market presence.

Borealis produces and then distributes and supplies around 4.2 million tonnes of fertilizers and technical nitrogen products each year via its Borealis L.A.T distribution network. With more than 60 warehouses across Europe and an inventory capacity of over 700,000 tonnes, Borealis L.A.T promotes a broad fertilizer portfolio: nitrogen-based straight fertilizers; complex fertilizers – a combination of nitrogen (N), phosphate (P) and potassium (K) as well as speciality fertilizers; and a range of technical nitrogen products, from ammonia and ammonium nitrates to nitric acid and urea solutions. Non-European markets are serviced mainly via the Borealis Rosier distribution network.

Mission and Strategy

Continuity combined with the flexibility to seize new opportunities

Our Mission

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

Our Strategy

We will

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

Outperform financially

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

40–60%
debt to equity ratio

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.

Nimblivity™

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



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

Financial Statements

Management Report – Half Year Report 2018

The total number of recordable injuries (TRI) per million working hours was at a frequency of 1.7 in the first six months of 2018 compared to 0.9 in the same period last year. While this performance is rated as world class in the industry, it is above Borealis' ambition and last year's average. The ratio reflects 15 individuals who have been injured in the first six months of 2018. Safety is always a top priority at Borealis and the management team will continue to work together with all employees and contractors towards the ultimate goal of zero injuries.

The Brent Crude oil price increase seen during the second half of 2017 continued in the first half of 2018 leading to a price of 77 USD/bbl by June 2018, which is an increase of 13 USD/bbl since December 2017. The naphtha price has followed a pattern similar to the Brent Crude oil price, increasing from 577 USD/t in December 2017 to 667 USD/t in May 2018. Since then the naphtha price has retreated reaching 633 USD/t in June 2018. The ethylene and propylene contract prices went up following the same trend in the first half of the year reaching 1,150 EUR/t and 1,032 EUR/t, respectively, in June 2018.

The European polyolefins demand in the first six months of 2018 slightly increased by 1% compared to the same period in 2017. Borealis' polyolefins sales volume increased by 5% in the first six months of 2018 compared to the first six months of 2017 mostly due to recovery after the intensive turnaround schedule in 2017. Borealis' fertilizer sales volume in the first six months of 2018 remained at the same level as 2017 due to a persistently difficult market environment.

Borealis achieved a strong net profit result of EUR 533 million during the first six months of 2018, a reduction of EUR 41 million versus the best result in the history of the company in the same period of 2017. The operating result amounted to EUR 396 million compared to EUR 461 million in the first six months of 2017. The Polyolefins business saw a softening of the industry margin leading to a reduction in operating profit in the first six months of 2018 versus the same period in 2017. The Base Chemicals business also recorded a decrease in operating profit in the first six months of 2018.

Within the Base Chemicals business, the Fertilizer business suffered from ongoing difficult market conditions while the Hydrocarbons & Energy business realised an improved result in the first half of 2018 compared to the first half in 2017.

Borouge continued its strong net profit contribution to Borealis of EUR 264 million in the first six months of 2018 compared to EUR 270 million in the same period last year. The small reduction in Borouge's net profit contribution to Borealis was driven by the stronger euro compared to the same period in 2017.

Borealis' net debt increased by EUR 384 million during the first six months of 2018 reflecting the payment of a EUR 700 million dividend to Borealis' shareholders, the investment into the US Gulf Coast joint venture with Total and NOVA Chemicals (Bayport Polymers LLC), which was partially offset by the strong business performance. Overall, investments in tangible and intangible assets reached EUR 164 million in the first half of 2018, compared to EUR 244 million in the same period of 2017. The decrease is mainly a result of the heavy turnaround schedule in 2017. Borealis' financial position remains strong with a gearing of 19% at the end of June 2018, unchanged from end of June 2017.

Borealis continues to maintain a very strong liquidity position, through its EUR 1 billion fully committed revolving credit facility (RCF) based on a five-year tenor with two one-year extension options at lenders' discretion, which was originally refinanced in 2014 and extended in 2016 the second and final time by one additional year. Borealis continues to benefit from a well-diversified financing portfolio and a balanced maturity profile. The Company will look to maintain access to a wide range of funding options, including capital markets and bank funding as well as private placements going forward. Borealis concluded no major long-term financing contracts in the first half of 2018 in light of the favourable liquidity situation.

In March, Borealis and United Chemical Company LLP signed a Joint Development Agreement for the development of a world-scale polyethylene project, integrated with an ethane cracker, in the Republic of Kazakhstan. The project is currently in the feasibility study phase which is expected

to be finalised in Q1 2019. The scope of the project will include the construction of an ethane cracker and two Borstar® PE units, with a total capacity of 1,250 ktpa and with a pre-investment in the cracker for future expansion. The final investment decision on the project is expected to be taken in 2020 and start-up would be scheduled for 2025. A Memorandum of Understanding was also signed to investigate a potential cooperation on a 500 ktpa polypropylene project that is currently being implemented by the Samruk-Kazyna Sovereign Wealth Fund. In addition, a government support agreement between the Government of the Republic of Kazakhstan and the Government of the United Arab Emirates was signed.

In May, Borealis, Total and NOVA Chemicals announced that they established their petrochemicals joint venture on the U.S. Gulf Coast, after having received all required regulatory approvals. The company named Bayport Polymers LLC ("Bay-Pol") is 50% owned by Total and 50% owned by Novealis Holdings LLC, a joint venture between Borealis and NOVA Chemicals. The Bay-Pol joint venture includes Total's existing polyethylene 400 ktpa facility in Bayport, Texas, the under-construction 1,000 ktpa ethane cracker in Port Arthur, Texas, and a new 625 ktpa Borstar® polyethylene unit at the joint venture's site in Bayport, Texas.

In May, Borealis was awarded best European polymer producer in the categories high density polyethylene (HDPE) and low density polyethylene (LDPE). Users of polymers across Europe participated in a survey to rate their supplier's performance from June 2017 up to May 2018. The evaluation considered the categories Polymer Quality, Regulatory Compliance, Delivery Reliability, Communication and Innovation for eight different materials. The award ceremony was held on 24 May 2018 during the European Plastics Converters (EuPC) Annual Conference in Milan, Italy.

In June, Borealis inaugurated a EUR 15 million investment project at mtm plastics GmbH in Niedergebra, Germany. The investment brings the overall input processing capacity of mtm plastics from 60 up to 80 ktpa and aims at improving the capability to meet the needs of the high-end market for re-granulates. Borealis also announced an additional EUR 2.5 million investment in environmental protection and capacity expansion of mtm compact, the sister company in Fürstenwalde, Germany. Borealis fully acquired mtm plastics GmbH and mtm compact GmbH in June 2016.

A success story originating from Borealis' and mtm's circular economy solutions is a recently completed pilot project with Henkel, the global leader for adhesives, sealants and functional coatings. The companies have worked to develop a new packaging solution based on 100% post-consumer recycled material for the made-at-home all-purpose glue bottle and cap, which Henkel is marketing under its well-known Pattex brand. Value chain partner KKT Kaller Kunststoff Technik GmbH, a plastics processor also based in Germany, manufactures the bottles. German plastic components manufacturer bomo trendline Technik GmbH produces the applicator nozzles.

Mark Garrett, CEO of Borealis, who has delivered an outstanding contribution to Borealis' success over the last eleven years, decided to leave the Company. Alfred Stern, formerly Executive Vice President responsible for the Polyolefin business and Innovation, took over from Mark Garrett on 2 July 2018.

Borealis' Executive Board and senior management is pleased with the strong result of the first half of 2018. In the second half of the year, a further softening of the integrated polyolefin margins is expected. The fertilizer business environment is expected to remain difficult in the second half of 2018.

Review of results

Sales

Borealis delivered a polyolefins sales volume in the first six months of 2018 of 1.9 million tonnes up 5% versus the first half of 2017. Fertilizer, within the Base Chemicals segment, reached a sales level of 2.0 million tonnes, which is at the same, but low, level as in the same period in 2017 as market conditions remained challenging. Base Chemicals' Melamine sales volumes decreased from 73 kt in the first half year 2017 to 65 kt in the first half year 2018, mainly driven by the planned turnaround in Linz.

Cost development

The total production costs increased by 13% in the first half of 2018 versus the first six months of 2017, mainly due to the higher feedstock prices. Underlying sales and distribution costs increased by 3% year on year. The administration and research & development expenses remained on the same level as in the first six months of 2017. The number of full-time equivalent employees (FTEs) as per end of June 2018 was 6,731, compared to 6,619 at the end of December 2017.

Financial income and expenses

Net financial expenses for the first six months of 2018 amounted to EUR 11 million, a decrease of EUR 22 million compared to the first six months of 2017 due to favourable exchange rate effects and a reduction in interest expenses.

Taxes

Income tax charges for the first six months of 2018 amounted to EUR 108 million, compared to EUR 123 million in the corresponding period of 2017. The decrease is attributable to lower taxable profits, compared to the first six months of 2017. In the first six months of 2018, Borealis paid income taxes of EUR 88 million, a decrease of EUR 6 million compared to the first six months of 2017.

Net profit and distribution of dividend

The net profit for the first six months of 2018 amounted to EUR 533 million, compared to a net profit of EUR 574 million in the first six months of 2017. Borealis distributed a dividend of EUR 700 million to its shareholders from the results of the financial year 2017 in March 2018, compared to a dividend of EUR 750 million from the results of the financial year 2016 in February 2017.

Financial position

Total assets and capital employed

At the end of June 2018, the total assets and capital employed stood at EUR 9,622 million and EUR 7,569 million, respectively, compared to EUR 9,395 million and EUR 7,401 million at year-end 2017.

The solvency ratio was 64% at 30 June 2018, a slight decrease compared to 66% at year-end 2017. The gearing ratio increased to 19%, compared to 12% at the end of December 2017. Net debt increased in the first half of 2018 by EUR 384 million to EUR 1,174 million at the end of June 2018. Total equity decreased by EUR 73 million to EUR 6,309 million in the first six months of 2018, mainly as a result of the dividend paid to shareholders and foreign exchange translation effects, partially offset by the profit generated in the first six months.

Cash flows and liquidity reserves

Cash flow from operations for the first six months of 2018 was EUR 280 million. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,086 million at the end of June 2018, compared to EUR 1,395 million at year-end 2017.

Vienna, 20 August 2018

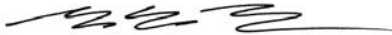
Executive Board:



Alfred Stern
Chief Executive



Mark Tonkens
Chief Financial Officer



Markku Korvenranta



Martijn Arjen van Koten



Philippe Roodhooft

Interim Consolidated Financial Statements

Interim Consolidated Income Statement

EUR thousand	2018	2017	Note
For the six months ended 30 June	unaudited	unaudited	
Net sales	4,199,883	3,890,900	1
Production costs	-3,306,450	-2,926,428	
Gross profit	893,433	964,472	
Sales and distribution costs	-346,359	-336,204	
Administration costs	-108,861	-110,563	
R&D costs	-65,416	-63,819	
Other income	23,374	7,245	11
Operating profit	396,171	461,131	
Net results in associated companies and joint ventures after tax	256,507	269,952	
Financial income	3,104	3,205	
Financial expenses	-14,439	-36,680	
Profit before taxation	641,343	697,608	
Taxes on income	-108,453	-123,137	
Net profit for the year	532,890	574,471	
Attributable to:			
Non-controlling interest	-1,123	646	
Equity holders of the parent	534,013	573,825	

Interim Consolidated Statement of Comprehensive Income

EUR thousand	2018	2017
For the six months ended 30 June	unaudited	unaudited
Net profit for the year	532,890	574,471
Items that may be reclassified subsequently to the income statement		
Net gain/loss on translation of financial statements of foreign operations	68,400	-317,429
Reclassifications during the period to the income statement	0	0
Tax effect recognised in other comprehensive income	0	0
Net gain/loss on long-term loans to foreign operations	-10,406	-875
Reclassifications during the period to the income statement	0	0
Tax effect recognised in other comprehensive income	2,618	219
Net gain/loss on loans and financial contracts to hedge investments in foreign operations	-5,036	16,122
Reclassifications during the period to the income statement	0	0
Tax effect recognised in other comprehensive income	1,259	-4,031
Fair value adjustments of cash flow hedges	59,619	5,142
Reclassifications during the period to the income statement	-22,971	-3,784
Tax effect recognised in other comprehensive income	-9,162	-340
Items that will not be reclassified to the income statement		
Actuarial gains and losses	2,374	0
Tax effect recognised in other comprehensive income	-514	0
Net income/expense recognised in other comprehensive income	86,181	-304,975
Total comprehensive income	619,071	269,496
Attributable to:		
Non-controlling interest	-2,079	-203
Equity holders of the parent	621,150	269,699

Interim Consolidated Balance Sheet

EUR thousand	30.6.2018	31.12.2017	Note
	unaudited	audited	
Assets			
Non-current assets			
Intangible assets	390,149	386,369	2
Tangible assets			2
Production plants	2,574,575	2,651,411	
Machinery and equipment	30,598	31,504	
Construction in progress	253,567	236,518	
	2,858,740	2,919,433	
Investments in associated companies and joint ventures	3,620,342	3,398,341	3
Other investments	30,691	35,985	3, 9
Contract assets	7,147	0	
Other receivables and other assets	53,740	45,736	9
Deferred tax assets	72,479	54,622	
Total non-current assets	7,033,288	6,840,486	
Current assets			
Inventories	1,128,232	1,160,421	5
Contract assets	19,058	0	
Receivables			
Trade receivables	736,303	574,021	9
Receivables from associated companies	78,276	76,242	9, 12
Income taxes	19,795	17,831	
Other receivables and other assets	520,847	496,812	9
Total receivables and other assets	1,355,221	1,164,906	
Cash and cash equivalents	86,139	229,062	9
Total current assets	2,588,650	2,554,389	
Total assets	9,621,938	9,394,875	

Interim Consolidated Balance Sheet

EUR thousand	30.6.2018	31.12.2017	Note
	unaudited	audited	
Total Equity and Liabilities			
Shareholders' equity			
Share capital and contributions by shareholders	1,599,397	1,599,397	
Reserves	-6,113	-92,472	
Retained earnings	4,701,217	4,858,157	
Shareholders' equity	6,294,501	6,365,082	
Non-controlling interest	14,746	16,825	
Total equity	6,309,247	6,381,907	
Liabilities			
Non-current liabilities			
Loans and borrowings	830,606	844,228	8, 9
Deferred tax liabilities	206,724	198,842	
Employee benefits	439,064	444,459	
Provisions	58,160	65,465	6
Government grants	11,906	12,702	7
Other liabilities	16,744	16,464	9
Non-current liabilities	1,563,204	1,582,160	
Current liabilities			
Loans and borrowings	429,401	174,936	8, 9
Trade payables	779,828	797,849	9, 12
Income taxes	115,413	81,083	
Provisions	3,931	3,572	6
Government grants	25,965	0	7
Contract liabilities	34,970	0	
Other liabilities	359,979	373,368	9
Current liabilities	1,749,487	1,430,808	
Total liabilities	3,312,691	3,012,968	
Total equity and liabilities	9,621,938	9,394,875	

Interim Consolidated Statement of Changes in Equity

EUR thousand	Share capital ¹⁾ and contributions by share holders	Reserve for actuarial gains/losses recognised in equity	Hedging reserve	Reserve for unrealised exchange gains/losses and other ²⁾	Retained earnings	Total attributable to the equity holders of the parent	Non- controlling interest	Total equity
Balance as of 31 December 2017	1,599,397	-219,832	25,709	101,651	4,858,157	6,365,082	16,825	6,381,907
Adjustment on initial application of IFRS 9	0	0	0	-778	9,047	8,269	0	8,269
Adjusted balance as of 1 January 2018	1,599,397	-219,832	25,709	100,873	4,867,204	6,373,351	16,825	6,390,176
Net profit for the year	0	0	0	0	534,013	534,013	-1,123	532,890
Other comprehensive income	0	1,860	27,486	57,791	0	87,137	-956	86,181
Total comprehensive income	0	1,860	27,486	57,791	534,013	621,150	-2,079	619,071
Dividend payments	0	0	0	0	-700,000	-700,000	0	-700,000
Balance as of 30 June 2018 (unaudited)	1,599,397	-217,972	53,195	158,664	4,701,217	6,294,501	14,746	6,309,247
Balance as of 31 December 2016	1,599,397	-190,672	-971	574,412	4,513,488	6,495,654	18,704	6,514,358
Net profit for the year	0	0	0	0	573,825	573,825	646	574,471
Other comprehensive income	0	0	1,019	-305,145	0	-304,126	-849	-304,975
Total comprehensive income	0	0	1,019	-305,145	573,825	269,699	-203	269,496
Dividend payments	0	0	0	0	-750,000	-750,000	-515	-750,515
Balance as of 30 June 2017 (unaudited)	1,599,397	-190,672	48	269,267	4,337,313	6,015,353	17,986	6,033,339

1) Share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (31 December 2017: EUR 300,000.00). // 2) Reserves for unrealised exchange gains/losses and other include reserves relating to available for sale financial assets.

A dividend of EUR 700,000 thousand was paid in 2018 out of the result of the year 2017.

Interim Consolidated Cash Flow

EUR thousand	2018	2017	Note
For the six months ended 30 June	unaudited	unaudited	
Cash flows from operating activities			
Payments from customers	4,036,666	3,838,438	
Payments to employees and suppliers	-3,647,971	-3,354,887	
Interest received	640	643	
Interest paid	-17,748	-23,480	
Other financial expenses paid	-3,962	-12,475	
Income taxes paid	-87,788	-93,382	
	279,837	354,857	
Cash flows from investing activities			
Investments in tangible assets	-140,534	-219,977	2
Investments in intangible assets	-23,737	-24,187	2
Acquisitions of subsidiaries net of cash	-4,000	-11,767	
Dividends / capital repayments of associated companies	298,967	132,791	
Capital contributions to and financing of associated companies and joint ventures	-89,463	-6,120	
	41,233	-129,260	
Cash flows from financing activities			
Non-current loans obtained	103	451	8
Current loans obtained	365,912	185,760	8
Current loans repaid	-129,512	-345,399	8
Dividends paid to equity holders of the parent	-700,000	-750,000	
Dividends paid to non-controlling interest	0	-515	
	-463,497	-909,703	
Net cash flow of the period	-142,427	-684,106	
Cash and cash equivalents as of 1 January	229,062	762,421	
Effect of exchange rate fluctuations on cash held	-496	-779	
Cash and cash equivalents as of 30 June	86,139	77,536	

Notes to the Interim Consolidated Financial Statements

Reporting entity

Borealis AG (the Company or Group) is a company domiciled in Austria. The address of the Company's registered office is Wagramer Strasse 17-19, 1220 Vienna, Austria. Borealis is a leading provider of chemical and innovative plastics solutions.

In the Polyolefins segment Borealis focuses on the application areas Energy, Automotive, Consumer Products, Pipe, New Business Development and Circular Economy Solutions.

Base Chemicals is the second segment and includes essentially the following product ranges: melamine, phenol, acetone, ethylene, propylene, fertilizer and technical nitrogen.

Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2018 have been prepared in compliance with the International Financial Reporting Standards issued by the IASB as adopted by the EU, IAS 34 for interim financial statements. They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction

with the Group's annual consolidated financial statements as of 31 December 2017.

The interim consolidated financial statements for the six months ended 30 June 2018 are unaudited and have not been subject to an external audit review.

The interim consolidated financial statements are presented in thousand Euro (EUR thousand), rounded to the nearest thousand, hence rounding differences may arise.

The accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for new and amended standards and interpretations effective as of 1 January 2018.

Since 1 January 2018, the following accounting standards and interpretations have become effective and have been adopted by Borealis, whereas effective means effective for annual periods beginning on or after that date (as endorsed by the EU):

Standards/Interpretations		IASB effective date	EU effective date
New Standards and Interpretations			
IFRS 9	Financial Instruments	1 January 2018	1 January 2018
IFRS 15	Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15	1 January 2018	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	1 January 2018
Amended Standards and interpretations			
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	1 January 2018
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	1 January 2018
Misc.	Annual Improvements to IFRS Standards 2014-2016 Cycle	1 January 2017 1 January 2018	1 January 2017 1 January 2018
IAS 40	Transfers of Investment Property	1 January 2018	1 January 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018	1 January 2018

IFRS 9 Financial Instruments

IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. The adjustments are explained in more detail below.

Consolidated Balance Sheet EUR thousand	31.12.2017	changes due to initial application of IFRS 9	1.1.2018
Assets			
Non-current assets			
Intangible assets	386,369		386,369
Tangible assets			
Production plants	2,651,411		2,651,411
Machinery and equipment	31,504		31,504
Construction in progress	236,518		236,518
	2,919,433		2,919,433
Investments in associated companies and joint ventures	3,398,341		3,398,341
Other investments	35,985	8,909	44,894
Other receivables and other assets	45,736		45,736
Deferred tax assets	54,622		54,622
Total non-current assets	6,840,486	8,909	6,849,395
Current assets			
Inventories	1,160,421		1,160,421
Receivables			
Trade receivables	574,021	-618	573,403
Receivables from associated companies	76,242		76,242
Income taxes	17,831		17,831
Other receivables and other assets	496,812		496,812
Total receivables and other assets	1,164,906	-618	1,164,288
Cash and cash equivalents	229,062		229,062
Total current assets	2,554,389	-618	2,553,771
Total assets	9,394,875	8,291	9,403,166

Consolidated Balance Sheet EUR thousand	31.12.2017	changes due to initial application of IFRS 9	1.1.2018
Total Equity and Liabilities			
Shareholders' equity			
Share capital and contributions by shareholders	1,599,397		1,599,397
Reserves	-92,472	-778	-93,250
Retained earnings	4,858,157	9,047	4,867,204
Shareholders' equity	6,365,082	8,269	6,373,351
Non-controlling interest	16,825		16,825
Total equity	6,381,907	8,269	6,390,176
Liabilities			
Non-current liabilities			
Loans and borrowings	844,228		844,228
Deferred tax liabilities	198,842	22	198,864
Employee benefits	444,459		444,459
Provisions	65,465		65,465
Government grants	12,702		12,702
Other liabilities	16,464		16,464
Non-current liabilities	1,582,160	22	1,582,182
Current liabilities			
Loans and borrowings	174,936		174,936
Trade payables	797,849		797,849
Income taxes	81,083		81,083
Provisions	3,572		3,572
Other liabilities	373,368		373,368
Current liabilities	1,430,808		1,430,808
Total liabilities	3,012,968	22	3,012,990
Total equity and liabilities	9,394,875	8,291	9,403,166

IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The total impact on the group's equity as at 1 January 2018 is as follows:

	Effect on Reserves	Effect on Retained Earnings
Opening balance 1.1.2018 – IAS 39	-92,472	4,858,157
Reclassify investments from available-for-sale to fair value through profit or loss (FVPL)	-778	778
Gain on re-measurement of non-consolidated companies		8,733
Increase in provision for trade receivables, other receivables and debt		-464
Total impact	-778	9,047
Opening balance 1.1.2018 – IFRS 9	-93,250	4,867,204

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and their contractual cash flows characteristics and classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

1. Reclassification from available-for-sale to FVPL

Certain investments in pension funds in Austria were reclassified from available-for-sale to financial assets at FVPL (EUR 12,095 thousand as at 1 January 2018). The investment units in pension funds represent puttable shares, which according to IFRS 9 shall be classified as a debt instrument. As such, puttable shares do not fulfill the solely payment of principal and interest (SPPI) criteria and have to be measured at FVPL. Related fair value gains of EUR 778 thousand after tax were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018. The movement for the first six months of 2018 was immaterial.

2. Equity investments previously classified as available-for-sale

Borealis carries other investments, previously classified as available for sale. These equity investments consist mainly of fully owned subsidiaries, which are not consolidated

on materiality basis and amount to EUR 35,985 thousand as of 31 December 2017. Borealis started measuring these equity investments at FVPL and posted a gain of EUR 8,733 thousand after tax. The group elected to present changes in the fair value of all its equity investments previously classified as available-for-sale, in the income statement. In the six months to 30 June 2018, net fair value gains of EUR 2,059 thousand after tax relating to these investments were recognised in the income statement.

3. Reclassification from Loans & Receivables to financial assets at FVPL

With a trade receivables factoring programme in place, there is a pool of receivables to be classified as held to sell with change in their fair value to be presented in the income statement. As of 31 December 2017, these receivables amounted to EUR 40,576 thousand. Due to their short-term nature it is expected that their fair value approximates their nominal value.

4. Reclassification from Loans & Receivables and financial liabilities to amortised cost

Under IFRS 9 the category loans & receivables is not existing anymore. Therefore financial assets, except the trade receivables under the factoring programme, previously classified into this category are now classified into the category at amortised cost.

Impairment of financial assets

The group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables and contract assets
- cash and cash equivalents
- debt investments carried at amortised cost

Trade receivables and contract assets

The group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 1 January 2018 was determined at EUR 618 thousand. The movement in the allowance for the first six months of 2018 is immaterial.

Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. The movement in the allowance for the first six months of 2018 is immaterial.

Debt investments

All of the entity's other debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

On that basis, the loss allowance as at 1 January 2018 is immaterial. The movement in the allowance for the first six months of 2018 is immaterial.

Derivatives and hedging activities

The group adopted IFRS 9 and its hedging related requirements for derivatives and hedging activities from 1 January 2018. This change did not result in any material effects.

IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15

With IFRS 15, the IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services, and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Management has assessed the effects of applying the new standard on the Group's financial statements by reviewing a representative sample of contracts of each segment, evaluating possible combinations of contracts, identifying and evaluating individual performance obligations, reviewing and evaluating the determination of transaction price and of variable considerations, including their allocation to performance obligations, existence of incremental contract costs and other relevant aspects of the new standard. Management concludes that it has not identified any areas that will be affected, apart from the introduction of new balance sheet items contract assets and contract liabilities and additional disclosure requirements.

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

1. Segment reporting

Six months ended 30 June, if not indicated otherwise

EUR thousand	Polyolefins		Base Chemicals		Non-Allocated		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
Net sales by segment								
Total sales	2,773,180	2,646,833	2,945,628	3,028,847	113,450	60,114	5,832,258	5,735,794
Group internal sales	0	0	-1,632,375	-1,844,894	0	0	-1,632,375	-1,844,894
	2,773,180	2,646,833	1,313,253	1,183,953	113,450	60,114	4,199,883	3,890,900

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

Segment result								
Operating profit	298,748	346,551	208,121	221,273	-110,698	-106,693	396,171	461,131
Net result in associated companies and joint ventures	3,010	0	1,455	0	252,042	269,952	256,507	269,952
Financial income/expenses					-11,335	-33,475	-11,335	-33,475
Taxes on income					-108,453	-123,137	-108,453	-123,137
Non-controlling interest					1,123	-646	1,123	646
Net profit for the year attributable to equity holders of the parent							534,013	573,825

Other information	30.6.	31.12.	30.6.	31.12.	30.6.	31.12.	30.6.	31.12.
Segment assets	3,182,094	3,061,743	2,618,759	2,694,994	3,821,085	3,638,138	9,621,938	9,394,875
thereof Austria	1,866,951	1,722,445	1,297,234	1,313,204	3,566,272	3,400,903	6,730,457	6,436,552
Segment liabilities	0	0	0	0	3,312,691	3,012,968	3,312,691	3,012,968

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

2. Intangible and tangible assets

Borealis invested EUR 23,737 thousand into intangible assets in the first six months of 2018 (first six months 2017: EUR 23,815 thousand including non-cash items of EUR -372 thousand). Additions arising from internal development amounted to EUR 14,550 thousand (first six months 2017: EUR 13,524 thousand). Intangible assets received by way of government grants as allowances for emissions (EU Emissions Trading System) amounted to EUR 52,191 thousand for the year 2018 (2017: EUR 26,353 thousand), whereas the increase compared to 2017 was mainly driven by the price increase. The emissions of the year 2017 were settled in April 2018.

The impairment of intangible assets in the first six months of 2018 for which the carrying value exceeds the value in use amounted to EUR 3,967 thousand (first six months 2017: EUR 3,086 thousand).

Additions to tangible assets in the first six months of 2018 amounted to EUR 140,534 thousand (first six months 2017: EUR 222,157 thousand including non-cash items of EUR 2,180 thousand). This decrease compared to the first six months of 2017 is mainly relating to the higher investment level in 2017, where several turnarounds took place in various locations. Moreover, borrowing costs

amounting to EUR 942 thousand (first six months 2017: EUR 1,837 thousand) have been capitalised using an average interest rate of 2.4% (first six months 2017: 2.9%).

Major projects advanced in the first six months of 2018 are the turnaround in the production facility in Linz, Austria, the upgrade and revamp of four cracker furnaces in

Stenungsund, Sweden, and the building of an automotive compounding plant in North America.

At 30 June 2018, Borealis' contractual commitments amounted to EUR 133,126 thousand (31 December 2017: EUR 104,958 thousand) for the acquisition of tangible assets.

3. Investments in associated companies, joint ventures and subsidiaries

Associated companies	Country	Ownership in %	
		30.6.2018	31.12.2017
Abu Dhabi Polymers Company Limited (Borouge)	United Arab Emirates	40.00	40.00
Borouge Pte. Ltd.	Singapore	50.00	50.00
Neochim AD	Bulgaria	20.30	20.30
Kilpilahti Power Plant LTD ¹⁾	Finland	20.00	20.00
Chemiepark Linz Betriebsfeuerwehr GmbH ¹⁾	Austria	47.50	47.50
AZOLOR S.A.S. ¹⁾	France	34.00	34.00
Société d'Intérêt Collectif Agricole par Actions Simplifiée de Gouaix (SICA de Gouaix) ¹⁾	France	25.00	25.00
Société Industrielle Commerciale et Agricole de Maizières La Grande Paroisse S.A.S. (SICAM) ¹⁾	France	33.99	33.99
Société d'Intérêt Collectif Agricole Laignes Agrifluides (SICA Laignes Agrifluides) ¹⁾	France	49.90	49.90
Franciade Agrifluides S.A.S. (FASA) ¹⁾	France	49.98	49.98

1) Excluded from consolidation at equity due to immateriality

Joint ventures	Country	Ownership in %	
		30.6.2018	31.12.2017
PetroPort Holding AB	Sweden	50.00	50.00
GCA Holdings LLC	US	50.00	50.00
BTF Industriepark Schwechat GmbH ¹⁾	Austria	50.00	50.00
Novealis Holdings LLC ²⁾	US	50.00	50.00

1) Excluded from consolidation at equity due to immateriality // 2) Borealis BONO Holdings LLC holds 50% of Novealis Holdings LLC and was excluded from consolidation due to immateriality at 31 December 2017

Subsidiaries

Borealis Digital Studio BVBA, Zaventem, Belgium, was incorporated by 18 March 2018. This 100% subsidiary is not consolidated due to immateriality. Furthermore, the

name of Borealis Insurance A/S in Denmark has been changed to Borealis Insurance A/S (captive insurance company) as of 17 May 2018.

The subsidiary Borealis BONO Holdings LLC became material for consolidation with the acquisition of Bayport Polymers LLC (a joint venture of Novealis Holdings LLC and Total) in May 2018.

4. Tax contingencies

On 5 January 2017, Borealis received two decisions of the Finnish Board of Adjustment with regard to Borealis Technology Oy. The Board of Adjustment has confirmed the Finnish tax authority's view that the license arrangements, entered into between Borealis Technology Oy and Borealis AG in 2008 and 2010, should be re-characterised into transfers of businesses. Based on this the Board of Adjustment requests Borealis to pay EUR 297,000 thousand, comprising of taxes, late payment interest and penalties.

Borealis believes that this decision fails to properly apply Finnish and international tax law and does not adequately consider the relevant facts of the case. Therefore, Borealis has appealed this decision to the Helsinki Administrative Court on 6 March 2017, and has obtained a suspension of payment.

On 11 October 2017, Borealis received a decision of the Board of Adjustment with regard to Borealis Polymers Oy. Unlike the Finnish tax authority, the Board of Adjustment has recognised the license agreement which Borealis Polymers Oy and Borealis AG had concluded in the course

of the introduction of the toll manufacturing set up in 2009. The Board of Adjustment has however decided that the license percentage should be increased from 1% to 2.6% and that in the course of the introduction of the toll manufacturing set up "something else of value" amounting to EUR 142,000 thousand has been transferred. The resulting payment request for the year 2009 amounts to EUR 62,000 thousand, comprising taxes, late payment interest and penalties. The decision of the Board of Adjustment did not comprise other years than 2009 and no reassessment claims for other years have been received yet.

Borealis believes that this decision fails to properly apply Finnish and international tax law and does not adequately consider the relevant facts of the case. Therefore, Borealis has appealed this decision to the Helsinki Administrative Court on 15 December 2017, and has requested a suspension of payment.

Several other Borealis Group companies are currently subject to tax audits performed by their respective tax authorities. In some of the audits, specific emphasis is put on business restructuring and transfer pricing. Management's opinion is that the company is in compliance with all applicable regulations. Given the preliminary nature of the proceedings, potential impacts, if any, cannot be currently reliably estimated.

5. Inventories

EUR thousand	30.6.2018	31.12.2017
Finished products	841,331	866,862
Raw materials and consumables	286,901	293,559
Total	1,128,232	1,160,421

Impairment cost of EUR 23,581 thousand (first six months 2017: impairment cost of EUR 27,083 thousand) was recognised in the first six months of 2018.

6. Provisions

The Group's provisions consist of provisions for restructuring, decommissioning, legal, environmental and other provisions.

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

Restructuring

Provisions for restructuring amounted to EUR 747 thousand (31 December 2017: EUR 802 thousand) and cover estimated costs for the ongoing restructuring programmes mainly in Norway and Germany.

Decommissioning

The provision for decommissioning amounted to EUR 36,669 thousand (31 December 2017: EUR 36,669 thousand) and covers the expected clean-up and dismantling costs for plants situated on rented land in Germany and Belgium. It is expected that EUR 11,493 thousand will be used until 2024, EUR 4,966 thousand until 2027 and EUR 20,210 thousand until 2049.

Legal

Legal provisions amounted to EUR 5,032 thousand (31 December 2017: EUR 5,184 thousand) and represent litigation provisions in different areas.

Environmental

The provision for environmental exposures amounted to EUR 3,709 thousand (31 December 2017: EUR 3,959 thousand) and covers several environmental exposures in the Group.

Other

Other provisions amounted to EUR 15,934 thousand (31 December 2017: EUR 22,423 thousand) and cover numerous types of long-term obligations, including long-term incentive plans.

7. Government grants

Government grants received from the EU Emissions Trading System as of 30 June 2018 amounted to EUR 52,191 thousand in respect of the year 2018 (31 December 2017: EUR 26,353 thousand for the year 2017). These grants are included at fair value at the beginning of the year and are released within that year. The carrying value of government grants related to emission rights amounted to EUR 25,965 thousand as of 30 June 2018 (31 December 2017: EUR 0 thousand). The non-current government grants are relating to government grants received for investments in production plants and for research and development. In the first six months of 2018 no significant new grants have been received.

8. Loans and borrowings

The composition of interest-bearing loans and borrowings (current and non-current debt) at 30 June 2018 in EUR thousand was as follows:

Maturities		30.6.2018						
		Total	Term loans	Bonds	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised uncommitted facilities
Due								
After	5 years	96,591	96,591					
Within	5 years	56,674	56,634				40	0
	4 years	124,417	124,338				79	1,000,000
	3 years	69,075	68,994				81	0
	2 years	483,849	358,722	125,000			127	0
Total non-current debt		830,606	705,279	125,000	0	0	327	1,000,000
Total current debt		429,401	163,307	0	99,901	166,011	182	0 ¹⁾
Total debt		1,260,007	868,586	125,000	99,901	166,011	509	1,000,000

1) Borealis maintains EUR 166,011 thousand in export credit facilities (these facilities were fully drawn at 30 June 2018). These facilities are economically evergreen in nature, but include a one-year notice for cancellation.

The composition of interest-bearing loans and borrowings (current and non-current debt) at 31 December 2017 in EUR thousand was as follows:

Maturities		31.12.2017						
Due		Total	Term loans	Bonds	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised uncommitted facilities
After	5 years	95,807	95,807					
Within	5 years	69,004	68,924				80	0
	4 years	155,118	155,041				77	930,000
	3 years	101,138	101,049				89	70,000
	2 years	423,162	298,032	125,000			130	0
Total non-current debt		844,228	718,853	125,000	0	0	375	1,000,000
Total current debt		174,936	174,544	0	0	0	392	166,011 ²⁾
Total debt		1,019,164	893,397	125,000	0	0	767	1,166,011

2) Borealis maintains EUR 166,011 thousand in export credit facilities (these facilities were fully undrawn at 31 December 2017). These facilities are economically evergreen in nature, but include a one-year notice for cancellation.

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

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

Borealis continues to maintain a strong liquidity position through its EUR 1 billion fully committed revolving credit facility (RCF) of which EUR 1 billion remained undrawn at the end of June 2018 and by terming out its debt through diverse funding channels.

In the first six months 2018, Borealis increased its debt position by EUR 240,843 thousand. Due to a decreased cash position, Borealis increased its net debt by EUR 383,766 thousand, which resulted in a gearing ratio of 19%. The EUR 1 billion syndicated revolving credit facility, based on a five-year tenor with two one-year extension options at lenders' discretion, which was originally refinanced in 2014, was extended in 2016 the second and final time by one additional year, with EUR 930,000 thousand of the participating relationship banks consenting to a final maturity date of 2021. In February 2018, Borealis extended the final maturity date

of the remaining tranches with an overall amount of EUR 70 million from September 2020 to September 2021. The new maturity date for the full liquidity headroom of EUR 1 billion under the RCF is now September 2021.

Borealis benefits from a well-diversified financing portfolio and a balanced maturity profile. The Company will look to maintain access to a wide range of funding options, including capital markets and bank funding as well as private placements going forward.

At 30 June 2018, the Group has committed credit facilities of EUR 1,166,011 thousand (31 December 2017: EUR 1,166,011 thousand), of which EUR 166,011 thousand (31 December 2017: EUR 0 thousand) have been utilised. Some loan agreements have financial covenants based on maintaining certain gearing and solvency ratios.

Borealis concluded no significant long-term financing contracts in the first half of 2018 in light of the favourable liquidity situation.

9. Fair values

The fair values of financial assets and liabilities and the fair value measurement hierarchy level, together with the carrying values shown in the balance sheet, are as follows:

EUR thousand	30.6.2018			31.12.2017		
	Carrying value	Fair value	Fair value hierarchy level	Carrying value	Fair value	Fair value hierarchy level
Assets						
Other investments						
Other investments	30,691	30,691	3	35,985	n/a	n/a
at fair value through profit and loss	30,691			35,985		
Trade receivables						
Trade receivables	736,303	736,303	2	574,021	574,021	2
thereof at amortised cost	612,122			574,021		
thereof at fair value through profit and loss	124,181			0		
Receivables from associated companies						
Receivables from associated companies	78,276	78,276	2	76,242	76,242	2
at amortised cost	78,276			76,242		
Cash and cash equivalents						
Cash	61,202	61,202	2	63,023	63,023	2
Other current deposits	24,937	24,937	2	166,039	166,039	2
at amortised cost	86,139			229,062		
Other receivables and other assets (current and non-current)						
Listed securities	12,095	12,095	1	12,095	12,095	1
at fair value through profit and loss	12,095			12,095		
Derivative financial instruments for which hedge accounting is applied	116,255	116,255	2	60,626	60,626	2
Hedging instruments	116,255			60,626		
Derivative financial instruments for which hedge accounting is not applied	23,845	23,845	2	29,208	29,208	2
at fair value through profit or loss	23,845			29,208		
Loans granted	10,092	13,677	2	9,408	12,407	2
Deposits and other receivables	4,915	4,915	2	5,037	5,037	2
at amortised cost	15,007			14,445		
Other non financial assets	407,385	n/a	n/a	426,174	n/a	n/a
Total other receivables and other assets (current and non-current)	574,587			542,548		

EUR thousand	30.6.2018			31.12.2017		
	Carrying value	Fair value	Fair value hierarchy level	Carrying value	Fair value	Fair value hierarchy level
Liabilities						
Loans and borrowings (current and non-current)						
Floating rate loans and borrowings	311,403	314,295	2	160,268	163,839	2
Fixed rate loans and borrowings	948,604	1,001,467	2	858,896	927,480	2
at amortised cost	1,260,007			1,019,164		
Trade payables						
Trade payables	779,828	779,828	2	797,849	797,849	2
at amortised cost	779,828			797,849		
Other liabilities (current and non-current)						
Derivative financial instruments for which hedge accounting is applied	47,755	47,755	2	26,295	26,295	2
Hedging instruments	47,755			26,295		
Derivative financial instruments for which hedge accounting is not applied	51,472	51,472	2	40,607	40,607	2
at fair value through profit or loss	51,472			40,607		
Contingent consideration	0	0	3	3,983	3,983	3
Interest accruals on loans and borrowings	14,506	14,506	2	10,064	10,064	2
at amortised cost	14,506			14,047		
Other non-financial liabilities	262,990	n/a	n/a	308,883	n/a	n/a
Total other liabilities (current and non-current)	376,723			389,832		

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly or indirectly. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in less active markets, or other valuation techniques, where all significant inputs are directly or indirectly observable from market data.

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

In the first six months of 2018, no transfers between the different levels took place.

Other investments

Other investments consist mainly of subsidiaries, which are not consolidated on materiality basis. The equity value of the other investments is assumed to equal other investments' fair value. If the equity decreases (increases), the fair value decreases (increases) accordingly.

Trade and other receivables and assets

The fair value of trade and other receivables and assets and receivables from associated companies is estimated to equal the nominal values less impairments (= carrying value).

The carrying value of deposits and other non-current receivables is not materially different from their fair value.

The fair value of loans granted is calculated based on the present value of future principle and interest cash flows discounted at the market rate of interest adjusted for the respective counterparty credit risk at the reporting date.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates at the reporting date.

The fair value of interest rate swaps is estimated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date. The credit quality of counterparties did not lead to a significant change in the fair values.

The fair value of commodity derivative contracts is estimated by discounting the difference between current forward price and contractual forward price.

Other non-financial assets and liabilities

Other non-financial assets and liabilities are shown solely for reconciliation purposes.

Non-derivative financial liabilities

Fair value for non-current and current loans and borrowings is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest adjusted for Borealis' credit risk at the reporting date. All fair values are excluding the outstanding interest accruals as at 30 June 2018.

The fair value of trade and other payables is estimated to equal the carrying value.

Contingent Consideration

The contingent consideration for the acquisition of Borealis Plastomers was re-measured by EUR 17 thousand to EUR 4,000 thousand in 2018 through the income statement and fully paid in April 2018.

10. Contingent liabilities

Besides the pending tax contingency as included in note 4, no further significant risks and uncertainties have been identified compared to the Group Annual Report 2017.

11. Other income

Other income during the first six months of 2018 amounted to EUR 23,374 thousand (30 June 2017: EUR 7,245 thousand). During the first six months of 2018, other income consisted fully of profits from the sale of emission rights.

12. Transactions with related parties

For the six months ended 30 June

EUR thousand	2018									
	Goods and Services						Financing			
	Pur- chases from	Sales to	Receiv- ables from	Contract assets from	Payables to	Contract liabilities to	Loans receiv- able	Loans payable	Interest received	Interest paid
Associated companies and joint ventures	163,560	190,714	78,276	0	55,533	0	7,592	0	240	0
Parent company	0	0	0	0	0	0	0	0	0	0
Companies with significant influence	691,988	22,895	6,698	0	134,758	0	0	0	0	0
Key management personnel	0	0	0	0	0	0	0	0	0	0
Other related parties	39,705	65,368	6,916	26,205	8,434	0	0	0	0	0
	895,253	278,977	91,890	26,205	198,725	0	7,592	0	240	0

EUR thousand	2017									
	Goods and Services						Financing			
	30.6.		31.12.				31.12.		30.6.	
	Pur- chases from	Sales to	Receiv- ables from	Contract assets from	Pay- ables to	Contract liabilities to	Loans receiv- able	Loans payable	Interest received	Interest paid
Associated companies and joint ventures	144,154	169,794	76,242	0	54,220	0	6,908	0	0	0
Parent company	71	160	0	0	0	0	0	0	0	0
Companies with significant influence	522,949	19,756	5,618	0	141,019	0	0	0	0	0
Key management personnel	0	0	0	0	0	0	0	0	0	0
Other related parties	18,766	1,255	4,388	0	2,417	0	0	0	0	0
	685,940	190,965	86,248	0	197,656	0	6,908	0	0	0

The sales to associated companies and joint ventures mainly include sales of finished goods and services. Purchases from companies with significant influence mainly relate to the purchase of feedstock and utilities from OMV Group companies at market rates. Purchases from associates mainly include purchases of finished goods produced in Bourge and sold in Europe. Payables to related parties are included in trade payables.

13. Subsequent events

On 17 July 2018 Borealis AG signed an agreement for the acquisition of 100% of the shares in Ecoplast Kunststoffrecycling GmbH ("Ecoplast"), an Austrian plastics recycler. This transaction is subject to regulatory approvals.

14. Executive Board and Supervisory Board

Executive Board

Alfred Stern (Chairman since 2 July 2018),
Mark Garrett (Chairman and member until 2 July 2018),
Mark Tonkens, Markku Korvenranta,
Martijn Arjen van Koten, Philippe Roodhooft

Supervisory Board

Suhail Mohamed Faraj Al Mazrouei (Chairman),
Rainer Seele (Vice Chairman),
Musabbeh Al Kaabi, Khalifa Al Suwaidi,
Manfred Leitner

Vienna, 20 August 2018

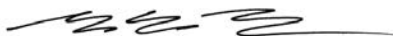
Executive Board:



Alfred Stern
Chief Executive



Mark Tonkens
Chief Financial Officer



Markku Korvenranta



Martijn Arjen van Koten



Philippe Roodhooft

Statement of the Executive Board according to § 125 (1) Z 3 Vienna Stock Exchange Act

We confirm to the best of our knowledge that the consolidated interim financial statements, prepared in accordance with the rules for interim financial statements set forth in the International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group and that the group management report on the first half year provides a true and fair view of important events that have occurred

during the first six months of the financial year and the impact on the interim financial statements as well as the principal risks and uncertainties for the remaining six months of the financial year.

The presented interim financial report has not been subject to an audit or review.

Vienna, 20 August 2018

Executive Board:



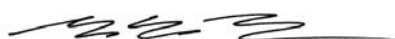
Alfred Stern

Chairman of the Executive Board



Mark Tonkens

Member of the Executive Board



Markku Korvenranta

Member of the Executive Board



Martijn Arjen van Koten

Member of the Executive Board



Philippe Roodhooft

Member of the Executive Board

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Ambicat, Anteo, Borlink, Bormed, Casico, Nimblivity, Quentys,
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Responsible Care is a registered trademark of the
Chemistry Industry Association of Canada.

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Responsible Care
OUR COMMITMENT TO SUSTAINABILITY