Borealis Interim Consolidated Financial Statements

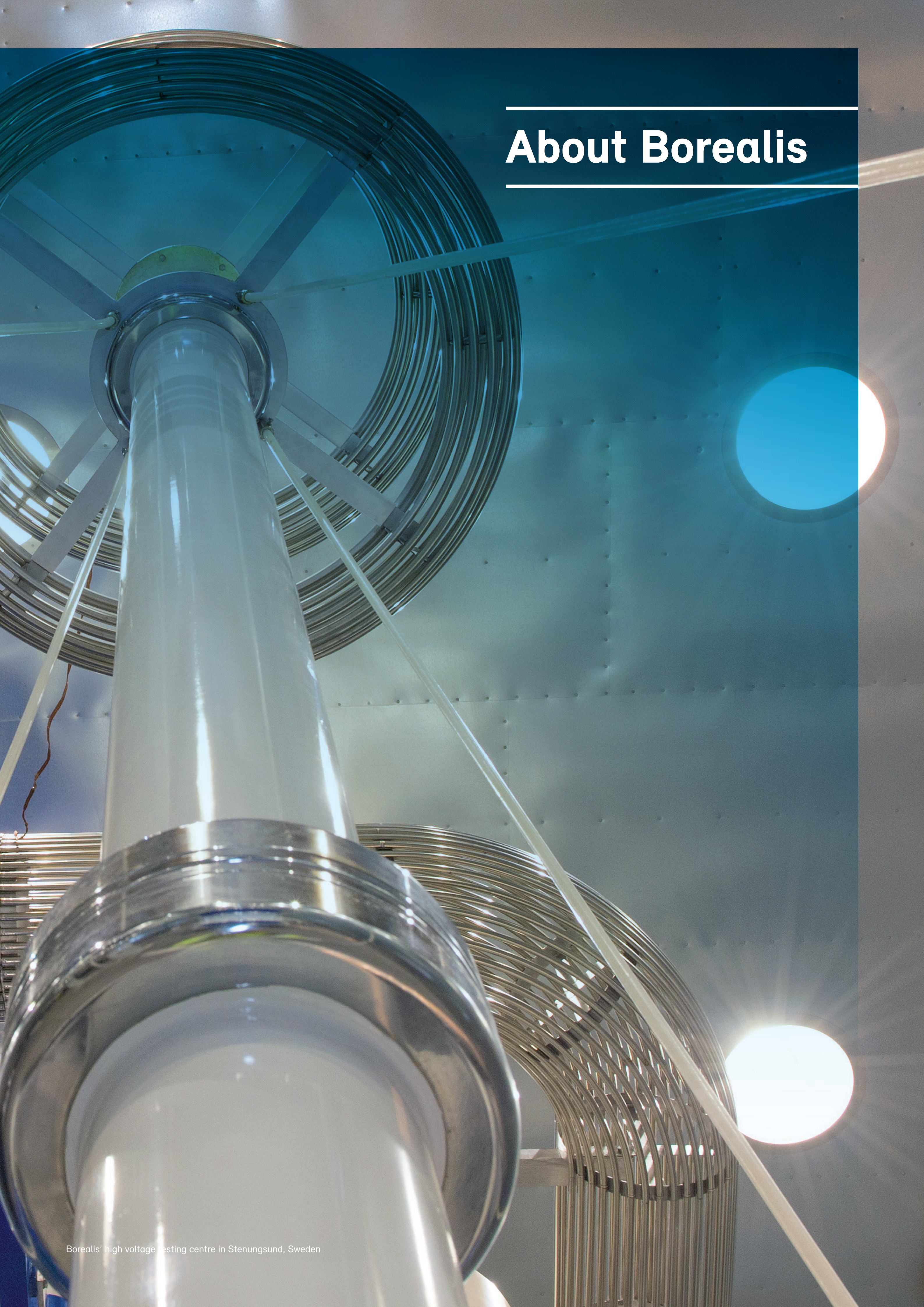
as of 30 June 2019

BOREALIS

Keep Discovering

Contents

About Borealis

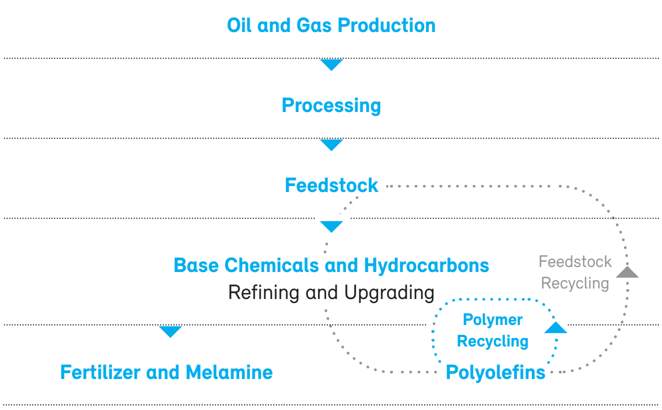


Borealis' high voltage testing centre in Stenungsund, Sweden

Our Business

Borealis is a leading provider in the fields of polyolefins, base chemicals, fertilizers and melamine. With its head office in Vienna, Austria, the company currently has more than 6,800 employees and operates in over 120 countries. Borealis generated EUR 8.3 billion in sales revenue and a net profit of EUR 906 million in 2018. Mubadala, through its holding company, owns 64% of the company, with the remaining 36% belonging to Austria-based OMV, an integrated, international oil and gas company. Borealis provides services and products to customers globally, in collaboration with Borouge, a joint venture with the Abu Dhabi National Oil Company (ADNOC) and with Baystar™, a joint venture with Total and NOVA Chemicals in Texas, USA.

Fig. 1: **Petrochemical Production Flow**



Borealis believes in progress. By driving ideas forward, the company 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.

Base Chemicals

Borealis produces a wide range of products for use in numerous and diverse industries, including, phenol, acetone, ethylene and propylene.

Fertilizers, Melamine and Technical Nitrogen Products

Borealis produces a wide range of fertilizers as well as melamine and technical nitrogen products.

Our Business Model

Industry Segments

Polyolefins

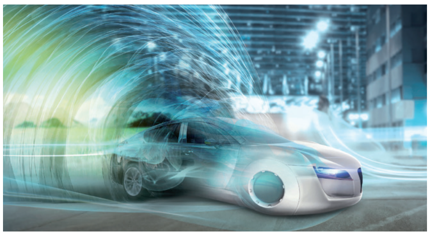
Energy

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

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

Energy



Automotive

Pipes & Fittings

Consumer Products

Healthcare

Polymer Solutions

Circular Economy Solutions

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

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

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

Automotive

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

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

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

Pipes & Fittings

A trusted partner to the pipe industry for over 50 years, Borealis supplies advanced polyolefin pipe system materials to a wide range of projects and communities around the world. By offering more durable and reliable pipes, Borealis’ step change innovations continue to boost the sustainability of pipe networks by making them safer and more efficient. These improved networks also help eliminate wastage and loss whilst at the same time offering energy savings. Water and sanitation systems can be made more efficient and reliable by using proprietary Borealis materials.
For example, when compared to conventional materials, modern polyethylene (PE) systems reduce water losses by a factor of eight. Trenchless technology reduces installation costs by up to 60%.

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

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

Consumer Products

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

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

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

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

Healthcare

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

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

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

Importantly, as 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.

In polymer modifiers, Borealis continues to expand its wide range of attractive solutions. The multitalented Queo™ brand helps bridge the performance gap between conventional plastics such as 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 long-term business growth in the areas of mechanical recycling and design for recyclability (DfR).

Base Chemicals

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

Fertilizers, Melamine and Technical Nitrogen Products

Fertilizers

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

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

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

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.

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 an NOx reduction agent for trucks, buses, tractors, construction machinery, and diesel passenger cars.

Our 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 **strengthening the cracker asset base** with increased feedstock flexibility and integrated economics for our polyolefin products.
- Realise **growth opportunities** in other geographies/related businesses.
- Pursue **operational excellence** and a **Goal Zero** mindset
- Achieve a step change in **innovation.**
- Exceed in serving our customers with a focus on **quality** and **reliable execution.**
- Continue to develop our cross-cultural **organisational capability** and a learning organisation
- **Drive sustainability,** explore and realise business opportunities from the **circular economy.**

Outperform Financially

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

40–60%
debt to equity ratio

Our Values

Responsible

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

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

Respect

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

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

Exceed

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

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

Nimblicity™

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

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

Financial Statements

Management Report – Half Year Report 2019

The total number of recordable injuries (TRI) per million working hours was at 1.9 in the first six months of 2019 compared to 1.7 in the same period last year. While this performance is still solid when benchmarked within the industry, it is below Borealis' expectation and last year's average. The ratio reflects 17 individuals who have been injured including with deepest regret one tragic fatal accident in Stenungsund, Sweden, in the first six months of 2019. Safety remains the 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 oil price recovered from its low of 58 USD/bbl in December 2018, increased to its peak in April 2019 at 72 USD/bbl and dropped back to 63 USD/bbl by June 2019. Naphtha followed a similar pattern as the oil price, increasing from 463 USD/t in December 2018 to 563 USD/t in April 2019. Since then, the naphtha price has retreated, reaching 473 USD/t in June 2019. The ethylene and propylene contract prices bottomed out in January 2019 and have strengthened since then reaching 1,075 EUR/t and 990 EUR/t, respectively, in June 2019.

The European polyolefins demand in the first six months of 2019 remained on a similar level as during the same period in 2018. Accordingly, in the first half of 2019 Borealis' polyolefins sales volume stayed at a comparable level to the first six months of 2018. In the first half year 2019, Borealis' fertilizer sales volume increased by 17% versus the same period in 2018 driven by an improved plant operability and a recovery of the fertilizer market environment.

Borealis achieved a robust net profit of EUR 528 million during the first six months of 2019, a slight reduction of EUR 5 million versus the result in the same period of 2018. The operating profit amounted to EUR 340 million compared to EUR 396 million in the first six months of 2018. The Polyolefins business faced a weaker industry margin leading to a reduction in operating profit in the first six months of 2019 versus the same period in 2018. Moreover, the Base Chemicals business recorded a decrease in operating profit in the first half of 2019 in comparison to the same period in 2018. On an integrated basis, the polyolefin margins were still at a healthy level during the first six months of 2019. The Fertilizer business within the fertilizer, melamine and technical nitrogen unit, on the other hand, has benefited from an improved plant operability, a recovery of the market conditions driven by favourable gas prices and solid fertilizer market prices in the first six months of 2019.

Borouge's net profit contribution to Borealis of EUR 228 million in the first six months of 2019 was EUR 36 million lower than in the same period last year. The reduction in Borouge's net profit contribution to Borealis was mainly driven by lower polyolefin sales prices in Asia.

On 7 June 2019, the Finnish and Austrian tax authorities reached an agreement on two cases regarding the taxation of Borealis Finnish' subsidiaries Borealis Technology Oy and Borealis Polymers Oy. The dispute was resolved through a Mutual Agreement Procedure (MAP) between Finland and Austria. Borealis welcomes that an agreement has been reached which finally eliminates double taxation.

Borealis' net debt increased by EUR 150 million during the first six months of 2019 largely due to the payment of a EUR 400 million dividend for 2018 to Borealis' shareholders on top of the EUR 300 million interim dividend for 2018 paid in September 2018. Additionally, the implementation of the new accounting standard for lease contracts (IFRS 16) resulted in a higher reported net debt. Overall, investments in tangible and intangible assets reached EUR 168 million in the first half of 2019, compared to EUR 164 million in the same period of 2018. Borealis' financial position remains strong with a gearing of 22% at the end of June 2019, an increase by 3 percentage points from end of June 2018, but well below the target gearing range of 40%–60%.

Borealis continues to maintain a very strong liquidity position, through its EUR 1 billion fully committed revolving credit facility (RCF) originally based on a five-year tenor with two further one-year extension options at lenders' discretion. After a successful bond transaction in December 2018, Borealis continued to develop its financing portfolio and successfully placed another Schuldschein (German Private Placement) for a total amount of EUR 140 million and USD 70 million in May 2019. Borealis continues to benefit from a well-diversified financing portfolio and a balanced maturity profile.

In the first six months of 2019, Borealis further progressed its existing growth projects and launched new initiatives to continue its sustainable, international growth.

In February, Bayport Polymers LLC (Baystar™), the 50/50 joint venture owned by Total Petrochemicals & Refining USA, Inc. and Novealis Holdings LLC, a joint venture co-owned by Borealis and NOVA Chemicals Inc., held its ground-breaking ceremony for the construction of a 625,000 metric ton-per-year Borstar® polyethylene unit at its production site in Pasadena, Texas, with an anticipated start-up in 2021. The state-of-the-art Borstar® technology, which will be used in North America for the first time, will allow Baystar to produce enhanced polyethylene products for the most demanding applications. Additionally, Baystar is building a one-million-ton per year steam cracker in Port Arthur, Texas. The new cracker will process ethane, which is abundantly available and competitively priced in the US, and will supply feedstock for its existing 400,000 ton-per-year polyethylene units as well as the new Borstar® polyethylene unit in Pasadena.

In March, Borealis and the Abu Dhabi National Oil Company (ADNOC) signed a Memorandum of Understanding (MoU) to explore potential growth opportunities within the polyolefin industry in key geographical markets that both parties view as key demand centres. Since 1998, Borealis and ADNOC have collaborated as joint venture partners in Borouge, a leading petrochemicals company with an annual capacity of 4.5 million tonnes. As part of its 2030 smart growth strategy, ADNOC has recently embarked on a significant expansion of its downstream business. At the centre of its new downstream strategy is a USD 45 billion investment plan aimed at creating the world's largest integrated refining and petrochemicals complex in Ruwais, UAE, which will see the company triple its production of petrochemicals to 14.4 million tons per year by 2025. In line with this strategy, in February Borouge awarded TechnipFMC, Maire Tecnimont and WorleyParsons with three major contracts for the fourth phase of the Ruwais, UAE, petrochemicals complex which will include the world's largest mixed feed cracker with an ethylene output of 1.8 million tonnes per year. It will have an overall production capacity of 3.3 million tonnes per year for olefins and aromatics using a variety of feedstock such as ethane, butane and naphtha coming from ADNOC's refinery and gas processing facilities.

In March, Borealis awarded Tecnimont, main contractor of Maire Tecnimont, with an engineering, procurement, construction management (EPCM) and commissioning services contract for a new propane dehydrogenation (PDH) plant, including the requisite utilities and interconnections. The new facility, located at an existing Borealis production site in Kallo, Belgium, will have a targeted production capacity of 750,000 metric tonnes per year, making it one of the largest and most efficient in the world. The new plant is scheduled to start up mid-2022.

In May, Borealis opened its new polypropylene compounding plant in Taylorsville, US. The 50,000 square feet facility increases the capacity by 66 million pounds per year to strengthen Borealis' and Borouge's global supply capability for thermoplastic olefin (TPO) and short-glass fiber (SGF) compounds. Among the first compounds produced in the new facility are those used to make automotive interior and exterior parts for major OEM and Tier customers.

Borealis is leading the industry by applying its Visioneering Philosophy™ to the development and implementation of novel polyolefins-based solutions that enable plastics reuse, recycling, and recovery, and by designing for circularity. These wide-ranging activities are gathered under the umbrella brand EverMinds™, Borealis' collaboration platform dedicated to promoting a more circular mind-set in the industry. By capitalising on its profound expertise in virgin polyolefins and collaborating with value chain partners, Borealis keeps discovering new opportunities for business growth within the circular economy.

Borealis announced the introduction of a new plastics recycling technology, Borcycle™. This evolving technology will be used to produce high-quality compounds made of recycled polyolefins (rPO) such as the newly-launched Borcycle™ MF1981SY, an rPO with over 80% recycled content intended for use in visible appliance parts. Borealis also announced a series of significant material improvements to existing recyclates in the established Purpolen™ brand portfolio.

In June, Borealis and the EREMA Group, the global market leader in the development and production of plastics recycling systems, signed a Letter of Intent (LOI) to intensify their cooperation in the field of mechanical recycling. Their shared goal is to advance mechanical recycling technologies in order to accelerate the transition to a circular economy of plastics. The companies also aim to enhance recycling processes in order to satisfy increasing market demand for higher-quality recyclate used in high-end applications.

In February, Borealis received the coveted "Gold CSR" (Corporate Social Responsibility) status awarded by EcoVadis, an international provider of business sustainability ratings. Borealis also performed among the top one percent of all suppliers assessed in the most recent round of EcoVadis' Supplier Sustainability Ratings completed in 2018.

Borealis' Executive Board and senior management are pleased with the solid result that has been achieved in the first half of 2019. For the second half of 2019, pressure on the integrated polyolefin margins in Europe is expected. In Asia, a recovery of the market prices to historic levels is not anticipated for the remainder of 2019. However, the Fertilizers business is projected to continue its stronger contribution in the second half of 2019.

Review of results

Sales

Borealis delivered a polyolefins sales volume in the first six months of 2019 of 1.9 million tonnes, maintaining the same level as in the first half of 2018. Fertilizer reached a sales level of 2.3 million tonnes, which is 17% above the sales volume in the same period in 2018 driven by improved market conditions and higher operability of the assets. Borealis' Melamine sales volumes increased from 65 kt in the first half year 2018 to 70 kt in the first half year 2019 mainly driven by the planned turnaround in Linz in 2018.

Cost development

The total production costs increased by 3% in the first half of 2019 versus the first six months of 2018. Underlying sales and distribution costs increased by 4% year-on-year. The Administration and Research & Development expenses remained on a comparable level as in the first six months of 2018. The number of full-time equivalent employees (FTEs) as per end of June 2019 was 6,852 compared to 6,834 at the end of December 2018.

Financial income and expenses

Net financial expenses for the first six months of 2019 amounted to EUR 26 million, an increase of EUR 15 million compared to the first six months of 2018, due to unfavourable exchange rate effects and the application of the new leasing standard (IFRS 16).

Taxes

Income tax charges for the first six months of 2019 amounted to EUR 24 million, compared to EUR 108 million in the corresponding period of 2018. The decrease is mainly attributable to the settlement of the Finnish tax cases through a Mutual Agreement Procedure (MAP) between Austria and Finland in June and lower taxable profits compared to the first six months of 2018. In the first half of 2019, Borealis paid income taxes of EUR 100 million, an increase of EUR 12 million compared to the same period in 2018.

Net profit and distribution of dividend

The net profit for the first six months of 2019 amounted to EUR 528 million, compared to a net profit of EUR 533 million in the first six months of 2018. Borealis distributed a EUR 400 million dividend for 2018 to Borealis' shareholders in February on top of the EUR 300 million interim dividend for 2018 paid in September 2018, compared to a dividend of EUR 700 million from the results of the financial year 2017 in March 2018. Over the year 2018 it was the first time that an interim dividend was paid during the year reducing the final dividend payment when compared to previous years.

Financial position

Total assets and capital employed

At the end of June 2019, the total assets and capital employed stood at EUR 10,291 million and EUR 8,116 million, respectively, compared to EUR 9,949 million and EUR 7,814 million at year-end 2018.

The solvency ratio was 62% at 30 June 2019, a decrease of 2 percentage points compared to year-end 2018. The gearing ratio increased to 22%, compared to 20% at the end of December 2018. Net debt increased by EUR 150 million in the first half of 2019 reaching EUR 1,455 million at the end of June 2019. Total equity increased by EUR 83 million to EUR 6,519 million in the first six months of 2019, mainly as a result of the performance of the first 6 months of 2019, which was partially offset by the dividend paid to shareholders.

Cash flows and liquidity reserves

Cash flow from operations for the first six months of 2019 was EUR 399 million. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,251 million at the end of June 2019, compared to EUR 1,072 million at year-end 2018.

Vienna, 20 August 2019
Executive Board:

Alfred Stern
Chief Executive

Mark Tonkens
Chief Financial Officer

Martijn Arjen van Koten

Philippe Roodhooft

Lucrèce De Ridder

Interim Consolidated Financial Statements

Interim Consolidated Income Statement

EUR thousand	2019	2018	Note
For the six months ended 30 June	**unaudited**	**unaudited**	
Net sales	**4,279,870**	**4,199,883**	1, 2
Production costs	-3,403,206	-3,306,450	
Gross profit	**876,664**	**893,433**	
Sales and distribution costs	-359,789	-346,359	
Administration costs	-109,650	-108,861	
R&D costs	-67,127	-65,416	
Other income	0	23,374	12
Operating profit	**340,098**	**396,171**	
Net results in associated companies and joint ventures after tax	237,597	256,507	
Financial income	7,025	3,104	
Financial expenses	-33,047	-14,439	
Profit before taxation	**551,673**	**641,343**	
Taxes on income	-24,119	-108,453	
Net profit for the period	**527,554**	**532,890**	
Attributable to:			
Non-controlling interest	181	-1,123	
Equity holders of the parent	527,373	534,013	

Interim Consolidated Statement of Comprehensive Income

EUR thousand	2019	2018
For the six months ended 30 June	**unaudited**	**unaudited**
Net profit for the period	**527,554**	**532,890**
Items that may be reclassified subsequently to the income statement		
Net gain/loss on translation of financial statements of foreign operations	18,818	68,400
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	-3,981	-10,406
Reclassifications during the period to the income statement	0	0
Tax effect recognised in other comprehensive income	995	2,618
Net gain/loss on loans and financial contracts to hedge investments in foreign operations	-350	-5,036
Reclassifications during the period to the income statement	0	0
Tax effect recognised in other comprehensive income	87	1,259
Fair value adjustments of cash flow hedges	-32,087	59,619
Reclassifications during the period to the income statement	-6,265	-22,971
Tax effect recognised in other comprehensive income	9,588	-9,162
Items that will not be reclassified to the income statement		
Actuarial gains and losses	-48,778	2,374
Tax effect recognised in other comprehensive income	12,270	-514
Net income/expense recognised in other comprehensive income	**-49,703**	**86,181**
Total comprehensive income	**477,851**	**619,071**
Attributable to:		
Non-controlling interest	307	-2,079
Equity holders of the parent	477,544	621,150

Interim Consolidated Balance Sheet

EUR thousand	30.6.2019	31.12.2018	Note
	unaudited	audited	
Assets			
Non-current assets			
Intangible assets	487,555	418,314	3
Property, plant and equipment			3
Production plants	2,465,381	2,596,705	
Machinery and equipment	33,844	33,058	
Construction in progress	343,541	256,790	
	2,842,766	2,886,553	
Right-of-use assets	205,864	0	
Investments in associated companies and joint ventures	3,728,979	3,755,171	4
Other investments	30,125	29,984	10
Contract assets	6,592	6,537	
Other receivables and other assets	184,048	146,864	10
Deferred tax assets	63,821	46,737	
Total non-current assets	**7,549,750**	**7,290,160**	
Current assets			
Inventories	1,147,404	1,198,362	6
Receivables			
Trade receivables	870,712	768,256	10, 13
Income taxes	171,684	66,628	
Other receivables and other assets	408,771	552,903	10
Total receivables and other assets	1,451,167	1,387,787	
Cash and cash equivalents	142,860	72,347	10
Total current assets	**2,741,431**	**2,658,496**	
Total assets	**10,291,181**	**9,948,656**	

Interim Consolidated Balance Sheet

EUR thousand	30.6.2019	31.12.2018	Note
	unaudited	audited	
Total Equity and Liabilities			
Shareholders' equity			
Share capital and contributions by shareholders	1,599,397	1,599,397	
Reserves	2,294	47,349	
Retained earnings	4,901,995	4,774,622	
Shareholders' equity	6,503,686	6,421,368	
Non-controlling interest	15,047	14,740	
Total equity	**6,518,733**	**6,436,108**	
Liabilities			
Non-current liabilities			
Loans and borrowings	848,377	726,478	9, 10
Lease liabilities	169,438	0	9
Deferred tax liabilities	226,161	238,093	
Employee benefits	473,883	426,404	
Provisions	59,336	67,653	7
Government grants	18,186	18,474	8
Other liabilities	11,872	12,548	10
Non-current liabilities	**1,807,253**	**1,489,650**	
Current liabilities			
Loans and borrowings	543,602	651,145	9, 10
Lease liabilities	36,186	0	9
Trade payables	827,059	852,525	10, 13
Income taxes	126,063	94,871	
Provisions	3,861	4,123	7
Government grants	46,815	0	8
Contract liabilities	33,363	41,485	
Other liabilities	348,246	378,749	10
Current liabilities	**1,965,195**	**2,022,898**	
Total liabilities	**3,772,448**	**3,512,548**	
Total equity and liabilities	**10,291,181**	**9,948,656**	

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	Retained earnings	Total attributable to the equity holders of the parent	Non-controlling interest	Total equity
Balance as of 31 December 2018	**1,599,397**	**-218,228**	**44,839**	**220,738**	**4,774,622**	**6,421,368**	**14,740**	**6,436,108**
Net profit for the period	0	0	0	0	527,373	**527,373**	181	**527,554**
Other comprehensive income	0	-36,508	-28,764	15,443	0	**-49,829**	126	**-49,703**
Total comprehensive income	0	-36,508	-28,764	15,443	527,373	**477,544**	307	**477,851**
Dividend payments	0	0	0	0	-400,000	**-400,000**	0	**-400,000**
Reclassification of cash flow hedges to balance sheet	0	0	4,774	0	0	**4,774**	0	**4,774**
Balance as of 30 June 2019 (unaudited)	**1,599,397**	**-254,736**	**20,849**	**236,181**	**4,901,995**	**6,503,686**	**15,047**	**6,518,733**
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 period	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**

1) Share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (31 December 2018: EUR 300,000.00).

Interim Consolidated Cash Flow

EUR thousand	2019	2018	Note
For the six months ended 30 June	**unaudited**	**unaudited**	
Cash flows from operating activities			
Payments from customers	4,187,260	4,036,666	
Payments to employees and suppliers	-3,666,206	-3,647,971	
Interest received	4,011	640	
Interest paid	-14,831	-17,748	
Other financial expenses paid	-10,374	-3,962	
Income taxes paid	-100,419	-87,788	
	399,441	**279,837**	
Cash flows from investing activities			
Investments in property, plant and equipment	-134,128	-140,534	3
Investments in intangible assets	-33,727	-23,737	3
Acquisitions of subsidiaries net of cash	0	-4,000	
Dividends of associated companies	370,775	298,967	
Capital contributions to and financing of associated companies and joint ventures	-78,478	-89,463	13
Loans granted to third parties	-49,566	0	
	74,876	**41,233**	
Cash flows from financing activities			
Non-current loans obtained	199,532	103	9
Current loans obtained	175,000	365,912	9
Current loans repaid	-360,579	-129,512	9
Principal elements of lease payments	-17,795	0	
Dividends paid to equity holders of the parent	-400,000	-700,000	
	-403,842	**-463,497**	
Net cash flow of the period	**70,475**	**-142,427**	
Cash and cash equivalents as of 1 January	72,347	229,062	
Effect of exchange rate fluctuations on cash held	38	-496	
Cash and cash equivalents as of 30 June	**142,860**	**86,139**	

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.

Borealis reports the business result in 3 segments:

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

Base Chemicals includes essentially the following product ranges: phenol, acetone, ethylene and propylene.

The third segment is "Borealis NITRO" consisting of: fertilizers, melamine and technical nitrogen products.

Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2019 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 2018.

The interim consolidated financial statements for the six months ended 30 June 2019 have not been subject to an external audit or 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 2018, except for new and amended standards and interpretations effective as of 1 January 2019.

Since 1 January 2019, 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 16	Leases	1 January 2019	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	1 January 2019
Amended Standards and interpretations			
IFRS 9	Prepayment Features with Negative Compensation	1 January 2019	1 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019	1 January 2019
Misc.	Annual Improvements to IFRS Standards 2015–2017 Cycle	1 January 2019	1 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019	1 January 2019

IFRS 16 Leases

Borealis has adopted IFRS 16 Leases from 1 January 2019 using the modified retrospective approach. The Company has not restated comparative information for the 2018 reporting period and used certain simplifications, as permitted by the specific transitional provisions of the standard. The reclassifications and adjustments arising from the new leasing standard are recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 2.2% p.a. on 1 January 2019.

The entity reclassified EUR 742 thousand carrying value of assets held under finance leases and the related finance lease liability of EUR 381 thousand as of 31 December 2018 as the carrying value of the right-of-use asset and the lease liability at the date of initial application of IFRS 16 on 1 January 2019. The measurement principles of IFRS 16 are only applied after that date.

The following table reconciles lease commitments for non-cancellable operating leases at 31 December 2018 to the lease liability on 1 January 2019:

EUR thousand	
Operating lease commitments disclosed as at 31 December 2018	**258,158**
Less: short-term leases recognised on a straight-line basis as expense	-5,415
Less: low-value leases recognised on a straight-line basis as expense	-171
Effect of discounting at the lessee's incremental borrowing rate at the date of initial application of IFRS 16	-43,964
Add: finance lease liabilities recognised as at 31 December 2018	381
Other	1,925
Lease liability recognised as at 1 January 2019	**210,914**
Of which are:	
Current lease liabilities	33,596
Non-current lease liabilities	177,318

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

EUR thousand	30.6.2019	1.1.2019
Production plants	114,449	116,613
Machinery and equipment	91,415	96,251
Carrying value	**205,864**	**212,864**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Consolidated Balance Sheet EUR thousand	31.12.2018	Changes due to initial application of IFRS 16	1.1.2019
Assets			
Production plants	2,596,705	-742	2,595,963
Right-of-use assets	0	212,864	212,864
Total non-current assets	**7,290,160**	**212,122**	**7,502,282**
Other receivables and other assets	552,903	-1,589	551,314
Total current assets	**2,658,496**	**-1,589**	**2,656,907**
Total assets	**9,948,656**	**210,533**	**10,159,189**
Liabilities			
Loans and borrowings	726,478	-246	726,232
Lease liabilities	0	177,318	177,318
Non-current liabilities	**1,489,650**	**177,072**	**1,666,722**
Loans and borrowings	651,145	-135	651,010
Lease liabilities	0	33,596	33,596
Current liabilities	**2,022,898**	**33,461**	**2,056,359**
Total liabilities	**3,512,548**	**210,533**	**3,723,081**
Total equity and liabilities	**9,948,656**	**210,533**	**10,159,189**

Practical expedients applied

In applying IFRS 16 for the first time, Borealis has used the following practical expedients or simplifications permitted by the Standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, similarly to operating leases under IAS 17;
- the accounting for certain leases of assets of low value similar to operating leases under IAS 17;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

Borealis' leasing activities and how these are accounted for

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

The lease liability is mainly driven by two material contracts which together represent 45% of the carrying value at reporting date: a lease of an ethane carrier and a lease of land in Belgium. The minimum lease term for the vessel lease ends in 2026, for the land in 2049. Both contracts contain extension options.

Until the end of the financial year 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is split between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Borealis has mainly applied the incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of lease liability;
– any lease payments made at or before the commencement date less any lease incentives received;
– any initial direct costs; and
– costs, if any, of restoring the asset at the end of the lease term to the condition required by the terms and conditions of the lease.

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office and IT-equipment, textiles or smaller containers.

Variable lease payments

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

Extension and termination options

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

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods covered by termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of EUR 210,648 thousand have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). This mainly relates to the vessel and the Belgium land lease.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was immaterial.

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

For the six months ended 30 June, if not indicated otherwise

EUR thousand	2019				
	Polyolefins	Base Chemicals [1]	Borealis NITRO [1]	Non-Allocated	Consolidated
Net sales by segment					
Total segment sales	2,726,043	2,349,199	682,065	98,759	5,856,066
Inter-segment sales	0	-1,563,479	-12,717	0	-1,576,196
	2,726,043	**785,720**	**669,348**	**98,759**	**4,279,870**

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

Segment result					
Operating profit	168,080	196,395	44,121	-68,498	340,098
Net result in associated companies and joint ventures	8,107	196	932	228,362	237,597
Financial income/expenses				-26,022	-26,022
Taxes on income				-24,119	-24,119
Non-controlling interest				-181	-181
Net profit for the period attributable to equity holders of the parent					**527,373**

Other information			30.6.		
Segment assets	3,703,883	1,578,018	982,950	4,026,330	10,291,181
thereof Austria	2,321,143	724,548	568,456	3,718,192	7,332,339
Segment liabilities	0	0	0	3,772,448	3,772,448

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

1) A reorganisation of the Borealis Base Chemicals business was carried out in 2018. The Fertilizers, Melamine and Technical Nitrogen Products business unit (Borealis NITRO) became effective as of 1 January 2019. Comparatives for 2018 have been restated in the segment reporting.

EUR thousand			2018		
	Polyolefins	Base Chemicals [1]	Borealis NITRO [1]	Non-Allocated	Consolidated
Net sales by segment					
Total segment sales	2,773,180	2,369,410	576,218	113,450	5,832,258
Inter-segment sales	0	-1,623,871	-8,504	0	-1,632,375
	2,773,180	**745,539**	**567,714**	**113,450**	**4,199,883**

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

Segment result					
Operating profit	264,045	229,089	-44,238	-52,725	396,171
Net result in associated companies and joint ventures	3,010	144	1,311	252,042	256,507
Financial income/expenses				-11,335	-11,335
Taxes on income				-108,453	-108,453
Non-controlling interest				1,123	1,123
Net profit for the period attributable to equity holders of the parent					**534.013**

Other information			**31.12.**		
Segment assets	3,405,691	1,585,030	1,063,610	3,894,325	9,948,656
thereof Austria	2,092,975	756,669	601,151	3,658,258	7,109,053
Segment liabilities	0	0	0	3,512,548	3,512,548

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

1) A reorganisation of the Borealis Base Chemicals business was carried out in 2018. The Fertilizers, Melamine and Technical Nitrogen Products business unit (Borealis NITRO) became effective as of 1 January 2019. Comparatives for 2018 have been restated in the segment reporting.

2. Revenue from contracts with customers

For the six months ended 30 June

EUR thousand	2019	2018
Revenue from contracts with customers	4,229,398	4,167,137
Revenue from other sources	50,472	32,746
Net sales	**4,279,870**	**4,199,883**

Revenue from other sources mainly includes amortisation of government grants.

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

EUR thousand	2019				
	Polyolefins	Base Chemicals [1]	Borealis NITRO [1]	Non-Allocated	Consolidated
Revenue from contracts with customers	2,723,617	784,326	667,149	54,306	4,229,398
Revenue from other sources	2,426	1,394	2,199	44,453	50,472
Net sales (as reported in note 1)	**2,726,043**	**785,720**	**669,348**	**98,759**	**4,279,870**

EUR thousand	2018				
	Polyolefins	Base Chemicals [1]	Borealis NITRO [1]	Non-Allocated	Consolidated
Revenue from contracts with customers	2,771,845	745,211	565,500	84,581	4,167,137
Revenue from other sources	1,335	328	2,214	28,869	32,746
Net sales (as reported in note 1)	**2,773,180**	**745,539**	**567,714**	**113,450**	**4,199,883**

1) For details on the reorganisation of the Borealis Base Chemicals business see Note 1.

3. Intangible assets and property, plant and equipment

Borealis invested EUR 33,727 thousand into intangible assets in the first six months of 2019 (first six months 2018: EUR 23,737 thousand). Additions arising from internal development amounted to EUR 13,202 thousand (first six months 2018: EUR 14,550 thousand). Intangible assets received by way of government grants as allowances for emissions (EU Emissions Trading System) amounted to EUR 93,575 thousand for the year 2019 (2018: EUR 52,191 thousand), representing an increase compared to 2018 which was mainly driven by the price increase. The emissions of the year 2018 were settled in April 2019.

The impairment of intangible assets in the first six months of 2019 for which the carrying value exceeds the value in use amounted to EUR 4,470 thousand (first six months 2018: EUR 3,967 thousand).

Additions to property, plant and equipment in the first half year 2019 amounted to EUR 134,128 thousand (first six months 2018: EUR 140,534 thousand). Moreover, borrowing costs amounting to EUR 1,351 thousand (first six months 2018: EUR 942 thousand) have been capitalised using an average interest rate of 2.2% (first six months 2018: 2.4%).

Major projects advanced in the first six months of 2019 are the new, world-scale propane dehydrogenation (PDH) plant at the existing production site in Kallo, Belgium, the upgrade and revamp of four cracker furnaces in Stenungsund, Sweden, and the upgrade of the PE4 plant at the production facility in Schwechat, Austria.

At 30 June 2019, Borealis' contractual commitments amounted to EUR 243,353 thousand (31 December 2018: EUR 131,763 thousand) for the acquisition of property, plant and equipment. The main driver for the increase compared to 31 December 2018 are the planned investments in the new PDH plant in Kallo, Belgium.

4. Investments in associated companies, joint ventures and subsidiaries

		Ownership in %	
Associated companies	**Country**	**30.6.2019**	**31.12.2018**
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 Semplifiée de Gouaix (SICA de Gouaix) [1]	France	25.00	25.00
Société Industrielle Commerciale et Agricole de Maiziéres 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 % 30.6.2019	31.12.2018
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	US	50.00	50.00
Silleno Limited Liabilities Partnership [1)]	Kazakhstan	50.10	50.10

1) Excluded from consolidation at equity due to immateriality

Subsidiaries

Borealis Funding Company Ltd has been dissolved on 18 February 2019.

5. Tax contingencies

On 7 June 2019, the Finnish and Austrian Tax Authorities reached an agreement on two cases regarding the taxation of Borealis Technology Oy and Borealis Polymers Oy. The dispute was resolved through a Mutual Agreement Procedure (MAP) between Finland and Austria. Borealis welcomes that an agreement has been reached.

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.

6. Inventories

EUR thousand	30.6.2019	31.12.2018
Finished products	871,518	917,016
Raw materials and consumables	275,886	281,346
Total	**1,147,404**	**1,198,362**

Impairment cost of EUR 24,463 thousand (first six months 2018: EUR 23,581 thousand) was recognised in the first six months of 2019.

7. 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 for all provisions.

Restructuring

Provisions for restructuring amounted to EUR 1,009 thousand (31 December 2018: EUR 1,036 thousand) and cover estimated costs for the ongoing restructuring programmes mainly in Norway and Germany.

Decommissioning

Provisions for decommissioning amounted to EUR 43,445 thousand (31 December 2018: EUR 43,445 thousand) and cover the expected clean-up and dismantling costs for plants situated on rented land in Germany and Belgium. It is expected that EUR 12,257 thousand will be used until 2024, EUR 5,377 thousand until 2027 and EUR 25,811 thousand until 2049.

Legal

Legal provisions amounted to EUR 5,433 thousand (31 December 2018: EUR 5,474 thousand) and represent litigation provisions in various business.

Environmental

Environmental provisions amounted to EUR 2,566 thousand (31 December 2018: EUR 2,625 thousand) and cover several environmental exposures in the Group.

Other

Other provisions amounted to EUR 10,744 thousand (31 December 2018: EUR 19,196 thousand) and cover numerous types of long-term obligations, including long-term incentive plans.

8. Government grants

Government grants received from the EU Emissions Trading System in the first six months 2019 amounted to EUR 93,575 thousand in respect of the year 2019 (2018: EUR 52,191 thousand for the year 2018). The increase compared to the previous year was mainly driven by the market price increase. 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 46,815 thousand as of 30 June 2019 (31 December 2018: EUR 0 thousand).

The non-current government grants are grants received for investments in production plants and for research and development. In the first six months of 2019, no significant new grants have been received.

9. Loans and borrowings and lease liabilities

The composition of interest-bearing loans and borrowings and lease liabilities (current and non-current debt) at 30 June 2019 was as follows:

EUR thousand		**30.6.2019**						
Due		Term loans	Bonds	Utilised uncommitted facilities	Export credits	**Total Loans and borrowings**	Unutilised committed facilities	**Lease liabilities**
After	5 years	150,395	296,754			**447,149**		**80,109**
Within	5 years	149,197				**149,197**		**13,954**
	4 years	58,165				**58,165**		**18,501**
	3 years	124,592				**124,592**	1,000,000	**26,717**
	2 years	69,274				**69,274**		**30,157**
Total non-current debt		**551,623**	**296,754**	**0**	**0**	**848,377**	**1,000,000**	**169,438**
Total current debt		360,464	125,000	0	58,138 [1)]	**543,602**	107,873 [1)]	**36,186**
Total debt		**912,087**	**421,754**	**0**	**58,138**	**1,391,979**	**1,107,873**	**205,624**

1) Borealis maintains EUR 166,011 thousand in export credit facilities (these facilities were drawn in the amount of 58,138 thousand as per 30 June 2019). 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 2018 was as follows:

EUR thousand		**31.12.2018**						
Due		Term loans	Bonds	Utilised uncommitted facilities	Export credits	Finance leases	**Total Loans and borrowings**	Unutilised committed facilities
After	5 years	61,615	300,000				**361,615**	
Within	5 years	37,574					**37,574**	
	4 years	71,536				80	**71,616**	
	3 years	154,436				77	**154,513**	1,000,000
	2 years	101,071				89	**101,160**	
Total non-current debt		**426,232**	**300,000**	**0**	**0**	**246**	**726,478**	1,000,000
Total current debt		300,098	125,000	59,901	166,011 [2)]	135	**651,145**	0
Total debt		**726,330**	**425,000**	**59,901**	**166,011**	**381**	**1,377,623**	1,000,000

2) Borealis maintains EUR 166,011 thousand in export credit facilities (these facilities were fully drawn at 31 December 2018). These facilities are economically evergreen in nature, but include a one year notice for cancellation.

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

Borealis continues to maintain a strong liquidity position through its EUR 1 billion fully committed revolving credit facility of which EUR 1 billion remained undrawn at the end of June 2019 and by terming out its debt through diverse funding channels. The Syndicated Revolving Credit Facility is based on a five-year tenor with two one-year extension options at lenders' discretion. This facility was originally refinanced in 2014 and extended in 2016 for the second and final time by one additional year, with the participating relationship banks consenting to a final maturity date of 2021.

At 30 June 2019, the Group had committed credit facilities of EUR 1,166,011 thousand (31 December 2018: EUR 1,166,011 thousand). Thereof, the OeKB Export Credit Facilities of EUR 166,011 thousand were drawn in the amount of EUR 58,138 thousand (31 December 2018: EUR 166,011 thousand).

In the first six months 2019, Borealis increased its debt position by EUR 219,980 thousand. This includes the initial recognition of IFRS 16 Leases as per 1 January 2019. At reporting date, the lease liabilities amounted to EUR 205,624 thousand. The increased cash position offset the effect on the Borealis net debt position which increased by EUR 149,468 thousand, resulting in a gearing ratio of 22%.

In May 2019, Borealis successfully placed a Schuldschein (German Privat Placement) transaction in EUR and USD. The issue was initially launched with a marketing volume of EUR 150,000 thousand combined EUR and USD, in fixed and variable notes and tenors of 5, 7 and 10 years. The Schuldschein transaction was very well received by investors right from launch date and could be consequently priced at the low end of the spread range, underpinning the strong and consistent Borealis credit story. Backed by the strong and very granular order book, Borealis decided to increase the final size to EUR 140,000 thousand and USD 70,000 thousand, respectively.

In July 2012, a 7-year bond was issued with a nominal value of EUR 125,000 thousand and a fixed interest rate of 4.000%. In December 2018, Borealis issued an inaugural rated corporate 7-year bond with a nominal value of EUR 300,000 thousand and an interest rate of 1.750%. The bonds are listed at the secondary market of the Vienna Stock Exchange.

In the first half of 2019, Borealis concluded R&D financing agreements with the Österreichische Forschungsförderungsgesellschaft mbH in Austria with the total amount of EUR 379 thousand.

Under Borealis' funding strategy a well diversified financing portfolio has been implemented over the last few years with the aim to maintain a balanced maturity profile. In addition, Borealis is pursuing a long-term relationship approach with a larger group of international financing institutions that support the company in funding and risk management transactions.

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

Based on this, combined with a strong balance sheet and the obtained strong public rating, Borealis has a wide variety of attractive funding instruments at hand (such as Bonds, German Schuldschein, US Private Placement, Foreign Investment Financings, bank loans and other) to meet the financing needs in the second half of 2019 and beyond. Borealis will continue to explore several suitable financial instruments fitting its strategy. With its undrawn EUR 1 billion syndicated revolving credit facility at 30 June 2019, Borealis has a significant committed liquidity headroom at its disposition.

Some loan agreements have financial covenants based on maintaining certain gearing and solvency ratios.

10. Fair values

The following table shows the carrying values and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

EUR thousand	30.6.2019			31.12.2018		
Assets	**Carrying value**	**Fair value**	**Fair value hierarchy level**	**Carrying value**	**Fair value**	**Fair value hierarchy level**
Other investments						
Other investments	30,125	30,125	3	29,984	29,984	3
at fair value through profit and loss	**30,125**			**29,984**		
Trade receivables						
Trade receivables	870,712			768,256		
thereof at amortised cost	**738,162**			**731,220**		
thereof at fair value through profit and loss	**132,550**			**37,036**		
Cash and cash equivalents						
Cash	110,276			48,876		
Other current deposits	32,584			23,471		
at amortised cost	**142,860**			**72,347**		
Other receivables and other assets (current and non-current)						
Listed securities	12,102	12,102	1	12,058	12,058	1
at fair value through profit and loss	**12,102**			**12,058**		
Derivative financial instruments for which hedge accounting is applied	65,354	65,354	2	138,389	138,389	2
Hedging instruments	**65,354**			**138,389**		
Derivative financial instruments for which hedge accounting is not applied	9,545	9,545	2	27,821	27,821	2
at fair value through profit or loss	**9,545**			**27,821**		
Loans granted	146,145	196,422	2	97,625	121,477	2
Deposits and other receivables	114,365			88,436		
at amortised cost	**260,510**			**186,061**		
Other non financial assets	245,308	n/a	n/a	335,438	n/a	n/a
Total other receivables and other assets (current and non-current)	**592,819**			**699,767**		

EUR thousand	30.6.2019			31.12.2018		
Liabilities	**Carrying value**	**Fair value**	**Fair value hierarchy level**	**Carrying value**	**Fair value**	**Fair value hierarchy level**
Loans and borrowings (current and non-current)						
Floating rate loans and borrowings	435,935	465,904	2	277,182	278,705	2
Fixed rate loans and borrowings	956,044	1,006,255	2	1,100,441	1,149,746	2
at amortised cost	**1,391,979**			**1,377,623**		
Trade payables						
Trade payables	827,059			852,525		
at amortised cost	**827,059**			**852,525**		
Other liabilities (current and non-current)						
Derivative financial instruments for which hedge accounting is applied	29,918	29,918	2	78,610	78,610	2
Hedging instruments	**29,918**			**78,610**		
Derivative financial instruments for which hedge accounting is not applied	18,520	18,520	2	8,801	8,801	2
at fair value through profit or loss	**18,520**			**8,801**		
Contingent consideration	2,000	2,000	3	2,000	2,000	3
Interest accruals on loans and borrowings	17,714			10,283		
Other financial liabilities	22,933			57,624		
at amortised cost	**42,647**			**69,907**		
Other non-financial liabilities	269,033	n/a	n/a	233,979	n/a	n/a
Total other liabilities (current and non-current)	**360,118**			**391,297**		

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 2019, 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 their fair value. If the equity decreases (increases), the fair value decreases (increases) accordingly.

The following table presents the changes in other investments (level 3 items):

EUR thousand	2019	2018
Balance as of 1 January	29,984	44,894
Investments and acquisitions	0	50
Other changes [1]	0	-16,184
Fair value changes recognised in income statement (financial income/expenses)	141	1,224
Balance at balance sheet date	**30,125**	**29,984**

1) In 2018, a subsidiary became material for consolidation

Trade and other receivables and assets

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

The carrying value of deposits and other 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 at the balance sheet date.

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

Contingent Consideration

The fair value of the contingent consideration for the acquisition of Ecoplast amounts to EUR 2,000 thousand as of 30 June 2019. It has been estimated at the maximum amount based on the status and the latest management forecast for defined project targets related to a new production line. The condition related to the start-up date of the line has been fulfilled. Further conditions related to the forecasted project budget and the production quantity are the most significant valuation inputs for the determination of the contingent consideration liability. An overrun of the project budget would result in a lower fair value of the contingent consideration liability. Also, the fair value would be lowered if production of in-spec material at nameplate capacity was only achieved after 31 October 2019. An underrun of project budget, or an accelerated production ramp-up to nameplate capacity, would not lead to an increase of the fair value of the liability.

11. Contingent liabilities

The tax contingencies related to Finland included in note 10 in the Group Annual Report 2018 have been resolved in the meantime (see note 5), no further significant risks and uncertainties have been identified compared to year-end 2018.

12. Other income

In the first six months 2019 no other income was recognised. Other income during the first first half year 2018 amounted to EUR 23,374 thousand, which consisted fully of profits from the sale of emission rights.

13. Transactions with related parties

EUR thousand	Transaction values for the six months ended 30 June		Balance outstanding	
	2019	**2018**	**30.6.2019**	**31.12.2018**
Sale of goods and services				
Associated companies	191,358	190,672	86,684	75,697
Joint ventures	24	42	5	1,545
Companies with significant influence	22,592	22,895	6,409	6,517
Other related parties	19,682	65,368	8,160	12,762
Purchase of goods and services				
Associated companies	199,044	160,371	71,092	69,523
Joint ventures	3,151	3,189	349	235
Companies with significant influence	667,427	691,988	133,516	142,585
Other related parties	36,997	39,705	11,467	7,678
Others				
Loans granted and related interest – Associated companies	323	240	10,157	9,387
Loans granted and related interest – Joint ventures	0	0	0	85,738
Lease liability and related interest – Companies with significant influence	48	0	3,759	0

The sales to associated companies and joint ventures mainly include sales of finished goods and services. Purchases from associates mainly include purchases of finished goods produced in Borouge and sold in Europe. Purchases from companies with significant influence mainly relate to the purchase of feedstock and utilities from OMV Group companies at market rates. Leases from companies with significant influence relate to rented land from OMV in Germany.

14. Subsequent events

There have been no significant subsequent events after 30 June 2019.

15. Executive Board and Supervisory Board

Executive Board

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

Supervisory Board

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

Vienna, 20 August 2019
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 § 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 2019
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

Notes

Trademark information:
Borstar is a registered trademark of the Borealis Group.
Ambicat, Borlink, Bormed, Casico, Nimblicity, Quentys,
Visico, Visioneering Philosophy are trademarks of the Borealis Group.
Responsible Care is a registered trademark of the
Chemistry Industry Association of Canada.

Content owner:
Borealis AG
Wagramer Strasse 17-19, 1220 Vienna, Austria
Tel.: +43 1 22 400 300
www.borealisgroup.com | info@borealisgroup.com

Project Management: Ute Greutter, UKcom Finance
Graphic Design: Martina Veratschnig
Photography: Borealis AG archive
Published in August 2019

Borealis AG
Wagramer Strasse 17–19 · A-1220 Vienna · Austria
Tel. +43 1 22 400 300 · Fax +43 1 22 400 333
www.borealisgroup.com · info@borealisgroup.com