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# Borealis

# Interim Consolidated

# Financial Statements

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as of 30 June 2020



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Keep Discovering

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§ 125 (1) Z 3 Vienna Stock Exchange Act

# About Borealis

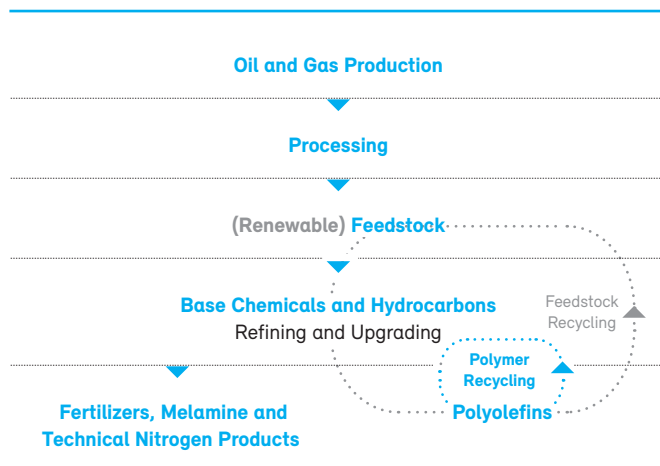
# Our Business

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 circular economy. As a reliable partner, Borealis creates ever more value for its customers and partners by developing new approaches, technologies and products.

Fig. 1: **Chemical production flow**



## Polyolefins

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

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

## Base Chemicals

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

## Fertilizers, Melamine and Technical Nitrogen Products

Borealis produces and then distributes and supplies around five million tonnes of fertilizers and technical nitrogen products each year via its Borealis L.A.T distribution network. With more than 60 warehouses across Europe and an inventory capacity of over 700,000 tonnes. The product portfolio comprises nitrogenous fertilizers, compound NPK fertilizers and speciality fertilizers with various formulas of primary and secondary nutrients as well as oligo-elements.

As the second-largest producer of high-quality melamine in Europe, Borealis produces melamine at its plants in Linz, Austria, and at its facility in Piesteritz, Germany. Converted from natural gas, melamine has become an essential material for the global production of synthetic resins.

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

# Our Business Model

## Industry Segments

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

### Polyolefins

#### Energy

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

Safer wires and cables for the solar, automotive, and construction industries are made possible by unique Borealis polymer manufacturing technologies. Borealis also has a

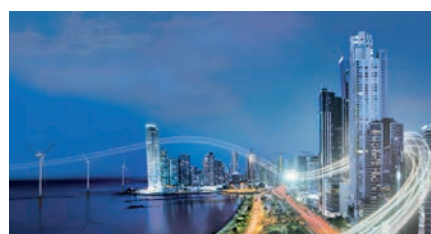
proven track record of innovation in the area of flame retardant cables for these industries. Borealis offers a comprehensive range of communication cable solutions for advanced data, copper multipair, fibre optic, and coaxial cables, all of which enhance the efficiency of data and communication networks.

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

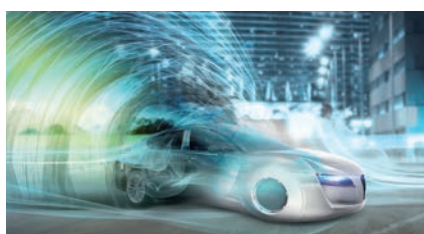
Unique polymer and manufacturing technologies using Borlink™, Visico™/Ambicat™, Borstar® and Casico™ allow Borealis to offer innovative compounds tailored to specific customer needs.

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

Fig. 2: Industries served by Borealis' polyolefins applications



Energy



Automotive



Pipes & Fittings



Consumer Products



Healthcare



Polymer Solutions



Circular Economy Solutions

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

#### Automotive

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

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

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

#### Pipes & Fittings

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

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

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

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

#### Consumer Products

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

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

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

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

## Healthcare

Borealis offers reliable solutions that add value to healthcare thanks to an impressive track record in Value Creation through Innovation, and close cooperation with customers. The growing Bormed™ polyolefins portfolio offers superior technical performance for medical devices, pharmaceuticals, and diagnostic packaging. Borealis' innovations help make healthcare packaging and medical devices safer and more affordable whilst improving usability, a key criterion in today's ageing society.

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

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

## Polymer Solutions

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

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

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

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

## Circular Economy Solutions

Borealis Circular Economy Solutions is dedicated to discovering new opportunities for long-term business growth, primarily in the areas of mechanical recycling and design for recyclability (DfR).

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

## Base Chemicals

### Hydrocarbons & Energy

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

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

### **Fertilizers, Melamine and Technical Nitrogen Products (TEN)**

#### **Fertilizers**

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

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

Borealis produces and then distributes and supplies around five million tonnes of fertilizers and technical nitrogen products each year via its Borealis L.A.T distribution network. With more than 60 warehouses across Europe and an inventory capacity of over 700,000 tonnes. The product portfolio comprises nitrogenous fertilizers, compound NPK fertilizers and speciality fertilizers with various formulas of primary and secondary nutrients as well as oligo-elements. Non-European markets are serviced mainly via the Borealis Rosier distribution network.

#### **Melamine**

Borealis produces melamine at its plants in Linz, Austria, and at its facility in Piesteritz, Germany. Converted from natural gas, melamine has become an essential material for the global production of synthetic resins. Around 80% of Borealis' melamine production is destined for the wood-based panel industry, for example for decorative surface coatings of wood-based materials.

In the manufacture of everyday objects used in the kitchen or around the house, melamine also plays an important role, for example as one component used to make handles for pots and pans.

#### **Technical Nitrogen Products**

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

#### **AdBlue®**

AdBlue, a high purity aqueous urea solution, is used as a NO<sub>x</sub> reduction agent for trucks, buses, tractors, construction machinery, and diesel passenger cars.

#### **Ammonia**

A compound of nitrogen and hydrogen, ammonia has many and diverse uses: as a precursor or intermediate product in the production of nitrogenous materials; as a refrigerant in cooling systems; as an NO<sub>x</sub> reduction agent; and as a hardening agent for metal surfaces.

#### **Urea**

Urea is a synthetically produced organic compound of ammonia and carbon dioxide. It is utilised in the production of melamine and the glues used in particle boards, but also as a raw material for resins, and as an NO<sub>x</sub> reduction agent.



# Our Group Strategy 2035

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

## Geographical expansion

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

### – North America

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

### – MEA

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

## Transformation

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

### – Circular Economy

Lead the transformation to a truly circular economy across all applications

### – Value Add

Acquire adjacencies to complement and accelerate value creation through innovation

## Leading from the core

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

### – Sustainability

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

### – People

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

### – Excellence

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

# Our Values

## Responsible

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



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

## Respect

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



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

## Exceed

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



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

## 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.

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# Financial Statements

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# Management Report – Half Year Report 2020

The total number of recordable injuries (TRI) per million working hour stood at 0.9 in the first six months of 2020 compared to 1.9 in the same period last year. This improvement was driven by the continuous focus on safety of the management team together with all employees and contractors. While this is a world class performance when benchmarked against industry peers, it still reflects 9 individuals who were injured in the first six months of 2020 and Borealis will continue to work towards goal zero, an environment with no accidents.

As a responsible company, Borealis takes all possible steps to help stop the spread of the coronavirus (COVID-19) and protect its employees and business partners. At all locations, this involves physical distancing, the use of personal protective equipment and protective barriers where possible, increased cleaning frequency and hygiene measures. Ensuring a safe work environment is, and always will be, top priority in Borealis.

Following the demand collapse as a consequence of the global COVID-19 pandemic the oil price dropped from 64 USD/bbl in January 2020 to 27 USD/bbl in April 2020. Since then, the disciplined supply reduction by the OPEC plus countries supported a recovery of the oil price to 41 USD/bbl by June 2020. Naphtha has followed a similar pattern as the oil price, decreasing from 527 USD/t in January 2020 to 138 USD/t in April 2020. Since then, the naphtha price has partially recovered, reaching 342 USD/t in June 2020. The ethylene and propylene contract prices were also affected by the market environment hitting the bottom in May 2020 with 620 USD/t and 570 USD/t and have strengthened again since then, reaching 680 EUR/t and 630 EUR/t, respectively, in June 2020.

Borealis' polyolefin sales volume for the first six month of 2020 has been resilient to the COVID-19 impacted market environment and declined by only 2% versus the same period in 2019 as the crisis has demonstrated the importance of the Borealis product portfolio for a sustainable living, especially during a pandemic. Naturally, some segments like automotive have been affected negatively following the drop in automotive sales in the entire world. However, this reduction has been compensated to a large degree by stronger demand in healthcare and parts of consumer packaging. Borealis' fertilizer sales volume in the first half of 2020 was not impacted by the COVID-19 crisis and remained on the same level as in the first half of 2019.

The stringent safety measurements put in place allowed to continue operation at all locations, and in close cooperation with customers, suppliers and value chain partners Borealis ensured an uninterrupted supply of the Borealis product portfolio.

In the first six months of 2020, Borealis achieved an operating result of EUR 104 million compared to EUR 340 million in the first six months of 2019. The deterioration compared to the first half of 2019 was mainly driven by the negative inventory value development due to the declining oil price, a decreased advantage from the use of light feedstock versus naphtha, and the unplanned outage of the steam cracker in Sweden. The contribution from the Fertilizer business, on the other hand, has been stable in the first six months of 2020 in comparison to the same period in 2019.

Borouge's net profit contribution to Borealis of EUR 137 million in the first six months of 2020 was EUR 91 million lower than in the same period last year. The reduction was driven by weaker polyolefin sales prices in Asia, which was partially offset by higher sales volumes when compared with the same period of the previous year.

As a consequence of the lower operating result and the reduced contribution from Borouge, Borealis' net profit declined by EUR 313 million versus the first half of 2019 reaching EUR 215 million during the first six months of 2020.

In light of the COVID-19 crisis and the uncertainty about timing and speed of the recovery of the global economy, Borealis has launched a resilience programme with the focus on cash flow through cost reductions, adjustments in the investment portfolio and working capital measures. As part of the review it was decided not to further pursue the development of an integrated cracker and polyethylene project in the Republic of Kazakhstan. At the same time, Borealis remains committed to its growth strategy. In the first half of 2020, the expansion of the Borouge complex in Abu Dhabi, UAE, the investment in the Baystar™ cracker and Borstar® polyethylene plant, as well as the investment in the world-scale propane dehydrogenation plant in Kallo, Belgium, were further progressed.

In April, Borealis completed the acquisition of NOVA Chemicals' 50% ownership interest in Novealis Holdings LLC (Novealis). Formed in 2018, Novealis was the joint venture between affiliates of Borealis and NOVA Chemicals, which

subsequently formed a 50/50 joint venture with an affiliate of Total S.A. to launch Bayport Polymers LLC (Baystar) in Houston, Texas, US. This acquisition will allow Borealis to further increase its footprint in North America, enabling Borealis to better serve its customers in this region with value-add Borstar technology and its related products.

In June, Lafarge Zementwerke, a member of Lafarge Holcim Group, OMV, VERBUND and Borealis, co-signed a Memorandum of Understanding (MoU) for the joint planning and construction of a full-scale plant by 2030 to capture CO<sub>2</sub> and process it into synthetic fuels, plastics or other chemicals. Climate neutrality, circularity and innovation in Austria are driven by establishing a cross-sectoral value chain for carbon capture. This innovative project significantly reduces emissions from cement production, establishing the greenhouse gas CO<sub>2</sub> as a valuable raw material. In combination with green hydrogen (from renewable energies) produced by VERBUND, the captured CO<sub>2</sub> will be transformed by OMV to renewable based hydrocarbons, which in turn can be used to produce renewable based fuels or be utilised by Borealis as a feedstock to manufacture value-add plastics.

Borealis' net debt increased by EUR 395 million during the first six months of 2020 largely due to the acquisition of the 50% shareholding from NOVA Chemicals in Novaelis holdings LLC and the payment of a EUR 300 million final dividend over 2019 to Borealis' shareholders. Overall, investments in tangible and intangible assets reached EUR 312 million in the first half of 2020, compared to EUR 168 million in the same period of 2019. The increase is mainly a result of the investment in the new propane dehydrogenation plant in Kallo, Belgium. Borealis' financial position remains strong with a gearing of 31% at the end of June 2020, an increase by 9 percentage points from end of June 2019, 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.

Borealis is proud to have achieved the Gold Medal in the annual EcoVadis assessment of corporate social responsibility (CSR). Year 2020 is the fourth successive year in which we have reached Gold level, which places the Company in the top 5 percent of CSR performers amongst

the participating companies in our industry (chemicals and fertilizers). EcoVadis is a provider of universal sustainability ratings, with more than 65,000 companies from over 200 industries taking part and committing to ensure responsible sourcing throughout the supply chain. The assessment covers a range of CSR topics, including environmental impact, labour and human rights, ethics and sustainable procurement. In all four categories, Borealis performed well above the average of our reference group.

In March, Borealis' owners OMV and Mubadala have agreed on the acquisition of an additional 39% share in Borealis by OMV for a purchase price of USD 4.68 billion. As a result, OMV will become the majority shareholder in Borealis with this strategic investment to grow in chemicals and accelerate the diversification of the Company. Mubadala will retain a significant minority interest with a 25% shareholding. This transaction requires customary regulatory approvals and closing is expected in the fourth quarter of 2020.

Borealis' Executive Board and senior management are pleased with the overall performance in the first six months of 2020 especially in view of the COVID-19 crisis, the low oil price environment and the resulting economic environment. For the second half of the year, Borealis expects net profit to improve compared to the first half of 2020. Borealis is in a good position to successfully weather this challenging period and remain a strong partner for customers and the value chain.

## Review of Results

### Sales

Borealis delivered a polyolefins sales volume in the first six months of 2020 of 1.9 million tonnes, in line with the first half of 2019. Fertilizer business reached a sales level of 2.3 million tonnes, at the level of the sales volume in the same period of 2019. Melamine sales volumes decreased from 70 kt in the first half year 2019 to 65 kt in the first half year 2020 as demand was impacted by the COVID-19 pandemic.

### Cost Development

The total production costs decreased by 17% in the first half of 2020 versus the first six months of 2019 driven by the lower market prices of key raw materials due to the lower oil price. Underlying sales and distribution costs decreased by 2% year-on-year. The Administration and Research & Development expenses increased by 12% compared to the first six months of 2019 due to license sales

efforts in relation to the Borouge extension. The number of full-time equivalent employees (FTEs) as per end of June 2020 was 6,857 compared to 6,869 at the year-end 2019.

#### Financial Income and Expenses

Net financial expenses for the first six months of 2020 amounted to EUR 3 million, a reduction of EUR 23 million compared to the first six months of 2019, due to a positive effect from recycling the reserve for unrealised exchange gains/losses in conjunction with the step-acquisition of Novealis Holdings LLC and an increased interest income from the member loan agreement with Bayport Polymers LLC.

#### Taxes

Income tax charges for the first six months of 2020 amounted to EUR 20 million, compared to EUR 24 million in the corresponding period of 2019. The decrease is mainly attributable to lower taxable profits compared to the first six months of 2019. In the first half of 2020, Borealis received income tax refunds of EUR 54 million, compared to EUR 100 million paid income tax in the same period in 2019. During 2020, there has been a significant reimbursement of taxes paid in prior years, and tax pre-payments for the current year have been partially suspended as a consequence of the financial ramifications of the COVID-19 crisis.

#### Net Profit and Distribution of Dividend

The net profit for the first six months of 2020 amounted to EUR 215 million, compared to a net profit of EUR 528 million in the first six months of 2019. Borealis distributed a EUR 300 million dividend for 2019 to Borealis' shareholders in March on top of the EUR 300 million interim dividend for 2019 paid in October 2019, compared to a dividend of EUR 825 million from the results of the financial year 2018.

#### Financial Position

##### Total Assets and Capital Employed

At the end of June 2020, the total assets and capital employed stood at EUR 10,320 million and EUR 8,400 million, respectively, compared to EUR 10,118 million and EUR 8,110 million at year-end 2019.

The solvency ratio was 60% at the end of June 2020, a decrease of 3 percentage points compared to year-end 2019. The gearing ratio increased to 31%, compared to 24% at the end of December 2019. Net debt increased by EUR 395 million in the first half of 2020 reaching EUR 1,941 million at the end of June 2020. Total equity decreased by EUR 148 million to EUR 6,310 million in the first six months of 2020, mainly as a result of the dividend paid to shareholders, partially offset by the business performance of the first six months of 2020.

##### Cash Flows and Liquidity Reserves

Cash flow from operations for the first six months of 2020 was EUR 598 million, EUR 199 million above the same period in 2019 mainly driven by the strong focus in the resilience programme on cash generation to ensure a solid financial position allowing for the execution of the long-term strategy. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,148 million at the end of June 2020, compared to EUR 1,214 million at year-end 2019.

Vienna, 19 August 2020

**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	2020	2019	Note
For the six months ended 30 June	<b>unaudited</b>	<b>unaudited</b>	
<b>Net sales</b>	<b>3,491,580</b>	<b>4,279,870</b>	1, 2
Production costs	-2,834,484	-3,403,206	
<b>Gross profit</b>	<b>657,096</b>	<b>876,664</b>	
Sales and distribution costs	-352,029	-359,789	
Administration costs	-118,545	-109,650	
R&D costs	-82,773	-67,127	
<b>Operating profit</b>	<b>103,749</b>	<b>340,098</b>	
Net results of associated companies and joint ventures	134,345	237,597	
Financial income	32,230	7,025	
Financial expenses	-34,731	-33,047	
<b>Profit before taxation</b>	<b>235,593</b>	<b>551,673</b>	
Taxes on income	-20,433	-24,119	
<b>Net profit for the period</b>	<b>215,160</b>	<b>527,554</b>	
Attributable to:			
Non-controlling interest	-148	181	
Equity holders of the parent	215,308	527,373	



## Interim Consolidated Statement of Comprehensive Income

EUR thousand	2020	2019
For the six months ended 30 June	unaudited	unaudited
<b>Net profit for the period</b>	<b>215,160</b>	<b>527,554</b>
<b>Items that may be reclassified subsequently to the income statement</b>		
Net gain/loss on translation of financial statements of foreign operations	-18,534	18,818
Reclassification during the period to the income statement	-17,094	0
Tax effect recognised in other comprehensive income	0	0
Net gain/loss on long-term loans to foreign operations	-124	-3,981
Reclassification during the period to the income statement	0	0
Tax effect recognised in other comprehensive income	31	995
Net gain/loss on loans and financial contracts to hedge investments in foreign operations	140	-350
Reclassification during the period to the income statement	0	0
Tax effect recognised in other comprehensive income	-35	87
Fair value adjustment of cash flow hedges	-67,782	-32,087
Reclassification during the period to the income statement	27,574	-6,265
Tax effect recognised in other comprehensive income	10,052	9,588
<b>Items that will not be reclassified to the income statement</b>		
Actuarial gains and losses	-425	-48,778
Tax effect recognised in other comprehensive income	73	12,270
<b>Net income/expense recognised in other comprehensive income</b>	<b>-66,124</b>	<b>-49,703</b>
<b>Total comprehensive income</b>	<b>149,036</b>	<b>477,851</b>
Attributable to:		
Non-controlling interest	-2,040	307
Equity holders of the parent	151,076	477,544

## Interim Consolidated Balance Sheet

EUR thousand	30.6.2020	31.12.2019	Note
	unaudited	audited	
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	518,249	522,208	3
Property, plant and equipment			3
Production plants	2,455,545	2,515,431	
Machinery and equipment	32,027	34,742	
Construction in progress	571,168	391,257	
	3,058,740	2,941,430	
Right-of-use assets	196,569	210,022	
Investments in associated companies and joint ventures	3,760,395	3,631,061	5
Other investments	31,992	31,692	11
Loans granted	608,490	257,070	11
Other receivables and other assets	33,906	37,761	11
Deferred tax assets	63,058	59,377	
<b>Total non-current assets</b>	<b>8,271,399</b>	<b>7,690,621</b>	
<b>Current assets</b>			
Inventories	903,756	1,109,438	7
Receivables			
Trade receivables	628,128	749,888	11, 12
Income taxes	80,604	153,230	
Other receivables and other assets	287,676	308,837	11
Total receivables and other assets	996,408	1,211,955	
Cash and cash equivalents	148,225	106,273	11
<b>Total current assets</b>	<b>2,048,389</b>	<b>2,427,666</b>	
<b>Total assets</b>	<b>10,319,788</b>	<b>10,118,287</b>	

## Interim Consolidated Balance Sheet

EUR thousand	30.6.2020	31.12.2019	Note
	unaudited	audited	
<b>Total equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital and contributions by shareholders	1,599,397	1,599,397	
Reserves	-37,753	22,791	
Retained earnings	4,738,348	4,823,040	
Shareholders' equity	6,299,992	6,445,228	
Non-controlling interest	10,484	12,524	
<b>Total equity</b>	<b>6,310,476</b>	<b>6,457,752</b>	
<b>Liabilities</b>			
Non-current liabilities			
Loans and borrowings	1,464,771	1,211,886	10, 11
Lease liabilities	160,485	172,371	10
Deferred tax liabilities	204,876	216,548	
Employee benefits	475,610	474,776	
Provisions	59,111	61,222	8
Government grants	18,179	18,684	9
Other liabilities	28,437	13,923	11
<b>Non-current liabilities</b>	<b>2,411,469</b>	<b>2,169,410</b>	
Current liabilities			
Loans and borrowings	426,809	229,603	10, 11
Lease liabilities	37,126	38,513	10
Trade payables	650,356	746,527	11, 12
Income taxes	47,782	39,131	
Provisions	2,998	3,481	8
Government grants	48,603	566	9
Contract liabilities	33,085	41,789	
Other liabilities	351,084	391,515	11
<b>Current liabilities</b>	<b>1,597,843</b>	<b>1,491,125</b>	
<b>Total liabilities</b>	<b>4,009,312</b>	<b>3,660,535</b>	
<b>Total equity and liabilities</b>	<b>10,319,788</b>	<b>10,118,287</b>	

## Interim Consolidated Statement of Changes in Equity

EUR thousand	Share capital <sup>1)</sup> and contributions by shareholders	Reserve for actuarial gains/losses recognised in equity	Hedging reserve	Reserve for unrealised exchange gains/losses	Retained earnings	Total attributable to the equity holders of the parent	Non-controlling interest	Total equity
<b>Balance as of 31 December 2019 (audited)</b>	<b>1,599,397</b>	<b>-260,760</b>	<b>1,347</b>	<b>282,204</b>	<b>4,823,040</b>	<b>6,445,228</b>	<b>12,524</b>	<b>6,457,752</b>
Net profit for the period	0	0	0	0	215,308	<b>215,308</b>	-148	<b>215,160</b>
Other comprehensive income	0	-352	-30,156	-33,724	0	<b>-64,232</b>	-1,892	<b>-66,124</b>
Total comprehensive income	0	-352	-30,156	-33,724	215,308	<b>151,076</b>	-2,040	<b>149,036</b>
Dividend payments	0	0	0	0	-300,000	<b>-300,000</b>	0	<b>-300,000</b>
Reclassification of cash flow hedges to balance sheet	0	0	3,688	0	0	<b>3,688</b>	0	<b>3,688</b>
<b>Balance as of 30 June 2020 (unaudited)</b>	<b>1,599,397</b>	<b>-261,112</b>	<b>-25,121</b>	<b>248,480</b>	<b>4,738,348</b>	<b>6,299,992</b>	<b>10,484</b>	<b>6,310,476</b>
<b>Balance as of 31 December 2018 (audited)</b>	<b>1,599,397</b>	<b>-218,228</b>	<b>44,839</b>	<b>220,738</b>	<b>4,774,622</b>	<b>6,421,368</b>	<b>14,740</b>	<b>6,436,108</b>
Net profit for the period	0	0	0	0	527,373	<b>527,373</b>	181	<b>527,554</b>
Other comprehensive income	0	-36,508	-28,764	15,443	0	<b>-49,829</b>	126	<b>-49,703</b>
Total comprehensive income	0	-36,508	-28,764	15,443	527,373	<b>477,544</b>	307	<b>477,851</b>
Dividend payments	0	0	0	0	-400,000	<b>-400,000</b>	0	<b>-400,000</b>
Reclassification of cash flow hedges to balance sheet	0	0	4,774	0	0	<b>4,774</b>	0	<b>4,774</b>
<b>Balance as of 30 June 2019 (unaudited)</b>	<b>1,599,397</b>	<b>-254,736</b>	<b>20,849</b>	<b>236,181</b>	<b>4,901,995</b>	<b>6,503,686</b>	<b>15,047</b>	<b>6,518,733</b>

1) Share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (31 December 2019: EUR 300,000.00)

A dividend of EUR 300,000 thousand was paid in 2020 out of the result of the year 2019.

## Interim Consolidated Cash Flow

EUR thousand	2020	2019	Note
For the six months ended 30 June	<b>unaudited</b>	<b>unaudited</b>	
<b>Cash flows from operating activities</b>			
Payments from customers	3,590,644	4,187,260	
Payments to employees and suppliers	-3,028,046	-3,666,206	
Interest received	9,183	4,011	
Interest paid	-20,539	-14,831	
Other financial expenses paid	-6,679	-10,374	
Income taxes paid	53,639	-100,419	
	<b>598,202</b>	<b>399,441</b>	
<b>Cash flows from investing activities</b>			
Investments in property, plant and equipment	-277,162	-134,128	3
Investments in intangible assets	-35,004	-33,727	3
Acquisitions of subsidiaries net of cash	-543,437	0	4
Dividends of associated companies	266,219	370,775	
Capital contributions to and financing of associated companies and joint ventures	-97,509	-78,478	
Loans granted to third parties	0	-49,566	
	<b>-686,893</b>	<b>74,876</b>	
<b>Cash flows from financing activities</b>			
Non-current loans and borrowings obtained	508,220	199,532	
Current loans and borrowings obtained	91,352	175,000	
Current loans and borrowings repaid	-146,875	-360,579	
Principal elements of lease payments	-21,458	-17,795	
Dividends paid to equity holders of the parent	-300,000	-400,000	
	<b>131,239</b>	<b>-403,842</b>	
<b>Net cash flow of the period</b>	<b>42,548</b>	<b>70,475</b>	
Cash and cash equivalents as of 1 January	106,273	72,347	
Effect of exchange rate fluctuations on cash held	-596	38	
<b>Cash and cash equivalents as of 30 June</b>	<b>148,225</b>	<b>142,860</b>	

# 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 innovative solutions in the fields of polyolefins, base chemicals and fertilizers.

## Borealis Reports its Business Result in 3 Segments:

In the Polyolefins segment Borealis focuses on the application areas Automotive, Energy, Consumer Products, Pipe, Advanced Products, 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 2020 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 2019.

The interim consolidated financial statements for the six months ended 30 June 2020 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 2019, except for new and amended standards and interpretations effective as of 1 January 2020.

Since 1 January 2020, the following accounting standards 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). These did not have a material impact on the financial position or performance of the Group.

Standards		IASB effective date	EU effective date
<b>Amended Standards</b>			
Conceptual Framework	References to the Conceptual Framework in IFRS Standards	1 January 2020	1 January 2020
IAS 1 and IAS 8	Definition of Material	1 January 2020	1 January 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020	1 January 2020
IFRS 3	Definition of a Business	1 January 2020	1 January 2020

#### IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

Following the financial crisis, the replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. The IASB has embarked on a two-phase project to consider what, if any, reliefs to give from the effects of the IBOR reform. The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 in September 2019 with an effective date for annual periods beginning on or after 1 January 2020. The amendments bring reliefs enabling not to discontinue hedge accounting for hedges exposed to uncertainties arising from the reform. Borealis continuously monitors the latest developments in the IBOR reform.

Borealis considers that it is in principle exposed to uncertainties resulting from the interest rate benchmark reform in respect of its hedges of (6 month) EURIBOR and

(3 month) USD LIBOR interest risk, related to the existence of two outstanding USD interest rate swaps with a nominal amount of USD 110 million in total, and one outstanding interest rate swap with a nominal amount of EUR 29 million as of the reporting date. Their hedging period reaches beyond 2021 when uncertainties about existence of the USD LIBOR rates arise. Borealis expects that the hedging instrument and the hedged risk of the hedged item will not change as a result of the reform; however, any hedge ineffectiveness would be accounted for in profit or loss.

Borealis has designated two hedges of USD LIBOR interest risk for in total USD 110 million which will expire in 2024, and will implement the required changes in due time if and as needed after 2022, should it be determined that after such date the existing benchmark rate will no longer be available.

## 1. Segment Reporting

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

EUR thousand	Polyolefins		Base Chemicals	
	2020	2019	2020	2019
<b>Net sales by segment</b>				
Total segment sales	2,296,318	2,726,043	1,643,423	2,349,199
Inter-segment sales	0	0	-1,187,009	-1,563,479
	<b>2,296,318</b>	<b>2,726,043</b>	<b>456,414</b>	<b>785,720</b>

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

<b>Segment result</b>				
Operating profit	26,478	168,080	57,069	196,395
Net result in associated companies and joint ventures	-2,539	8,107	102	196
Financial income/expenses				
Taxes on income				
Non-controlling interest				
<b>Net profit for the period attributable to equity holders of the parent</b>				

EUR thousand	30.6.2020	31.12.2019	30.6.2020	31.12.2019
<b>Other information</b>				
Segment assets	3,619,182	3,597,069	1,596,797	1,561,886
thereof Austria	1,632,945	2,191,334	520,338	625,076
Segment liabilities	0	0	0	0

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

1) Fertilizers, Melamine and Technical Nitrogen Products business unit (Borealis NITRO)



Borealis NITRO <sup>1)</sup>		Non-Allocated		Consolidated	
2020	2019	2020	2019	2020	2019
593,222	682,065	145,626	98,759	4,678,589	5,856,066
0	-12,717	0	0	-1,187,009	-1,576,196
<b>593,222</b>	<b>669,348</b>	<b>145,626</b>	<b>98,759</b>	<b>3,491,580</b>	<b>4,279,870</b>
51,753	44,121	-31,551	-68,498	103,749	340,098
-78	932	136,860	228,362	134,345	237,597
		-2,501	-26,022	-2,501	-26,022
		-20,433	-24,119	-20,433	-24,119
		148	-181	148	-181
				<b>215,308</b>	<b>527,373</b>
30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
991,985	950,228	4,111,824	4,009,104	10,319,788	10,118,287
486,461	505,990	3,964,538	3,771,641	6,604,282	7,094,041
0	0	4,009,312	3,660,535	4,009,312	3,660,535

## 2. Revenue from Contracts with Customers

For the six months ended 30 June

EUR thousand	2020	2019
Revenue from contracts with customers	3,435,455	4,229,398
Revenue from other sources	56,125	50,472
<b>Net sales</b>	<b>3,491,580</b>	<b>4,279,870</b>

Revenue from other sources mainly includes amortisation of government grants. Gains/losses for realised cash flow hedges on net sales from foreign exchange forwards in the Polyolefins segment are included as well.

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	2020				
	Polyolefins	Base Chemicals	Borealis NITRO <sup>1)</sup>	Non-Allocated	Consolidated
Revenue from contracts with customers	2,297,104	453,475	588,252	96,624	3,435,455
Revenue from other sources	-786	2,939	4,970	49,002	56,125
<b>Net sales (as reported in note 1)</b>	<b>2,296,318</b>	<b>456,414</b>	<b>593,222</b>	<b>145,626</b>	<b>3,491,580</b>

1) Fertilizers, Melamine and Technical Nitrogen Products business unit (Borealis NITRO)

EUR thousand	2019				
	Polyolefins	Base Chemicals	Borealis NITRO <sup>1)</sup>	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
<b>Net sales (as reported in note 1)</b>	<b>2,726,043</b>	<b>785,720</b>	<b>669,348</b>	<b>98,759</b>	<b>4,279,870</b>

1) Fertilizers, Melamine and Technical Nitrogen Products business unit (Borealis NITRO)

## 3. Intangible Assets and Property, Plant and Equipment and Impairment

Borealis invested EUR 35,004 thousand into intangible assets in the first six months of 2020 (first six months 2019: EUR 33,727 thousand). Additions arising from internal development amounted to EUR 15,122 thousand (first six months 2019: EUR 13,202 thousand). Intangible assets received by way of government grants as allowances for emissions (EU Emissions Trading System) amounted to EUR 95,941 thousand for the year 2020 (2019: EUR 94,141 thousand), representing a small increase

compared to 2019 which was mainly driven by the market price increase. The emissions of the year 2019 were settled in April 2020.

The impairment of intangible assets in the first six months of 2020 for which the carrying amount exceeds the value in use amounted to EUR 7,284 thousand (first six months 2019: EUR 4,470 thousand).

Additions to property, plant and equipment in the first half year 2020 amounted to EUR 277,162 thousand (first six

months 2019: EUR 134,128 thousand). Moreover, borrowing costs amounting to EUR 2,199 thousand (first six months 2019: EUR 1,351 thousand) have been capitalised using an average interest rate of 1.9% (first six months 2019: 2.2%).

Major projects advanced in the first six months of 2020 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 turnarounds in Geleen, Netherlands, and Kallo, Belgium.

As of 30 June 2020, Borealis' contractual commitments amounted to EUR 370,991 thousand (31 December 2019: EUR 343,637 thousand) for the acquisition of property, plant and equipment. The main driver for the increase compared to 31 December 2019 are the ongoing investments in the new PDH plant in Kallo, Belgium.

For the first six months of 2020, significant deviations of the development of the segments Polyolefins and Base Chemicals against the financial budget which was valid for this period had been observed. The main reasons were the negative inventory

value development due to the declining oil price, a decreased advantage from the use of light feedstock versus naphtha, and the unplanned outage of the steam cracker in Sweden.

Following these deviations, management has recalculated the recoverable amounts of the cash generating units (CGUs) in these segments as of 30 June 2020. For all impairment tests performed, the recoverable amounts were determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial forecasts covering a five-year period. Key assumptions of the forecasted cash flows are volumes sold and underlying industry margins. These are estimated based on industry reports issued by highly regarded business intelligence providers and management's experience. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

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

Impairment test parameters 30.6.2020						
Segment	Polyolefins					Base Chemicals
Cash generating unit	Polyethylene	Polypropylene	Recyclates	Brazil	US	Base Chemicals
Allocated goodwill in EUR thousand	50,687	22,000	33,695	3,808	0	0
Post tax discount rate	7.8%	7.8%	6.7%	10.7%	6.3%	7.2%
Growth rate	1.3%	1.5%	2.0%	2.4%	1.7%	1.5%

The change in the allocated goodwill of CGU Brazil compared to 31 December 2019 is entirely resulting from foreign currency revaluation, since this unit is based on BRL as a functional currency.

Impairment test parameters 31.12.2019						
Segment	Polyolefins					Base Chemicals
Cash generating unit	Polyethylene	Polypropylene	Recyclates	Brazil	US	Base Chemicals
Allocated goodwill in EUR thousand	50,687	22,000	33,695	5,197	0	0
Post tax discount rate	7.3%	7.3%	7.0%	9.0%	n/a	n/a
Growth rate	1.3%	1.5%	2.0%	2.4%	n/a	n/a

Parameters for CGUs US and Base Chemicals as of 31 December 2019 are not available since the recoverable amount was only calculated for the CGUs which carry goodwill in the course of the annual goodwill impairment test.

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

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

In addition to the parameters above, sensitivities regarding discount rates and oil prices (for the CGUs Polyethylene and Polypropylene) are taken into consideration. None of the calculated cases showed any need for an impairment.

#### 4. Business Combinations and Asset Acquisitions

##### Acquisition of Novealis Holdings LLC

On 15 April 2020, Borealis (via Star Bridge Holdings LLC, US) acquired 50% of the shares of Novealis Holdings LLC, US, (hereafter Novealis) from Nova Pecan Holdings LLC, US (the Seller). Together with a 50% stake of the shares already owned before the latest acquisition by Borealis BoNo Holdings LLC, US, Borealis became 100% owner of Novealis.

Formed in 2018, Novealis was a joint venture between affiliates of Borealis and NOVA Chemicals (hereafter Nova), which subsequently formed a 50/50 joint venture with an affiliate of Total S.A. to launch Bayport Polymers LLC (hereafter Baystar™) in the US. Novealis is a pure holding company. Its only investment is a 50% share in Baystar.

Baystar is currently building a new Borstar® polyethylene plant in Bayport, Texas, USA, with an anticipated start-up date in Q4 2021 and an annual capacity of 625,000 tons per year. The project is in full execution.

The acquisition of Novealis has been accounted for as an acquisition of assets, as it was not a business combination.

##### Assets acquired and liabilities assumed

The recognised amounts of the identifiable assets and liabilities of Novealis as at the date of acquisition were:

EUR thousand	Values recognised on acquisition
<b>Assets</b>	
Investment in associated companies and joint ventures	561,398
Cash and cash equivalents	1,247
<b>Total assets acquired</b>	<b>562,645</b>
<b>Total liabilities acquired</b>	<b>0</b>
<b>Total identifiable net assets</b>	<b>562,645</b>
Interest previously held	-287,054
<b>Total purchase consideration</b>	<b>275,591</b>
<b>Percentage acquired</b>	<b>50.00%</b>

A cash payment in April 2020 of EUR 275,350 thousand as well as a payment for a purchase price adjustment of EUR 241 thousand paid in June 2020 represents the total acquisition price of 50% of the shares of Novealis.

The cash acquired with this acquisition amounted to EUR 1,247 thousand. Furthermore, a loan from Nova towards Baystar in the amount of EUR 269,094 thousand was purchased from Borealis AG under the share purchase agreement, whereas the purchase price corresponds to the nominal amount. Those items result in a net cash outflow on the acquisition of EUR 543,437 thousand.

In the course of the acquisition in stages a reserve for net gains on translation of financial statements of foreign operations of EUR 17,094 thousand was reclassified to the income statement into the line item financial income.

Borealis agreed with the seller a contingent consideration up to EUR 10,150 thousand based on an earnings target for the year 2022. This additional consideration shall be transferred to the seller no later than twenty business days following the receipt of the audited year-end financial statements of Baystar for the calendar year 2022. Borealis assumed the earnings target will not be met. Thus, the contingent consideration has not been accounted for.

The consolidated financial statements include the results of Novealis for the 2.5-month period from the acquisition date. The Group's share of profit of the joint venture in Novealis was determined based on preliminary allocation of the acquisition cost of the joint venture to its identifiable assets, liabilities and contingent liabilities.

The following table illustrates the summarised financial information of Baystar:

<b>EUR thousand</b>	<b>2020</b>
Current assets	337,728
Non-current assets	2,396,716
Current liabilities	-74,538
Non-current liabilities	-1,236,576
<b>Equity</b>	<b>1,423,330</b>
Share of Borealis	50.00%
Share of net assets	711,665
Adjustments	-179,367
<b>Carrying amount as of 30 June</b>	<b>532,298</b>
Net sales	142,061
Net profit for the year	-13,046
Other comprehensive income	0
Total comprehensive income	-13,046

## 5. Investments in Associated Companies, Joint Ventures and Subsidiaries

Associated companies	Country	Ownership in %	
		30.6.2020	31.12.2019
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 <sup>1)</sup>	Finland	20.00	20.00
Chemiepark Linz Betriebsfeuerwehr GmbH <sup>1)</sup>	Austria	47.50	47.50
AZOLOR S.A.S. <sup>1)</sup>	France	34.00	34.00
Société d'Intérêt Collectif Agricole par Actions Simplifiée de Gouaix (SICA de Gouaix) <sup>1)</sup>	France	25.00	25.00
Société d'Intérêt Collectif Agricole Laignes Agrifluides (SICA Laignes Agrifluides) <sup>1)</sup>	France	49.90	49.90
Franciade Agrifluides S.A.S. (FASA) <sup>1)</sup>	France	49.98	49.98

1) Excluded from consolidation at equity due to immateriality

Joint ventures	Country	Ownership in %	
		30.6.2020	31.12.2019
PetroPort Holding AB	Sweden	50.00	50.00
Novealis Holdings LLC <sup>1)</sup>	US	-	50.00
Bayport Polymers LLC <sup>2)</sup>	US	50.00	-
BTF Industriepark Schwechat GmbH <sup>3)</sup>	Austria	50.00	50.00
Silleno Limited Liabilities Partnership <sup>3)</sup>	Kazakhstan	50.10	50.10

1) Subsidiary since 15 April 2020 // 2) Bayport Polymers LLC is a new joint venture due to acquisition of remaining share of Novealis Holdings LLC // 3) Excluded from consolidation at equity due to immateriality

Borealis recalculated the recoverable amount for its material investments in associated companies and joint ventures as of 30 June 2020 because significant changes with an adverse effect have taken place in the polyolefin market environment in the first six months of 2020. Namely, the weakening regional polyolefin sales prices resulted in significant deviations of the development of Abu Dhabi Polymers Company Limited (Borouge) and Bayport Polymers LLC (Baystar) against their respective financial budgets which were valid for this period.

For all impairment tests performed, the recoverable amount was based on the value in use, which was determined based on the present value of the estimated future cash flows expected to arise from dividends to be received from the investments.

Sensitivities regarding discount rates are taken into consideration. None of the calculated cases showed any need for an impairment.

## Subsidiaries

Borealis L.A.T Italia s.r.l. was incorporated by 1 January 2020. This 100% subsidiary is not consolidated due to immateriality. Furthermore, Borealis Digital Studios BVBA changed its name to Borealis Digital Studios BV as of 1 January 2020.

## 7. Inventories

EUR thousand	30.6.2020	31.12.2019
Finished products	636,691	844,226
Raw materials and consumables	267,065	265,212
<b>Total</b>	<b>903,756</b>	<b>1,109,438</b>

Impairment cost of EUR 18,732 thousand (first six months 2019: EUR 24,463 thousand) was recognised in the first six months of 2020.

## 8. Provisions

The Group's provisions consist of provisions for restructuring, decommissioning, legal, environmental and other provisions. The provisions are generally based on 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 430 thousand (31 December 2019: EUR 833 thousand) and cover estimated costs for the ongoing restructuring programmes mainly in Norway and Germany.

### Decommissioning

Provisions for decommissioning amounted to EUR 39,984 thousand (31 December 2019: EUR 39,984 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 11,482 thousand will be used until 2024, EUR 5,083 thousand until 2027 and EUR 23,419 thousand until 2049.

### Legal

Legal provisions amounted to EUR 4,383 thousand (31 December 2019: EUR 4,976 thousand) and represent litigation provisions in various business areas.

## 6. Tax Contingencies

Several 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.

### Environmental

Environmental provisions amounted to EUR 5,522 thousand (31 December 2019: EUR 5,778 thousand) and cover several environmental exposures in the Group.

### Other

Other provisions amounted to EUR 11,790 thousand (31 December 2019: EUR 13,132 thousand) and cover numerous types of long-term obligations, including long-term incentive plans.

## 9. Government Grants

Government grants received from the EU Emissions Trading System in the first six months 2020 amounted to EUR 95,941 thousand in respect of the year 2020 (2019: EUR 94,141 thousand for the year 2019). The small increase compared to the previous year was mainly driven by the market price increase. These grants are included at fair value when received at the beginning of the year and are released within that year. The carrying amount of government grants related to emission rights amounted to EUR 48,603 thousand as of 30 June 2020 (31 December 2019: EUR 566 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 2020, no significant new grants have been received.

## 10. Loans and Borrowings and Lease Liabilities

The composition of interest-bearing loans and borrowings and lease liabilities (current and non-current debt) as of 30 June 2020 was as follows:

EUR thousand		30.6.2020						
Due		Term loans	Bond	Utilised uncommitted facilities	Export credits	Total loans and borrowings	Unutilised committed facilities	Lease liabilities
After	5 years	334,518	297,216			631,734		76,025
Within	5 years	499,706				499,706	1,000,000	13,794
	4 years	150,164				150,164		16,766
	3 years	58,876				58,876		22,392
	2 years	124,291				124,291		31,508
<b>Total non-current debt</b>		<b>1,167,555</b>	<b>297,216</b>	<b>0</b>	<b>0</b>	<b>1,464,771</b>	<b>1,000,000</b>	<b>160,485</b>
Total current debt		169,446	0	91,352	166,011 <sup>1)</sup>	426,809	0	37,126
<b>Total debt</b>		<b>1,337,001</b>	<b>297,216</b>	<b>91,352</b>	<b>166,011</b>	<b>1,891,580</b>	<b>1,000,000</b>	<b>197,611</b>

1) Borealis maintains EUR 166,011 thousand in export credit facilities (these facilities were fully drawn as of 30 June 2020). These facilities are economically evergreen in nature, but include a one year notice for cancellation.

The composition of interest-bearing loans and borrowings (current and non-current debt) as of 31 December 2019 was as follows:

EUR thousand		31.12.2019						
Due		Term loans	Bond	Utilised uncommitted facilities	Export credits	Total loans and borrowings	Unutilised committed facilities	Lease liabilities
After	5 years	335,933	296,975			632,908		82,792
Within	5 years	310,893				310,893	1,000,000	13,702
	4 years	38,299				38,299		18,887
	3 years	73,361				73,361		26,888
	2 years	156,425				156,425		30,102
<b>Total non-current debt</b>		<b>914,911</b>	<b>296,975</b>	<b>0</b>	<b>0</b>	<b>1,211,886</b>	<b>1,000,000</b>	<b>172,371</b>
Total current debt		101,633	0	69,832	58,138 <sup>2)</sup>	229,603	107,873 <sup>2)</sup>	38,513
<b>Total debt</b>		<b>1,016,544</b>	<b>296,975</b>	<b>69,832</b>	<b>58,138</b>	<b>1,441,489</b>	<b>1,107,873</b>	<b>210,884</b>

2) Borealis maintains EUR 166,011 thousand in export credit facilities (these facilities were drawn with EUR 58,138 thousand as of 31 December 2019). 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 diversified liquidity position through its EUR 1 billion fully committed Syndicated Revolving Credit Facility (RCF) of which EUR 1 billion remained undrawn as of the end of June 2020, and by terming out its debt through diverse funding channels. The RCF has been refinanced in December 2019 with a five-year tenor with two one-year extension options at lenders' discretion. The maturity date is December 2024.

As of 30 June 2020, the Group had total committed credit facilities of EUR 1,166,011 thousand (EUR 1,166,011 thousand). Besides the above mentioned undrawn EUR 1 billion RCF, Borealis had OeKB Export Credit Facilities in the amount of EUR 166,011 thousand. These were fully drawn as of 30 June 2020.

In the first six months 2020, Borealis increased its debt position by EUR 436,817 thousand. The net debt position which increased by EUR 394,865 thousand resulted in a gearing ratio of 31%.

In June 2020, Borealis successfully concluded a new EUR 300,000 thousand five-year foreign investment financing agreement with OeKB. The transaction with partial support from the Republic of Austria is another hallmark in the excellent and fruitful relationship with OeKB. This time, the investment in the Kallo PDH was selected as a basis for the foreign investment financing scheme.

In the first six months of 2020, Borealis concluded R&D financing agreements with the Österreichische Forschungsförderungsgesellschaft mbH in Austria with the total amount of EUR 282 thousand (first six months 2019: EUR 379 thousand).

In November 2018, S&P Global Ratings issued a BBB+ rating with stable outlook for Borealis. This constitutes the first public rating for the Company, which has been

successfully active in a wide range of financing markets and instruments over the last ten years and has built up a robust and well diversified funding portfolio. While Borealis' long-term banking partners and investors have always appreciated the strong credit quality of the Company, the public rating provides a very good additional evaluation basis for all external stakeholders. On 25 March 2020, the rating was set to CreditWatch Negative due to the expected change in ownership. OMV, which currently owns a 36% stake in Borealis, signed an agreement with Mubadala on 12 March 2020, increasing its stake by an additional 39% to 75%. Mubadala will retain a 25% interest. The closing of the transaction is expected in the fourth quarter of 2020 and is subject to regulatory approvals.

Under Borealis' funding strategy, a strongly diversified financing portfolio has been implemented during the last 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.

Based on this, combined with a strong balance sheet and the strong public rating, Borealis has access to a wide variety of attractive funding instruments at hand (such as bonds, German Schuldschein, US Private Placement, foreign investment financings, bank loans and other). In order to meet the financing needs in 2020 and beyond, Borealis will continue to explore several suitable financial instruments fitting its strategy.

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

## 11. Fair Values

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

EUR thousand	30.6.2020			31.12.2019		
	Carrying amount	Fair value	Fair value hierarchy level	Carrying amount	Fair value	Fair value hierarchy level
<b>Assets</b>						
<b>Other investments</b>						
Other investments	31,992	31,992	3	31,692	31,692	3
<b>at fair value through profit and loss</b>	<b>31,992</b>			<b>31,692</b>		
<b>Trade receivables</b>						
Trade receivables	628,128			749,888		
<b>thereof at amortised cost</b>	<b>607,217</b>			<b>731,393</b>		
<b>thereof at fair value through profit and loss</b>	<b>20,911</b>			<b>18,495</b>		
<b>Cash and cash equivalents</b>						
Cash	125,564			73,498		
Other current deposits	22,661			32,775		
<b>at amortised cost</b>	<b>148,225</b>			<b>106,273</b>		
<b>Other receivables and other assets (current and non-current)</b>						
Listed securities	11,967	11,967	1	11,967	11,967	1
<b>at fair value through profit and loss</b>	<b>11,967</b>			<b>11,967</b>		
Derivative financial instruments for which hedge accounting is applied	23,147	23,147	2	31,074	31,074	2
<b>Hedging instruments</b>	<b>23,147</b>			<b>31,074</b>		
Derivative financial instruments for which hedge accounting is not applied	721	721	2	1,204	1,204	2
<b>at fair value through profit or loss</b>	<b>721</b>			<b>1,204</b>		
Loans granted	608,490	622,187	2	257,070	353,020	2
Deposits and other receivables	100,132			96,300		
<b>at amortised cost</b>	<b>708,622</b>			<b>353,370</b>		
Other non financial assets	185,615	n/a	n/a	206,053	n/a	n/a
<b>Total other receivables and other assets (current and non-current)</b>	<b>930,072</b>			<b>603,668</b>		

EUR thousand	30.6.2020			31.12.2019		
	Carrying value	Fair value	Fair value hierarchy level	Carrying value	Fair value	Fair value hierarchy level
<b>Liabilities</b>						
<b>Loans and borrowings (current and non-current)</b>						
Floating rate loans and borrowings	602,156	614,755	2	407,865	423,615	2
Fixed rate loans and borrowings	1,289,424	1,392,657	2	1,033,624	1,096,027	2
<b>at amortised cost</b>	<b>1,891,580</b>			<b>1,441,489</b>		
<b>Trade payables</b>						
Trade payables	650,356			746,527		
<b>at amortised cost</b>	<b>650,356</b>			<b>746,527</b>		
<b>Other liabilities (current and non-current)</b>						
Derivative financial instruments for which hedge accounting is applied	58,512	58,512	2	25,257	25,257	2
<b>Hedging instruments</b>	<b>58,512</b>			<b>25,257</b>		
Derivative financial instruments for which hedge accounting is not applied	8,631	8,631	2	10,214	10,214	2
<b>at fair value through profit or loss</b>	<b>8,631</b>			<b>10,214</b>		
Interest accruals on loans and borrowings	9,491			8,181		
Other financial liabilities	80,017			98,587		
<b>at amortised cost</b>	<b>89,508</b>			<b>106,768</b>		
Other non-financial liabilities	222,870	n/a	n/a	263,199	n/a	n/a
<b>Total other liabilities (current and non-current)</b>	<b>379,521</b>			<b>405,438</b>		

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 2020, no transfers between the different levels of the fair value hierarchy 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	2020	2019
Balance as of 1 January	31,692	29,984
Investments and acquisitions	51	777
Fair value changes recognised in income statement (financial income/expenses)	248	923
Exchange adjustments	1	8
<b>Balance as of reporting date</b>	<b>31,992</b>	<b>31,692</b>

### 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 amount).

The carrying amount 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 as of reporting date.

### Derivatives

The fair value of foreign exchange derivative 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 as of 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 as of 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 as of reporting date. All fair values are excluding the outstanding interest accruals as of reporting date.

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

## 12. Transactions with Related Parties

EUR thousand	Transaction values for the six months ended 30 June		Balance outstanding	
	2020	2019	30.6.2020	31.12.2019
<b>Sale of goods and services to</b>				
Associated companies	247,761	191,358	101,574	123,245
Joint ventures	6,086	24	8,103	1
Companies with significant influence	19,182	22,592	4,048	4,588
Other related parties	15,451	19,682	2,789	3,939
<b>Purchase of goods and services from</b>				
Associated companies	165,290	199,044	55,666	52,140
Joint ventures	3,062	3,151	375	311
Companies with significant influence	534,921	667,427	86,921	124,292
Other related parties	34,354	36,997	5,072	8,945
<b>Others</b>				
Loans granted and related interest – Associated companies	497	323	15,407	14,910
Loans granted and related interest – Joint ventures	8,899	0	594,251	0
Lease liability and related interest – Companies with significant influence	181	48	16,535	18,835

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 Bourouge and sold in Europe. Purchases from companies with significant influence mainly relate to the purchase of feedstock and utilities from OMV Group companies. Receivables and payables to related parties are included in the trade receivables/payables. Leases from companies with significant influence relate

to rented land and infrastructure from OMV in Germany. All transactions with related parties were done on arm's length basis. For information related to dividends paid please refer to the statement of changes in equity.

## 13. Subsequent Events

There have been no significant subsequent events after 30 June 2020.

## 14. Executive Board and Supervisory Board

### Executive Board

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

### Supervisory Board

Suhail Mohamed Faraj Al Mazrouei (Chairman), Rainer Seele (Vice Chairman), Musabbeh Al Kaabi, Khalifa Al Suwaidi (Member until 21 February 2020), Khalifa Abdulla Khamis Alromaithi (Member since 21 February 2020), Thomas Gangl

Vienna, 19 August 2020

#### 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, 19 August 2020

**Executive Board:**



**Alfred Stern**

Chairman of the Executive Board



**Mark Tonkens**

Member of the Executive Board



**Martijn Arjen van Koten**

Member of the Executive Board



**Philippe Roodhooft**

Member of the Executive Board



**Lucrèce De Ridder**

Member of the Executive Board









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Chemistry Industry Association of Canada.

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OUR COMMITMENT TO SUSTAINABILITY