

The background features a stylized globe on the left side, with a bright light source creating a lens flare effect. The right side is dominated by flowing, curved lines of binary code (0s and 1s) in various shades of blue, suggesting data flow and technology.

# Interim Consolidated Financial Statements

as of June 30, 2012

## About Borealis

Borealis is a leading provider of chemical and innovative plastics solutions that create value for society. With sales of EUR 7.1 billion in 2011, customers in over 120 countries, and around 5,300 employees worldwide, Borealis is owned 64% by the International Petroleum Investment Company (IPIC) of Abu Dhabi and 36% by OMV, the leading energy group in the European growth belt. Borealis is headquartered in Vienna, Austria, and has production locations, innovation centres and customer service centres across Europe and the Americas.

Through Borouge, a joint venture between Borealis and the Abu Dhabi National Oil Company (ADNOC), one of the world's major oil and gas companies, the company's footprint reaches out to the Middle East, Asia Pacific, the Indian sub-continent and Africa. Established in 1998, Borouge employs approximately 1,700 people, has customers in more than 50 countries and its headquarters are in Abu Dhabi in the UAE and Singapore.

Building on Borealis' unique Borstar® and Borlink™ technologies and their more than 50 years experience in polyolefins, Borealis and Borouge provide innovative, value creating plastics solutions for the infrastructure (pipe systems and power and communication cables), automotive and advanced packaging markets. In addition, Borealis offers a wide range of base chemicals from melamine and fertilizer to phenol and acetone.

Today, Borealis and Borouge have a manufacturing capacity of over 5.4 million tonnes of polyolefins (polyethylene and polypropylene) per year having recently completed a 1.5 million tonne capacity expansion in Abu Dhabi. The Borouge 3 plant expansion will be completed at the end of 2013 with a further capacity of 2.5 million tonnes per year (t/y) being fully operational in mid-2014. The companies continue to invest to ensure that their customers throughout the value chain and across the globe can always rely on product quality, consistency and security of supply.

Borouge and Borealis are committed to the principles of Responsible Care® and proactively contribute to addressing the world's water and sanitation challenges through their Water for the World™ initiative.

For more information visit:

**[www.borealisgroup.com](http://www.borealisgroup.com)**

**[www.borouge.com](http://www.borouge.com)**

**[www.waterfortheworld.net](http://www.waterfortheworld.net)**

Borlink and Water for the World are trademarks of the Borealis group.

Borstar is a registered trademark of the Borealis group.

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## Our values



### RESPONSIBLE

We are leaders in Health, Safety and the Environment

We are good neighbours wherever we operate

We do business according to high ethical standards



### RESPECT

We involve people and communicate in a straightforward way

We work together – helping and developing each other

We are 'One Company' – building on diversity



### EXCEED

Our customers' and owners' success is our business

We win through commitment and innovation

We deliver what we promise – and a little bit more



### NIMBLICITY™

We are fit, fast and flexible

We create and capture opportunities

We seek the smart and simple solutions

# Our strategy is clear

## We will ...

Grow our business in **infrastructure, automotive and advanced packaging**

Expand the **Abu Dhabi complex** to supply growth in the Middle East and Asia

Strengthen our **European base**, ensuring cost competitiveness from feedstocks to customers

Develop our **Base Chemicals** business

Pursue **operational excellence**, considering safety at all times

Achieve a step change in **innovation**

Exceed in serving our customers with a focus on **quality** and **reliable execution**

Build a **cross-cultural** organisational capability

## Outperform financially ...

**11% +** average Return on Capital Employed (ROCE) after tax

**40% – 60%** debt to equity ratio

## Our Business

Borealis is a leading provider of chemical and innovative plastics solutions with well over 50 years of experience. Operating two business groups, Polyolefins and Base Chemicals, the company sets out to excel in quality and reliable execution while offering products that enhance society in general and address global challenges in particular.

From simple everyday products that make life more comfortable to step-changing technological advancements, Borealis is leading the way, together with Borouge, its joint venture with the Abu Dhabi National Oil Company (ADNOC).

### **Polyolefins**

#### **Infrastructure: pipe systems**

Borealis is a well-established and highly experienced market leader in materials for advanced polyolefin pipe system solutions. Applications include water and gas distribution, waste water and sewage disposal, chemical and industrial pipelines, in-house plumbing and heating as well as pipe coating solutions for oil and gas exploration and transportation.

#### **Infrastructure: energy and communication cables**

Borealis is the leading provider of polyolefin compounds for the global wire and cable industry. The company delivers effective solutions that are widely applied in low, medium, high and extra

high voltage energy transmission and distribution cables, in data and communication cables as well as in building and automotive wires and cable products.

### **Automotive**

Top automotive manufacturers all over the world continue to select Borealis' advanced polyolefin plastics for a wide range of exterior, interior and under the bonnet applications. These include bumpers, body panels, trims, dashboards, door cladding, climate control units, air intake manifolds as well as battery cases.

### **Advanced packaging**

Thanks to their superior properties and excellent flexibility, Borealis polyolefins are the advanced packaging material of choice for applications in healthcare, courier bags, food packaging, flexible and rigid transport packaging, bottles, crates, boxes, trays, large containers and pallets.



### **Borstar® – Cutting-edge technology**

Borealis' cutting-edge Borstar® technology is a crucial contributor when it comes to meeting today's growing demand for advanced plastics and the development of next generation innovative, value-creating products.

Borstar is the company's proprietary process technology. Combined with its unique catalyst technology, Borstar supports the production of a wide range of enhanced polyethylene (PE) and polypropylene (PP) products.

Borstar PE 2G and Borstar PP 2G are both manufactured using Borealis' next generation technology. They represent a leap forward in process technology, allowing flexible polymer design from bi-modal to multi-modal PE/PP and facilitate the development of an ever-widening range of new plastics that outperform alternative materials in meeting the needs of manufacturers and end users.

By tailoring the molecular structure of PE and PP to precisely match the application requirements, Borstar PE 2G and Borstar PP 2G extend the product range, making it possible to create more sophisticated, customer-oriented solutions, characterised by a unique combination of outstanding mechanical properties and excellent processability.

### **Base Chemicals**

#### **Feedstocks and olefins**

Borealis sources basic feedstocks, such as naphtha, butane, propane and ethane, from the oil and gas industry and converts these into ethylene and propylene

through its olefin units. Steam crackers in Finland, Sweden and Abu Dhabi – the latter operated by Borouge – produce both ethylene and propylene, while propylene is also produced in a propane dehydrogenation plant in Kallo, Belgium. Feedstock and olefins required for Borealis' plants and those of its joint ventures are sourced from its owners or joint venture partners; any surplus requirement is purchased from the markets. A range of co-products from the steam cracking process, including pygas and butadiene, is also sold to international markets.

#### **Phenol and aromatics**

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

#### **Fertilizer and melamine**

Fertilizer and melamine are produced in Linz, Austria, while melamine is additionally produced at Borealis' facilities in Piesteritz, Germany. The company is a leading provider of fertilizer in the Danube region and melamine market leader in Europe.

## Management report – Half year report 2012

Borealis demonstrated its ongoing commitment to safety by again achieving a world class safety performance in the first six months of 2012. The total number of recordable injuries (TRI) per million working hours was 1.5 for the first six months of 2012 compared to a frequency of 1.9 during the same period last year. However, the 2012 ratio reflects that 10 individuals have been injured so far in 2012, an outcome that the Company does not accept despite the fact that it exceeds world class performance. Safety remains the top priority at Borealis and the company will continue to work with all employees and contractors to continuously improve the safety performance with the ultimate goal of an accident free working environment.

The first six months of 2012 were influenced by a continued high volatility in the economic environment driven by the unresolved European sovereign debt crisis and the depressed global outlook. Feedstock prices peaked in the first quarter and then decreased, resulting in average monthly prices of Brent crude oil and Naphtha settling around 10% to 15% lower in June 2012 compared to the month of December 2011. Ethylene and propylene contract prices also increased in the first quarter followed by softer prices in the second quarter.

The European Polyolefin industry recorded 6% lower sales volumes in the first six months of 2012 compared to the same period last year. In contrast to the industry development, Borealis was able to increase the total polyolefin sales volume compared to the same period last year, reaching approximately 1.7 million tonnes in the first six months of 2012. Market prices for Polyolefins developed similarly to the monomer contract prices, increasing strongly in the first quarter but decreasing in the second quarter.

Borealis achieved a positive operating profit of EUR 106 million in the first six months of 2012 compared to EUR 288 million in the same period of 2011. The operating profit in the Polyolefins business deteriorated compared to the same period last year, due to lower margins especially in the European markets. The Base Chemicals business maintained a strong financial performance in the first six months of 2012, decreasing only slightly compared to the previous year largely due to a lower performance in the business unit Melamine.

Borealis' net debt increased by EUR 409 million during the first six months of 2012 driven by higher working capital, a dividend payment to Borealis' shareholders and the acquisition of the French fertilizer producer PEC-Rhin. Overall investments in tangible and intangible assets reached EUR 132 million compared to EUR 107 million during the same period of 2011. Borealis' financial position remains solid. At the end of June 2012 the gearing ratio reached 44% compared to 35% at the end of last year and 41% at the end of June 2011. Borealis' strong liquidity position is supported by undrawn committed facilities amounting to approximately EUR 900 million and limited debt maturities over the next years.

Borealis successfully launched its second retail bond transaction in Austria with a maturity of 7 years. Due to strong investor demand the transaction amount was increased from initially EUR 100 million to EUR 125 million. The company has also successfully completed a US private placement with maturities of up to 15 years and a total amount of more than USD 130 million equivalent. Furthermore, Borealis finalised the renewal of its syndicated revolving credit facility for an amount of EUR 1 billion and a tenor of 5 years. All transactions were completed in July and support Borealis' strategy to maintain a strong liquidity position through undrawn committed facilities and by terming out of its debt through diverse funding channels.



The Borouge joint venture continued to perform well and delivered an increased contribution of EUR 198 million versus EUR 151 million for the same period in 2011, reflecting the full ramp-up of Borouge 2 production capacity. The Borouge 3 expansion project in Abu Dhabi, UAE, is progressing according to plan with approximately 23,000 contractor personnel currently on site. The expansion will increase the annual production capacity of the integrated olefins/polyolefins site from 2 million tonnes to 4.5 million tonnes by mid-2014, creating the largest integrated olefins/polyolefins site in the world.

Borealis remains committed to its Value Creation through Innovation strategy. In June, Dr. Peter Denifl was awarded the 2012 Giulio Natta Award, named after Prof. Natta, who discovered polypropylene. Dr. Denifl is the leading scientist behind Sirius, Borealis' groundbreaking new polyolefin catalyst technology. He received this prestigious award in recognition of the significant contribution his scientific activity has made to catalyst development in polypropylene products which contribute to enhancing the quality of life.

Borealis announced Rana Qudaih and Dr. Said Mehdiabadi as the winners of its 2011 Borealis Student Innovation Awards. The awards recognise the most innovative research papers for master's and doctorate degree students working in olefins and polyolefins. The master thesis award went to Rana Qudaih, while Dr. Said Mehdiabadi received the PhD award. The jury of independent academics and Borealis representatives recognised the high quality of all submissions and expressed its appreciation for the overall standards of innovation and insight, which will bring significant benefit to the industry in the future.

In February, Borealis announced changes in its Supervisory Board. Dr. Gerhard Roiss, CEO of OMV and Vice Chairman of the Borealis Supervisory Board, handed over his position as member of the Borealis Supervisory Board to Manfred Leitner, member of the OMV Executive Board, responsible for Refining & Marketing. Furthermore, Gerhard Roiss handed over his function as Vice Chairman of the Borealis Supervisory Board to David C. Davies, OMV Deputy Chairman of the Executive Board, responsible for Finance. Dr. Roiss has been a member of the Board since 1998 and has played a vital role in the Company's strategic development over the last decade. Borealis would like to express its appreciation to Dr. Gerhard Roiss for his support over many years.

Alfred Stern was appointed Executive Vice President Polyolefins effective as of July 1, 2012. In his former role as Senior Vice President Innotech he has been instrumental in supporting the company's Value Creation through Innovation strategy. With his deep knowledge and expertise in marketing and sales as well as research and development in the polymers business he brings the experience needed to further strengthen the company's Polyolefins business. Alfred Stern succeeds Gerd Löbber who decided to leave Borealis at the end of June 2012.

Borealis' Executive Board and senior management expect the second half of 2012 to remain challenging driven by a weak economic environment, especially in Europe, due to the unresolved sovereign debt crisis. The results for the first six months of 2012 are solid and show that despite difficult market conditions, Borealis continues to benefit from its long term strategy to develop the Base Chemicals business segment, to grow our value added Polyolefins business and further expand the Borouge joint venture. The Executive Board is confident that Borealis will also be able to deliver a solid performance in the second half of 2012 by continuing to focus on innovation, commercial and operational excellence, while never compromising on safety.

## Review of results

### Sales

The European polyolefins industry was not immune to the uncertainty prevailing in the global markets during the first six months of 2012. Overall the industry dropped by 6% in the sales volumes when compared to first half-year of 2011. Despite of the overall trend, Borealis increased sales volumes by 2% and reached 1.7 million tonnes of polyolefins for the first six months of 2012. Fertilizer sales grew significantly compared to prior year, reaching 1.2 million tonnes (45% increase compared to first 6 months of 2011), driven both by organic growth as well as by acquisition of the

French fertilizer producer PEC-Rhin. Melamine sales volumes decreased from 73 kt to 64 kt reflecting a tougher environment due to the excess capacity of the industry. Phenol and Aromatics volumes were stable compared to prior year. Pricing improved only in the Fertilizer business compared to prior year, the remaining segments were exposed to price decreases, especially in the second quarter of 2012.

### Cost development

As a result of overall higher feedstock costs, as well as the acquisition of PEC-Rhin, production costs increased by approximately 6% versus 2011. Underlying sales and distribution costs remained stable when compared to first half of 2011. Research and development costs for the first six months of 2012 amounted to EUR 45 million, compared to EUR 42 million for the same period of the last year. The number of full-time equivalent employees (FTEs) as per end of June 2012 was 5,348, compared to 5,160 as of December 31, 2011, driven by 174 FTEs added through the PEC-Rhin acquisition.

### Operating profit

Operating profit for the period ended June 30, 2012, amounted to EUR 106 million, compared to EUR 288 million for the same period of 2011, mainly as a result of lower margins in Polyolefins driven by a weak economic environment.

### Financial income and expenses

Net financial expenses for the first six months of 2012 decreased to EUR 31 million, compared to EUR 36 million for the same period in 2011, mainly driven by lower interest costs as well as higher capitalised interest expenses in the current year.

### Taxes

The provision for income taxes for the first six months of 2012 amounted to EUR 21 million, compared to EUR 62 million in 2011. Borealis paid income taxes of EUR 20 million in the first six months of 2012, compared with EUR 51 million in the same period of 2011.

### Net profit and distribution of dividend

The net profit for the first six months of 2012, amounted to EUR 252 million, compared to a net profit of EUR 341 million in first six month of 2011. During 2012, Borealis distributed a dividend of EUR 110 million to its shareholders from the results of the financial year 2011.

## Financial position

### Total assets/capital employed

At the end of June 2012, the total assets and capital employed stood at EUR 6,759 million and EUR 5,105 million respectively, compared to EUR 6,128 million and EUR 4,524 million at year-end 2011. The increase of the total capital employed results largely from an increase in working capital, acquisition of PEC-Rhin as well as equity increase through the accumulated earnings.

The solvency ratio was 52% at June 30, 2012, down by 1% compared to year-end 2011. The gearing ratio increased to 44%, compared to 35% as per end of December 2011. Net debt increased in the first six months of 2012 by EUR 409 million to EUR 1,551 at the end of June 2012. Equity increased by EUR 207 million in the first six months of 2012, mainly as a result of the profit generated in the first six months.

### Cash flow and liquidity reserves

Cash flow from operations for the first six months of 2012 was EUR 16 million, reflecting the working capital investment in the first half of 2011. Liquidity reserves, composed of undrawn committed credit facilities and cash balances, amounted to EUR 1,262 million at the end of June 2012, compared to EUR 1,445 million at year-end 2011. A number of short term bank lines were not renewed which led to the reduction.

Net interest-bearing debt increased to EUR 1,551 million at the end of June 2012, up from EUR 1,142 million at the end of 2011.

### Capital expenditure

Investments in tangible assets amounted to EUR 118 million in the first six months of 2012, compared to EUR 88 million in the same period of 2011. The largest portion of this investment was related to the new catalyst plant being built in Linz and the licence to operate project in Linz.

Vienna, August 14, 2012

#### Management



**Mark Garrett**  
Chief Executive



**Daniel Shook**  
Chief Financial Officer



**Markku Korvenranta**



**Herbert Willerth**



**Alfred Stern**

## Interim consolidated income statement

EUR million	2012	2011	Note
For the six months ended June 30	Unaudited	Unaudited	
<b>Net sales</b>	<b>3,751</b>	<b>3,756</b>	1
Production costs	-3,247	-3,059	
<b>Gross Profit</b>	<b>504</b>	<b>697</b>	
Sales and distribution costs	-260	-270	
Administration costs	-92	-97	
R&D costs	-45	-42	
<b>Operating profit</b>	<b>106</b>	<b>288</b>	
Net results in associated companies after tax	198	151	
Financial income	5	4	
Financial expenses	-36	-40	
<b>Profit before taxation</b>	<b>273</b>	<b>403</b>	
Taxes	-21	-62	
<b>Net profit for the period</b>	<b>252</b>	<b>341</b>	
Attributable to:			
Non-controlling interest	1	1	
Equity holders of the parent	251	340	

## Interim consolidated statement of comprehensive income

EUR million	2012	2011
For the six months ended June 30	Unaudited	Unaudited
<b>Net profit for the period</b>	<b>252</b>	<b>341</b>
Net gain/loss on translation of financial statements of foreign operations	80	-95
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	-5
Reclassifications during the period to the income statement	0	1
Tax effect recognised in other comprehensive income	-1	1
Net gain/loss on loans and financial contracts to hedge investments in foreign operations	-13	9
Reclassifications during the period to the income statement	0	0
Tax effect recognised in other comprehensive income	3	-2
Fair value adjustment of cash flow hedges	-44	-6
Reclassifications during the period to the income statement	35	1
Tax effect recognised in other comprehensive income	2	1
<b>Net income/expense recognised in other comprehensive income</b>	<b>65</b>	<b>-95</b>
<b>Total comprehensive income</b>	<b>317</b>	<b>246</b>
Attributable to:		
Non-controlling interest	1	1
Equity holders of the parent	316	245

## Interim consolidated balance sheet

EUR million	30.06.2012	31.12.2011	Note
	Unaudited	Audited	
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	257	220	2
Tangible assets			2
Production plants	2,214	2,243	
Machinery and equipment	31	34	
Construction in progress	272	168	
	2,517	2,445	
Investments in associated and jointly controlled companies	1,650	1,382	3
Other investments	16	16	
Other receivables and other assets	14	13	
Deferred tax assets	194	175	
<b>Total non-current assets</b>	<b>4,648</b>	<b>4,251</b>	
<b>Current assets</b>			
Inventories	1,009	938	4
Receivables			
Trade receivables	487	352	
Receivables from associated companies	260	227	9
Income taxes	32	33	
Other receivables and other assets	262	231	
	<b>1,041</b>	<b>843</b>	
Cash and cash equivalents	61	96	
<b>Total current assets</b>	<b>2,111</b>	<b>1,877</b>	
<b>Total assets</b>	<b>6,759</b>	<b>6,128</b>	

## Interim consolidated balance sheet

EUR million	30.06.2012	31.12.2011	Note
	Unaudited	Audited	
<b>Total equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital and contributions by shareholders	1,799	1,799	
Reserves	31	-34	
Retained earnings	1,652	1,511	
	3,482	3,276	
Non-controlling interest	11	10	
<b>Total equity</b>	<b>3,493</b>	<b>3,286</b>	
<b>Liabilities</b>			
Non-current liabilities			
Loans and borrowings	972	1,016	7
Deferred tax	311	301	
Employee benefits	228	224	
Provisions	51	68	5
Government grants	30	25	6
Other liabilities	42	24	
	1,634	1,658	
<b>Current liabilities</b>			
Loans and borrowings	640	222	7
Trade payables	668	620	
Income taxes	33	11	
Provisions	4	5	5
Other liabilities	287	326	
	1,632	1,184	
<b>Total liabilities</b>	<b>3,266</b>	<b>2,842</b>	
<b>Total equity and liabilities</b>	<b>6,759</b>	<b>6,128</b>	
Contingent liabilities			9

## Interim consolidated statement of changes in equity

EUR million	Share capital* and contributions by shareholders	Reserve for actuarial gains/losses recognised in equity	Hedging reserve	Reserve for unrealised exchange gains	Retained earnings	Total attributable to the equity holders of the parent	Attributable to non-controlling interest	Total equity
For the six months ended June 30								
<b>Balance as of December 31, 2011</b>	<b>1,799</b>	<b>-63</b>	<b>-34</b>	<b>63</b>	<b>1,511</b>	<b>3,276</b>	<b>10</b>	<b>3,286</b>
Profit of the period	0	0	0	0	251	<b>251</b>	1	<b>252</b>
Other comprehensive income	0	0	-7	73	0	<b>65</b>	0	<b>65</b>
Total comprehensive income	0	0	-7	73	251	<b>316</b>	1	<b>317</b>
Dividend payment by subsidiaries	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Dividend payment	0	0	0	0	-110	<b>-110</b>	0	<b>-110</b>
Capital in/decrease	0	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>Balance as of June 30, 2012 (unaudited)</b>	<b>1,799</b>	<b>-63</b>	<b>-41</b>	<b>136</b>	<b>1,652</b>	<b>3,482</b>	<b>11</b>	<b>3,493</b>
<b>Balance as of December 31, 2010</b>	<b>1,799</b>	<b>-73</b>	<b>20</b>	<b>36</b>	<b>1,105</b>	<b>2,887</b>	<b>11</b>	<b>2,898</b>
Profit of the period	0	0	0	0	340	<b>340</b>	1	<b>341</b>
Other comprehensive income	0	0	-4	-91	0	<b>-95</b>	0	<b>-95</b>
Total comprehensive income	0	0	-4	-91	340	<b>245</b>	1	<b>246</b>
Dividend payment by subsidiaries	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Dividend payment	0	0	0	0	-100	<b>-100</b>	0	<b>-100</b>
Capital in/decrease	0	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>Balance as of June 30, 2011 (unaudited)</b>	<b>1,799</b>	<b>-73</b>	<b>16</b>	<b>-55</b>	<b>1,345</b>	<b>3,031</b>	<b>12</b>	<b>3,043</b>

\* Share capital of Borealis AG (parent company) amounts to EUR 300,000 (30.6.2011: EUR 300,000).

A dividend of EUR 110 million was paid in 2012 out of the result of the year 2011.



## Interim consolidated cash flow

EUR million	2012	2011	Note
For the six months ended June 30	Unaudited	Unaudited	
<b>Cash flows from operating activities</b>			
Payments from customers	3,573	3,565	
Payments to employees and suppliers	-3,510	-3,461	
Interest received	2	4	
Interest paid	-26	-34	
Other financial expenses paid	-10	-7	
Income taxes paid	-20	-51	
	<b>9</b>	<b>16</b>	
<b>Cash flows from investing activities</b>			
Investments in tangible assets	-118	-88	2
Capital contribution to associates	-69	0	
Investments in intangible assets and other investments	-14	-19	
Acquisition of subsidiary	-93	0	
	<b>-294</b>	<b>-107</b>	
<b>Cash flows from financing activities</b>			
Long-term loans obtained	76	0	
Short-term loans obtained	459	149	
Long-term loans repaid	-174	-5	
Short-term loans repaid	0	-2	
Dividends paid	-110	-100	
	<b>251</b>	<b>42</b>	
<b>Net cash flow for the period</b>	<b>-34</b>	<b>-49</b>	
Cash and cash equivalents as of January 1	96	134	
Effect of exchange rate fluctuations on cash held	-1	-1	
<b>Cash and cash equivalents as of June 30</b>	<b>61</b>	<b>84</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 chemical and innovative plastics solutions.

In our Polyolefins segment we focus on three specific market sectors: infrastructure (including pipes for utilities such as water, gas and sewage and oil transport as well as power and communication cables), automotive (components that enhance safety and bring lightweight energy saving and corrosion-proof solutions) and advanced packaging (niche and specialised applications in rigid moulded and flexible film packaging as well as highly advanced medical applications). Base Chemicals is the other reporting segment and includes the following product ranges: phenol/aromatics (phenol and acetone), feedstock (naphtha, LPG, olefins, etc), olefins (ethylene, propylene, butadiene, etc), melamine and fertilizer.

## Basis of preparation

The interim consolidated financial statements for the six months ended June 30, 2012 have been prepared in compliance with International Financial Reporting Standards 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 December 31, 2011. The interim consolidated financial statements for the six months ended June 30, 2012 are unaudited and have not been subject to an external audit review.

The interim consolidated financial statements are presented in Euro, rounded to the nearest million.

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 December 31, 2011, except for the new standards and interpretations as of January 1, 2012, as endorsed by the EU.

- IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (amended), effective July 1, 2011\*
- IFRS 7 Enhanced Derecognition Disclosure Requirements (amended), effective July 1, 2011
- IAS 12 Deferred tax: Recovery of Underlying Assets (amended), effective January 1, 2012\*

*Effective means effective for annual periods beginning on or after that date*

*\* not yet endorsed by the EU*

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

## 1. Segment reporting

	Polyolefins		Base Chemicals		Non-Allocated		Consolidated	
EUR million	2012	2011	2012	2011	2012	2011	2012	2011
For the six months ended June 30, if not indicated otherwise								
<b>Net sales by business:</b>								
Total sales	2,484	2,507	3,240	3,104	45	45	5,769	5,656
Group internal sales	0	0	-2,018	-1,900	0	0	-2,018	-1,900
	<b>2,484</b>	<b>2,507</b>	<b>1,172</b>	<b>1,204</b>	<b>45</b>	<b>45</b>	<b>3,751</b>	<b>3,756</b>

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

### Result:

Operating profit	2	173	214	235	-110	-120	106	288
Net result in associated companies					198	151	198	151
Net financial items					-31	-36	-31	-36
Income tax					-21	-62	-21	-62
Non-controlling interest					-1	-1	-1	-1
<b>Net profit for the year attributable to equity holders of the parent</b>							<b>252</b>	<b>340</b>

### Other information:

Investments in tangible assets	70	62	44	25	2	1	118	88
Depreciation and amortisation	65	63	48	45	23	21	136	130

	30.06.	31.12.	30.06.	31.12.	30.06.	31.12.	30.06.	31.12.
Segment assets	3,420	3,120	1,436	1,311	1,903	1,697	6,759	6,128
<i>thereof Austria</i>	<i>2,148</i>	<i>1,830</i>	<i>678</i>	<i>742</i>	<i>967</i>	<i>1,078</i>	<i>3,794</i>	<i>3,650</i>
Segment liabilities					3,266	2,842	3,266	2,842

## **2. Intangible and tangible assets**

Borealis invested EUR 54 million into intangible assets in the first six months of 2012 (first six months 2011: EUR 50 million), whereof EUR 40 million were acquired through business combinations (first six months 2011: EUR 0 million). Additions arising from internal development amounted to EUR 9 million (first six months 2011: EUR 13 million). Furthermore, intangible assets received by the way of government grants as allowances for emissions (EU Emissions Trading System) amounted to EUR 14 million (first six months 2011: EUR 30 million). Their carrying value is in line with the fair value. The impairment of intangible assets in the first six months of 2012 for which the carrying value exceeds the present value of future cash amounted to EUR 3 million (first six months 2011: EUR 4 million).

Additions to tangible assets in the first six months of 2012 amounted to EUR 175 million (first six months 2011: EUR 88 million), whereof EUR 53 million were acquired through business combinations (first six months 2011: EUR 0 million). Moreover borrowing costs amounting to EUR 2 million (first six months 2011: EUR 1 million) have been capitalised, using a 4% (first six months 2011: 4%) interest rate. Major projects advanced in the first six months of 2012 relate to the new catalyst plant and the Licence-to-operate project in Linz, Austria.

Future capital expenditure approved (tangible and intangible) by Management totals EUR 289 million (31.12.2011: EUR 304 million), out of which EUR 116 million (31.12.2011: EUR 97 million) is contractually committed.

## **3. Business Combinations**

January 31, 2012, Borealis AG acquired PEC-Rhin in Ottmarsheim, France from GPN in Nanterre, France, a 100% subsidiary of Total in Paris, France. PEC-Rhin is a producer of nitrate fertilizers as well as ammonia, ammonia water and nitric acid for industrial use. The company was renamed to Borealis PEC-Rhin SAS. This acquisition will complement Borealis' existing fertilizer business and will enable the company to grow further.

The acquisition has been accounted for using the acquisition method. The acquisition date fair value of acquired assets and liabilities is preliminary and may be adjusted as a result of obtaining additional legal clarification. The interim consolidated financial statements include the results of PEC-Rhin for the five month period from the acquisition date.

### Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of PEC-Rhin as at the date of acquisition were:

EUR million	Fair value recognised on acquisition	Note
<b>Assets</b>		
Tangible and intangible assets	53	2
Inventories	22	
Trade receivables	15	
Other receivables and other assets	2	
Cash and cash equivalents	15	
<b>Total assets acquired</b>	<b>107</b>	
<b>Liabilities</b>		
Deferred tax	14	
Employee benefits	2	
Trade payables	12	
Other liabilities	11	
<b>Total liabilities</b>	<b>39</b>	
<b>Total identifiable net assets at fair value</b>	<b>68</b>	
Goodwill arising on acquisition	40	2
<b>Purchase consideration transferred</b>	<b>108</b>	
<b>Percentage acquired</b>	100%	

\*the fair value recognised is preliminary and still subject to finalisation

The total acquisition costs of 100% of the share capital of PEC-Rhin comprised of cash payment of EUR 108 million and costs of EUR 1 million directly attributable to the acquisition. The cash acquired with PEC-Rhin amounted to EUR 15 million, resulting in a net cash outflow on the acquisition of EUR 93 million. The transaction costs of EUR 1 million have been expensed and are included in administrative expenses in the income statement and are part of operating cash flows in the statement of cash flows.

The fair value of the trade receivables amounted to EUR 15 million. The trade receivables acquired have been fully collected by June 30, 2012. From the date of acquisition to June 30, 2012, PEC-Rhin has contributed EUR 58 million of revenue and EUR 10 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, the revenue contribution from PEC-Rhin would have been EUR 68 million and the profit for the period before tax would have been EUR 12 million.

The goodwill of EUR 40 million comprises the value of the expected synergies and other benefits from combining the assets and activities of PEC-Rhin with those of the Group. None of the recognised goodwill is deductible for income tax purposes. The purchase price allocation is expected to be finalised until year-end.

#### 4. Investments in associated companies and joint ventures

The Group has the following investments in associated companies and jointly controlled companies:

30.06.2012	Country	Ownership in %
Abu Dhabi Polymers Company Limited (Borouge)	United Arab Emirates	40
Borouge Pte Ltd	Singapore	50
Speciality Polymers Antwerp N.V.	Belgium	33
Borealis Financial Services Ltd	Jersey	25
Petroport Holding AB (Joint Venture)	Sweden	50
Chemiepark Linz Betriebsfeuerwehr GmbH*	Austria	47.5

\*Excluded from the consolidation at equity due to immateriality

In the first 6 months of the reporting period, no changes in investments in associated companies and joint ventures took place.

## 5. Inventories

Inventories of ethylene and propylene are included under finished products.

EUR million	30.06.2012	31.12.2011
Finished products	725	650
Raw materials and consumables	284	288
<b>Total</b>	<b>1,009</b>	<b>938</b>

The inventory value of finished products has been written down to its net realisable value. The inventory subject to write down to net realisable value amounted to EUR 380 million (31.12.2011: EUR 171 million), on which a write down in the amount of EUR 41 million (31.12.2011: EUR 17 million) has been recognised.

The costs for the consumption of inventories recognised during the period in the income statement amounted to EUR 2,871 million (first six months 2011: EUR 2,724 million).

## 6. Provisions

The Group's provisions mainly consist of provisions for decommissioning and restructuring, and other provisions including environmental and legal exposures. The provisions are generally based on the past events and commitments arising thereon. The timing of the cash outflows cannot be determined with certainty.

### Decommissioning

The provision for decommissioning amounted to EUR 22 million (31.12.2011: EUR 24 million) and covers the expected clean-up and dismantling costs, mainly for plants in Germany, Sweden and Austria.

### Restructuring

The provision for restructuring amounted to EUR 4 million (31.12.2011: EUR 6 million) and covers estimated costs for the restructuring programmes, mainly in Belgium and Norway. The decrease in the provision reflects its utilisation over the first six months in 2012, where part of the commitments related to restructuring programmes was paid.

### Other

Other provisions amounted to EUR 29 million (31.12.2011: EUR 43 million) and mainly cover the best estimate of company's environmental and legal exposures. Based on a court decision in the reporting period, a provision for customer claims amounting to EUR 14 million was released.

## 7. Government grants

Government grants received from EU Emissions Trading System amounted to EUR 7 million as of June 30, 2012 (31.12.2011: EUR 0 million). These grants are included at fair value at the beginning of the year and are released within that year.

## 8. Loans and borrowings

The composition of interest-bearing loans and borrowings (short and long-term debt) at June 30, 2011 in EUR million was as follows:

Maturities		30.06.2012					
Due		Total	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed facilities
After	5 years	<b>249</b>	249				
Within	5 years	<b>409</b>	409			1	
	4 years	<b>8</b>	7				
	3 years	<b>188</b>	188				
	2 years	<b>118</b>	118				872
Total long-term debt		<b>972</b>	971			1	872
Total short-term debt	1 year	<b>640</b>	249 <sup>2)</sup>	225	166	0	0 <sup>1)</sup>
<b>Total debt</b>		<b>1,612</b>	<b>1,220</b>	<b>225</b>	<b>166</b>	<b>1</b>	<b>872</b>

<sup>1)</sup> Borealis maintains EUR 166 million in export credit facilities (EUR 166 million drawn at June 30, 2012).

These facilities are economically evergreen in nature, but include a one year notice for cancellation.

<sup>2)</sup> Short term debt includes USD 160 million (EUR 128 million) drawdown under Revolving Credit Facility maturing 07/2013.



Maturities		31.12.2011					
Due		<b>Total</b>	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed facilities
After	5 years	<b>536</b>	536				
Within	5 years	<b>86</b>	86			1	
	4 years	<b>156</b>	155				
	3 years	<b>39</b>	39				
	2 years	<b>199</b>	199				830
Total long-term debt		<b>1,016</b>	1,015			1	830
Total short-term debt	1 year	<b>222</b>	222 <sup>2)</sup>	0	0	0	278 <sup>1)</sup>
<b>Total debt</b>		<b>1,238</b>	<b>1,237</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,108</b>

<sup>1)</sup> Borealis maintains EUR 166 million in export credit facilities (EUR 166 million undrawn at December 31, 2011).

These facilities are economically evergreen in nature, but include a one year notice for cancellation.

<sup>2)</sup> Short term debt includes USD 160 million (EUR 123 million) drawdown under Revolving Credit Facility maturing 07/2013.

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

At June 30, 2012, the Group has committed long-term credit facilities of EUR 1,196 million (31.12.2011: EUR 1,271 million) of which EUR 324 million (31.12.2011: EUR 163 million) has been utilised. Some loan agreements have financial covenants, which are based on maintaining certain gearing and solvency ratios.

## 9. Contingent liabilities

The contingent liabilities have not changed considerably as compared to December 31, 2011.

## 10. Transactions with related parties

EUR million		30.06.2012						
	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans	Borrowings	Interest received	Interest paid
Associates and Joint Ventures	55	208	260	16	0	0	0	0
Parent company	0	0	0	0	0	0	0	0
Companies with significant influence	916	28	6	138	0	0	0	0
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	7	0	0	2	0	0	0	0
	<b>978</b>	<b>236</b>	<b>266</b>	<b>156</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

EUR million		30.06.2011						
	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans	Borrowings	Interest received	Interest paid
Associates and Joint Ventures	47	230	259	4	0	0	0	0
Parent company	0	0	0	0	0	36	0	1
Companies with significant influence	781	28	1	88	0	36	0	0
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	10	1	-1	0	0	0	0	0
	<b>838</b>	<b>260</b>	<b>259</b>	<b>92</b>	<b>0</b>	<b>72</b>	<b>0</b>	<b>1</b>

The sales to associates mainly relate to sales of finished goods and services. Purchases from companies with significant influence mainly relate to purchase of feedstock and utilities from OMV group companies at market rates.

The receivables from associates include securitisation related transactions. As of June 30, 2012, receivables worth EUR 441 million (30.6.2011: EUR 475 million) were sold. The company continues to administer the relationship with debtors and will compensate the purchaser for credit notes issued subsequent to the sale. To cover that compensation, a receivable of EUR 170 million (30.6.2011: EUR 175 million) is outstanding as of June 30, 2012 and is reported under receivables from associated companies.

The transactions with other related parties relate to the subsidiaries and associated companies of the parent company of Borealis.

## 11. Subsequent events

Borealis completed its second retail bond transaction in Austria with a maturity of 7 years in the amount of EUR 125 million in July. The coupon was set at 4%. Borealis will use the additional funds for general corporate purposes, including the refinancing of bank debt, the restructuring of the existing debt portfolio, terming out of Borealis' debt and optimising the overall finance structure. In July, the company has also successfully completed a US private placement with maturities of up to 15 years and a total amount of more than USD 130 million equivalent.

Borealis mandated The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Bank PLC, Nordea Bank Denmark A/S, and UniCredit Bank Austria AG as bookrunners and coordinators of a 5-year syndicated revolving credit facility to replace the existing facility which matures in 2013. The EUR 1 billion transaction was closed mid July 2012. The facility will be used for general corporate purposes.

Borealis has no other significant subsequent events after June 30, 2012.

## 12. Management and Supervisory Board

**Management:** Mark Garrett, Daniel Shook, Herbert Willerth, Gerd Löbbert (until June 30, 2012), Markku Korvenranta, Alfred Stern (since July 1, 2012)

**Supervisory Board:** Khadem A. Al-Qubaisi, David C. Davies (vice chairman since February 21, 2012), Gerhard Roiss (vice chairman and member until February 21, 2012), Mohamed A. Al-Azdi, Mohamed H. Al Mehairi, Manfred Leitner (member since February 21, 2012)

Vienna, August 14, 2012

### Management



**Mark Garrett**  
Chief Executive



**Daniel Shook**  
Chief Financial Officer



**Markku Korvenranta**



**Herbert Willerth**



**Alfred Stern**

## Statement by the Management in accordance with § 87 (1) Z 3 of Austrian 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, August 14, 2012

### Management



**Mark Garrett**  
Chief Executive



**Daniel Shook**  
Chief Financial Officer



**Markku Korvenranta**



**Herbert Willerth**



**Alfred Stern**

## Contact us



Open dialogue with our stakeholders is the only way we can continue to provide cutting-edge solutions to everyday problems. If you would like to learn more about Borealis, contact us at [info@borealisgroup.com](mailto:info@borealisgroup.com), visit [www.borealisgroup.com](http://www.borealisgroup.com) or call +43 1 22 400 302.

# Notes

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