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# Borealis

# Interim Consolidated

# Financial Statements

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as of 30 June 2017

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# About Borealis

# Our Business

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

## Polyolefins

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

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).

The areas of polyolefins applications are wide-ranging and diverse. These Borealis application areas are Energy, Automotive, Consumer Products, and Pipe. New Business Development explores novel and potentially significant polyolefin products and applications. Circular Economy Solutions seek to identify and realise new growth opportunities that enhance the resource efficiency of plastics.

### Energy

Borealis is a leading provider of polyolefin compounds for the global wire and cable industry. A broad range of sophisticated extra high, high and medium voltage cable applications, semi-conductive products as well as low voltage energy transmission and distribution cable solutions are made possible by Borealis' proprietary technologies. Cutting-edge innovations based on Borlink™ developed for the wire and cable industry make power grids more robust and reliable, help eliminate wastage, and make it possible to transport energy from renewable sources more efficiently and over longer distances.

Borealis' unique polymer manufacturing technologies make the wires and cables used in the construction and automotive industries safer, and improve the efficiency of data and communication networks. Borealis is also a leading supplier of polypropylene (PP) material solutions for capacitor film products. Exhibiting exceptional

cleanliness standards, these materials help achieve outstanding electrical properties, and their consistent processing behaviour enables the production of extremely thin films.

### Automotive

Borealis is a leading supplier of innovative polyolefin plastic materials for engineering applications in the automotive industry. In vehicles, Borealis' leading-edge polyolefin plastic materials are used in a wide range of exterior, interior, and under-the-bonnet applications. These include bumpers, body panels, trims, dashboards, door claddings, climate control and cooling systems, air intake manifolds and battery cases.

Proprietary Borealis technologies offer ideal replacement solutions for conventional materials like metal, rubber and engineering polymers. Working closely with key value chain partners, Borealis develops new materials for specific composite applications such as structural carriers. Borealis material solutions help facilitate lightweight construction and thus play an important role in enhancing energy efficiency. Over the lifespan of an automotive application like a bumper, for instance, eight kg of carbon emissions can be avoided by the use of one kg of PP.

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 natural resources. Combining PCR and virgin material to produce high-end grades of consistent quality translates into less resource waste.

### Consumer Products

With over 50 years experience in the industry, Borealis is an innovative and reliable supplier of superior polyolefin plastic materials used in consumer products, advanced packaging and fibre. White goods (from washing machines to refrigerators and air conditioning units) and small appliances (from toasters to power tools) are made more robust yet lighter, more energy efficient yet visually appealing, thanks to Borealis' advanced PP solutions. Superior and proprietary Borealis technologies 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).

These 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.

## Pipe

As a trusted partner to the industry for over 25 years, Borealis supplies advanced polyolefin pipe system materials that help the industry better serve a variety of projects and communities around the world. Using its proprietary Borstar® technology as a base, Borealis offers pipes used in many different industries: water and gas supply; waste water and sewage disposal; irrigation; plumbing and heating; and oil and gas, including multi-layer coating solutions for onshore and offshore oil and gas pipelines. As a one-stop shop for the oil and gas industry, Borealis provides reliable and high-quality solutions from one end of the pipeline to the other.

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, by helping 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. Compared to conventional materials, such modern polyethylene (PE) systems reduce water losses by a factor of eight. Trenchless technology reduces installation costs by up to 60%.

## New Business Development

Borealis' impressive track record in Value Creation through Innovation and its close cooperation with customers enables it to develop innovative products and solutions in the areas of Healthcare, Plastomers and Foamable Materials based on its proprietary technologies. Importantly, as global suppliers, Borealis and Borouge can ensure the security of supply and provide technical support tailored to the specific and stringent requirements of the market.

In Healthcare, the ever-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. Disposable syringes, insulin injection devices, unbreakable transparent bottles and single-dose eye drop dispensers, among other products, have all been enhanced by advanced polyolefins made by Borealis.

In Plastomers, Borealis continues to expand its wide range of attractive solutions with its brand Queo™ to meet or even surpass the most demanding requirements in sealing, flexibility, compatibility and processability. In foamable materials, Borealis' high melt strength (HMS) PP-based products fulfil the varying and sophisticated needs of both converters and consumers in the packaging, automotive and construction industries.

## Circular Economy Solutions

Borealis' acquisition of mtm, a leading German plastics recycling company in 2016 is the first major milestone in its journey to contribute more significantly to the circular economy (CE), which Borealis recognises as an industry imperative. Adherence to CE principles is a key element in Borealis' sustainability strategy, which seeks to promote profitable growth through deeper exploration and subsequent realisation of CE business opportunities, primarily in the area of mechanical recycling of plastics.

## Base Chemicals

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

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

## Hydrocarbons & Energy

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 and Borouge plants are either sourced from its owners or purchased from the markets. A range of co-products from the steam cracking process, including pygas and butadiene, are also sold to international markets.

Phenol, benzene and cumene as well as acetone are produced in Finland and sold mainly to the adhesive, fibre, epoxy resin and polycarbonate industries in Northern Europe.

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. Benzene and cumene are feedstocks for other chemical processes.

## Melamine

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

## Fertilizers

Efficient and effective use of fertilizers has become more essential than ever. The world's population is expected to rise from today's 7.3 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 developed nations there is a heightened environmental awareness of the need to promote fertilizers with low carbon footprints, to maintain healthy soil environments, and reduce run-off from fields.

As one of the leading fertilizer producers in Europe, Borealis is helping make farming more efficient in order to feed more people and livestock. Borealis supplies over 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, Borealis L.A.T promotes a broad fertilizer portfolio: nitrogen-based straight fertilizer; complex fertilizer – a combination of nitrogen (N), phosphate (P) and potassium (K) as well as speciality fertilizers; and a range of other technical nitrogen products, from ammonia and ammonium nitrates to nitric acid and urea solutions. The roll-out of the N-Pilot®, an innovative diagnostic tool to help optimise nitrogen fertilizer application, began in Europe in 2014.



As a leading fertilizer company in Europe, Borealis is helping make farming more efficient in order to help feed more people and livestock.

### Lighter weight, reduced CO<sub>2</sub> emissions

A stellar example of how customised lightweight polypropylene (PP) compounds solutions can enable significant weight savings is the new Opel/Vauxhall Astra, the 2016 European Car of the Year. Containing around 35kg of low density PP supplied by Borealis and Borouge, this successful new model weighs up to 200kg less than its predecessor. Replacing conventional materials with innovative, lighter weight polyolefins helps the automotive industry maintain stringent performance and aesthetic criteria while simultaneously fulfilling stricter CO<sub>2</sub> emissions regulations. By helping manufacturers reduce fuel consumption in their models, Borealis and Borouge are supporting efforts to improve the overall environmental footprint of automotive fleets.



### Improving the recyclability of flexible plastic packaging

In the past, the complex structure of flexible plastic packaging made recycling of this material less efficient, and thus less viable. Borealis and Borouge's recently launched Full PE Laminate solution is a step-change concept in flexible plastic packaging. Based on the proprietary Borstar® bimodal polyethylene (PE) technology in combination with machine direction oriented (MDO) processing technology, this novel monomaterial solution offers a second life to PE-based packaging as valuable end products, with no compromises when it comes to product efficiency or integrity. Innovations like these

are important steps on the Borealis journey of participating in the circular economy (CE) and pursuing opportunities for business growth in the area of plastics recycling.

### The N-Pilot®: precise, effective, convenient – and newly enhanced

Borealis L.A.T launched the N-Pilot® in Austria in 2014. This innovative diagnostic tool has since been introduced in other key European markets, including France, Germany, Hungary, and Romania. In 2016 the functionality of the N-Pilot was expanded from winter grains to include rapeseed, a vital crop for many Borealis L.A.T customers. A hand-held device used in the field, the N-Pilot® helps farmers quickly and conveniently identify the current nitrogen requirements of crops. It provides specific analyses and recommendations to ensure precise fertilizer application during the growing season, thus optimising yields and profitability while at the same time minimising environmental impact.



## Innovation Centres

The beating heart of innovation at Borealis is best felt at its Innovation Headquarters (IHQ) in Linz, Austria, or at one of the three satellite Innovation Centres in Sweden, Finland and the UAE. At the IHQ Linz research facilities, newly-developed products are tested by and with international experts on so-called application machines. The main R&D focus lies on polymer design and compound research for polymer applications in the infrastructure, automotive, advanced packaging and healthcare segments.

Another research focus at IHQ Linz is the surface aesthetics of plastics. Plastic surfaces free of flow marks, so-called “tiger stripes”, as well as primerless paint systems for exterior plastic applications are among the latest innovations developed for the automotive industry. The Borealis Sirius catalyst plant is also located in Linz. Schwechat is home to another Borstar® pilot plant.

The “Driving Tomorrow” initiative aims to reduce overall fuel consumption thanks to the use of lighter weight components in vehicles. In the Innovation Centre in Sweden, focus is on polymer design, scientific services and R&D in the area of energy and infrastructure industry solutions.

With catalyst scale-up facilities and fully integrated Borstar® PE and PP pilot plant lines, the Borealis Innovation Centre in Finland is the site of advanced catalyst and process research, collaborating closely with both Finnish and international universities and research institutes. The Borouge Innovation Centre in Abu Dhabi cooperates closely with its European partners to explore enhanced infrastructure, automotive and advanced packaging application solutions. What the IHQ Linz and Borouge Innovation Centres have in common is the shared pursuit of innovative solutions that provide added value for customers and end users.



# Mission and Strategy

CONTINUITY COMBINED WITH THE FLEXIBILITY TO SEIZE NEW OPPORTUNITIES

## Our mission

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

### We will

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

**11%+**

average return on capital employed (ROCE) after tax

**40–60%**

debt to equity ratio

# Our Values



## Responsible

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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

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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

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Our customers' and owners' success is our business

We win through commitment and innovation

We deliver what we promise – and a little bit more



## Nimbllicity™

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We are fit, fast and flexible

We create and capture opportunities

We seek the smart and simple solutions

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# Financial Statements

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# Management Report – Half Year Report 2017

The total number of recordable injuries (TRI) per million working hours was at a frequency of 0.9 in the first six months of 2017 compared to 0.7 in the same period last year. While this performance is world class, the ratio reflects ten individuals who have been injured, which is ten too many. Safety will always remain a top priority at Borealis and the company will continue to work with all its employees and contractors to continuously enhance its culture of safety with the ultimate goal of zero injuries.

The oil price increase seen during 2016 continued in the beginning of 2017 with a peak of 56 USD/bbl reached in February 2017. Since then the oil price has retreated reaching 48 USD/bbl in June 2017, resulting in an average of 53 USD/bbl for the first six months of 2017 in comparison to an average of 41 USD/bbl for the first six months of 2016. Naphtha has followed a pattern similar to the oil price with a high point for the year of 498 USD/t in February 2017 before weakening to 401 USD/t in June 2017, resulting in an average of 459 USD/t for the first six months of the year 2017. The ethylene and propylene contract prices went up consecutively for the first three months of the year before dropping back and reaching 1,015 EUR/t and 840 EUR/t, respectively, in June 2017.

The European polyolefins demand in the first six months of 2017 remained healthy compared to the same period in 2016. Borealis' polyolefins sales volume decreased by 3% in the first six months of 2017 compared to the first six months of 2016 mostly due to the intensive turnaround schedule in 2017. Borealis' fertilizer sales volume was impacted by the low market demand and decreased by 13% in the first six months of 2017 compared to the first six months of 2016.

Borealis achieved a record net profit of EUR 574 million during the first six months of 2017, compared to EUR 564 million in the same period of 2016. The operating result amounted to EUR 461 million compared to EUR 521 million in the first six months of 2016. The polyolefins business saw a strong operating profit supported by the healthy polyolefins margin. The Base Chemicals business recorded a stable operating profit in the first six months of 2017 compared to the same period of 2016. Within the Base Chemicals business, the Fertilizer business suffered from continuing difficult market conditions while the Hydrocarbons & Energy business realised an improved result in the first six months of 2017 compared to the same period of 2016.

Borouge had a strong start into the year delivering a net profit contribution to Borealis of EUR 270 million in the first six months of 2017 compared to EUR 205 million in the same period last year. The improvement in the Borouge's net profit contribution to Borealis was mainly due to limited feedstock availability in the first quarter of 2016.

Borealis' net debt increased by EUR 508 million during the first six months of 2017 reflecting the payment of a EUR 750 million dividend to Borealis' shareholders, the high investment level related to growth projects and turnarounds. These cash outflows were partially compensated by the strong operational business performance. Overall, investments in tangible and intangible assets reached EUR 244 million in the first half of 2017, compared to EUR 159 million in the same period of 2016. Borealis' financial position remains strong with a gearing of 19% at the end of June 2017 compared to 17% at the end of June 2016.

Borealis continues to maintain a very strong liquidity position, particularly 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. The RCF was originally refinanced in 2014 and matures in 2021 (EUR 930 million) and in 2020 (EUR 70 million), respectively. Borealis continues to benefit from a well-diversified financing portfolio and a balanced maturity profile. The company will look to maintain access to a wide range of funding options, including capital markets and bank funding as well as private placements going forward. Borealis concluded no major long-term financing contracts in the first half of 2017 in light of the favourable liquidity situation.

In July 2017, the Abu Dhabi National Oil Company (ADNOC) and Borealis have agreed to extend and expand Borouge's downstream petrochemicals business in Ruwais, UAE, signing a Memorandum of Understanding (MoU) under which they will advance two key projects. Under this agreement, ADNOC and Borealis will move to the pre-feed (front end engineering and design) stage for the construction of the Borouge 4 complex, which encompasses a world-scale, mixed feedstock cracker, using existing feedstock available in Abu Dhabi and downstream derivatives units for both polyolefin and non-polyolefin products. The proposed Borouge 4 complex will be integrated with ADNOC's Takreer refinery and is scheduled to come on stream around 2023. Simultaneously, the companies

have agreed to commence engineering, procurement & construction (EPC) tendering for an additional polypropylene plant (PP5) based on Borealis' proprietary Borstar® technology. The plant will add value to the surplus propylene available from Takreer's new Propane Dehydrogenation (PDH) unit.

In March 2017, Borealis and NOVA Chemicals Corporation signed a preliminary agreement to form a joint venture with Total Petrochemicals and Refining USA, Inc. Key aspects of the joint venture will include building a new 1,000 ktpa ethane cracker in Port Arthur, Texas, and a new 625 ktpa Borstar PE plant in Bayport, Texas. It will also include owning and operating Total's existing Bayport polyethylene facility, with a total capacity of 400 ktpa. The joint venture is expected to be established in late 2017 and the final investment decision on the Borstar PE plant will be taken at the same time. The ethane cracker and Borstar PE plant are planned to start-up in late 2020. The joint venture will create significant synergies by enabling both a strong integration of the value chain as well as the first-time use of the proprietary Borstar PE process technology in the Americas. It will also provide competitive export access to markets outside of North America and help meet the growing global demand for polyethylene.

To demonstrate its continuing commitment to the global automotive industry, Borealis announced its decision to build a dedicated automotive polypropylene compounding plant in North Carolina, USA. The new facility will help secure the position of Borealis as a local supplier to automotive OEMs and their Tier partners in North America and will also strengthen the strong position of both Borealis and Borouge in Europe, Brazil and China. The plant is scheduled to become commercially operational in early 2019.

Borealis' commitment to innovation remains firm. With three state of the art innovation centres located in Linz, Porvoo and Stenungsund plus innovation facilities in Grand-Quevilly and Schwechat, Borealis has over 500 employees in the R&D organisation supporting innovations for all business groups. Innovation projects are conducted in close collaboration with key customers as well as the innovation centre of Borouge in Abu Dhabi.

In April 2017, Borealis and Borouge announced a new world record of 640 kilovolt (kV) for extruded high voltage

direct current (HVDC) cable technology. As a global leading innovator, Borealis builds on over 15 years of operational experience in extruded HVDC materials and on its proprietary Borlink™ technology, to set ever higher standards in proven system performance. This new step-change in electrical performance and record-breaking voltage level has been made possible through the unique properties of tailored polymers based on Borlink, in combination with the high levels of chemical and physical cleanliness of these compounds.

In May 2017, Borealis and Borouge launched Quentys™, a new solar brand that will help exploit the full potential of solar energy by making solar applications more affordable, reliable, and durable. Borealis and Borouge are leveraging their decades of experience in the energy sector and forming new strategic partnerships along the entire solar value chain, in order to deliver step-change innovations to the market.

Effective as of 14 April 2017, Musabbeh Al Kaabi, CEO of Petroleum & Petrochemicals platform, Mubadala Investment Company, and Khalifa Al Suwaidi, Executive Director of Refining and Petrochemicals within the Petroleum & Petrochemicals platform, Mubadala Investment Company, were appointed as Supervisory Board members. Musabbeh Al Kaabi and Khalifa Al Suwaidi replaced Murtadha Al Hashmi and Rashed Saud Al Shamsi.

Borealis' Executive Board and senior management is proud of the record result in the first half of 2017. In the second half of the year, the polyolefin market environment is expected to be less favourable compared to the first half. The integrated polyolefin margins should nevertheless remain at a healthy level. A slight improvement in the fertilizer business is anticipated under still difficult market conditions. With the recommitment to Borouge, Borealis' long-term engagement in the joint venture with ADNOC, the next stage of the journey with the extension and expansion of Borouge to capitalise on the steep demand growth for polyolefin products in Asian markets will commence. Building on the record financial performance of 2016 and by staying true to its strategy of focusing on innovation, commercial and operational excellence, while never compromising on safety, the Executive Board is confident that Borealis will deliver a solid result in the second half of 2017.

## Review of results

### Sales

The European business environment was supported by the low oil price, the supportive monetary policy and a favourable Euro/USD exchange rate in the first half of 2017. Despite remaining geopolitical uncertainty, the economic optimism strengthened and the European economic growth is therefore expected to be at a slightly higher level in 2017 than in 2016.

Borealis delivered a polyolefins sales volume in the first six months of 2017 which was 3% lower compared to the same period in 2016, and realised sales of 1.8 million tonnes of polyolefins for the first half year of 2017. Fertilizer, within the Base Chemicals segment, reached a sales level of 2.0 million tonnes, a decrease of 0.3 million tonnes compared to the same period in 2016 as market conditions remained challenging. Base Chemicals' Melamine sales volumes increased from 72 kt in the first half year 2016 to 73 kt in the first half year 2017. Compared to the same period last year, gross profit decreased slightly as a result of a challenging fertilizer market environment and still healthy but somewhat lower gross profits for polyolefins.

### Cost development

The total production costs increased by 11% in the first half of 2017 versus the first six months of 2016, mainly due to the higher feedstock prices. Underlying sales and distribution costs increased by 5% year on year. The Administration and Research & Development expenses increased by 1% compared to the first six months of 2016. The number of full-time equivalent employees (FTEs) as per end of June 2017 was 6,567, compared to 6,494 at the end of December 2016.

### Operating profit

Operating profit for the first six months of 2017 amounted to EUR 461 million compared to EUR 521 million for the same period of 2016. The decrease in operating profit was mainly driven by a lower result in polyolefins because of weaker but still healthy polyolefins margins.

### Financial income and expenses

Net financial expenses for the first six months of 2017 amounted to EUR 33 million, a decrease of EUR 4 million compared to the first six months of 2016, mainly due to lower interest expenses.

### Taxes

Income tax charges for the first six months of 2017 amounted to EUR 123 million, compared to EUR 125 million in the corresponding period of 2016. The decrease is attributable to lower taxable profits, compared to the first six months of 2016. In the first six months of 2017, Borealis paid income taxes of EUR 93 million, an increase of EUR 71 million compared to the first six months of 2016.

### Net profit and distribution of dividend

The net profit for the first six months of 2017 amounted to EUR 574 million, compared to a net profit of EUR 564 million in the first six months of 2016. Borealis distributed a dividend of EUR 750 million to its shareholders from the results of the financial year 2016 in February 2017, compared to a dividend of EUR 425 million from the results of the financial year 2015 in March 2016.

## Financial position

### Total assets and capital employed

At the end of June 2017, the total assets and capital employed stood at EUR 9,189 million and EUR 7,269 million, respectively, compared to EUR 9,932 million and EUR 7,927 million at year-end 2016.

The solvency ratio was 64% at 30 June 2017, unchanged compared to year-end 2016. The gearing ratio increased to 19%, compared to 10% at the end of December 2016 mainly as a result of the dividend payment in February 2017. Net debt increased in the first half of 2017 by EUR 508 million to EUR 1,158 million at the end of June 2017. Total equity decreased by EUR 481 million to EUR 6,033 million in the first six months of 2017, mainly as a result of the dividend paid to shareholders and foreign exchange translation effects, partially offset by the profit generated in the first six months.

### Cash flows and liquidity reserves

Cash flow from operations for the first six months of 2017 was EUR 355 million. Liquidity reserves, composed of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,113 million at the end of June 2017, compared to EUR 1,928 million at year-end 2016.

Vienna, 21 August 2017

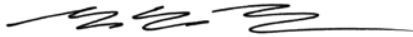
**Executive Board:**



**Mark Garrett**  
Chief Executive



**Mark Tonkens**  
Chief Financial Officer



**Markku Korvenranta**



**Martijn Arjen van Koten**



**Alfred Stern**

# Interim Consolidated Financial Statements

## Interim Consolidated Income Statement

EUR thousand	2017	2016	Note
For the six months ended 30 June	<b>unaudited</b>	<b>unaudited</b>	
<b>Net sales</b>	<b>3,890,900</b>	<b>3,660,964</b>	1
Production costs	-2,926,428	-2,646,783	
<b>Gross profit</b>	<b>964,472</b>	<b>1,014,181</b>	
Sales and distribution costs	-336,204	-320,171	
Administration costs	-110,563	-115,614	
R&D costs	-63,819	-57,589	
Other income	7,245	0	12
<b>Operating profit</b>	<b>461,131</b>	<b>520,807</b>	
Net results in associated companies and joint ventures after tax	269,952	204,970	
Financial income	3,205	3,676	
Financial expenses	-36,680	-40,974	
<b>Profit before taxation</b>	<b>697,608</b>	<b>688,479</b>	
Taxes on income	-123,137	-124,713	
<b>Net profit for the year</b>	<b>574,471</b>	<b>563,766</b>	
Attributable to:			
Non-controlling interest	646	-919	
Equity holders of the parent	573,825	564,685	



## Interim Consolidated Statement of Comprehensive Income

EUR thousand	2017	2016
For the six months ended 30 June	unaudited	unaudited
<b>Net profit for the year</b>	<b>574,471</b>	<b>563,766</b>
<b>Items that may be reclassified subsequently to the income statement</b>		
Net gain/loss on translation of financial statements of foreign operations	-317,429	-51,070
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	-875	-1,493
Reclassifications during the period to the income statement	0	0
Tax effect recognised in other comprehensive income	219	373
Net gain/loss on loans and financial contracts to hedge investments in foreign operations	16,122	4,882
Reclassifications during the period to the income statement	0	0
Tax effect recognised in other comprehensive income	-4,031	-1,221
Fair value adjustments of cash flow hedges	5,142	14,642
Reclassifications during the period to the income statement	-3,784	7,020
Tax effect recognised in other comprehensive income	-340	-5,416
Fair value adjustments of available for sale assets	0	0
Reclassifications during the period to the income statement	0	0
Tax effect recognised in other comprehensive income	0	0
<b>Items that will not be reclassified to the income statement</b>		
Actuarial gains and losses	0	-66,861
Tax effect recognised in other comprehensive income	0	16,715
<b>Net income/expense recognised in other comprehensive income</b>	<b>-304,975</b>	<b>-82,429</b>
<b>Total comprehensive income</b>	<b>269,496</b>	<b>481,337</b>
Attributable to:		
Non-controlling interest	-203	543
Equity holders of the parent	269,699	480,794

## Interim Consolidated Balance Sheet

EUR thousand	30.6.2017	31.12.2016	Note
	unaudited	audited	
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	374,557	374,964	2
Tangible assets			2
Production plants	2,472,800	2,536,914	
Machinery and equipment	28,472	30,647	
Construction in progress	384,103	270,449	
	2,885,375	2,838,010	
Investments in associated companies and joint ventures	3,625,051	3,772,758	4
Other investments	24,400	24,400	4, 10
Other receivables and other assets	30,153	35,579	10
Deferred tax assets	57,925	57,586	
<b>Total non-current assets</b>	<b>6,997,461</b>	<b>7,103,297</b>	
<b>Current assets</b>			
Inventories	1,020,674	1,048,980	6
Receivables			
Trade receivables	591,225	541,066	10
Receivables from associated companies	69,396	80,205	10, 13
Income taxes	27,501	21,300	
Other receivables and other assets	404,991	374,463	10
Total receivables and other assets	1,093,113	1,017,034	
Cash and cash equivalents	77,536	762,421	
<b>Total current assets</b>	<b>2,191,323</b>	<b>2,828,435</b>	
<b>Total assets</b>	<b>9,188,784</b>	<b>9,931,732</b>	

## Interim Consolidated Balance Sheet

EUR thousand	30.6.2017	31.12.2016	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	78,643	382,769	
Retained earnings	4,337,313	4,513,488	
Shareholders' equity	6,015,353	6,495,654	
Non-controlling interest	17,986	18,704	
<b>Total equity</b>	<b>6,033,339</b>	<b>6,514,358</b>	
<b>Liabilities</b>			
Non-current liabilities			
Loans and borrowings	999,223	1,045,189	9, 10
Deferred tax liabilities	197,072	189,889	
Employee benefits	418,468	420,275	
Provisions	52,676	58,552	7
Government grants	28,817	16,378	8
Other liabilities	10,905	17,761	10
<b>Non-current liabilities</b>	<b>1,707,161</b>	<b>1,748,044</b>	
Current liabilities			
Loans and borrowings	236,429	367,811	9, 10
Trade payables	676,111	722,262	10, 13
Income taxes	203,468	169,673	
Provisions	8,786	7,708	7
Other liabilities	323,490	401,876	10
<b>Current liabilities</b>	<b>1,448,284</b>	<b>1,669,330</b>	
<b>Total liabilities</b>	<b>3,155,445</b>	<b>3,417,374</b>	
<b>Total equity and liabilities</b>	<b>9,188,784</b>	<b>9,931,732</b>	

## Interim Consolidated Statement of Changes in Equity

EUR thousand	Share capital* and contributions by shareholders	Reserve for actuarial gains/losses recognised in equity	Hedging reserve	Reserve for unrealised exchange gains/losses and other**	Retained earnings	Total attributable to the equity holders of the parent	Non-controlling interest	Total equity
<b>Balance as of 31 December 2016</b>	<b>1,599,397</b>	<b>-190,672</b>	<b>-971</b>	<b>574,412</b>	<b>4,513,488</b>	<b>6,495,654</b>	<b>18,704</b>	<b>6,514,358</b>
Net profit for the year	0	0	0	0	573,825	<b>573,825</b>	646	<b>574,471</b>
Other comprehensive income	0	0	1,019	-305,145	0	<b>-304,126</b>	-849	<b>-304,975</b>
Total comprehensive income	0	0	1,019	-305,145	573,825	<b>269,699</b>	-203	<b>269,496</b>
Dividend payment to equity holders of the parent	0	0	0	0	-750,000	<b>-750,000</b>	-515	<b>-750,515</b>
<b>Balance as of 30 June 2017 (unaudited)</b>	<b>1,599,397</b>	<b>-190,672</b>	<b>48</b>	<b>269,267</b>	<b>4,337,313</b>	<b>6,015,353</b>	<b>17,986</b>	<b>6,033,339</b>
<b>Balance as of 31 December 2015</b>	<b>1,599,397</b>	<b>-140,366</b>	<b>-45,110</b>	<b>453,539</b>	<b>3,829,488</b>	<b>5,696,948</b>	<b>18,579</b>	<b>5,715,527</b>
Net profit for the year	0	0	0	0	564,685	<b>564,685</b>	-919	<b>563,766</b>
Other comprehensive income	0	-50,146	16,246	-49,991	0	<b>-83,891</b>	1,462	<b>-82,429</b>
Total comprehensive income	0	-50,146	16,246	-49,991	564,685	<b>480,794</b>	543	<b>481,337</b>
Dividend payment to equity holders of the parent	0	0	0	0	-425,000	<b>-425,000</b>	0	<b>-425,000</b>
<b>Balance as of 30 June 2016 (unaudited)</b>	<b>1,599,397</b>	<b>-190,512</b>	<b>-28,864</b>	<b>403,548</b>	<b>3,969,173</b>	<b>5,752,742</b>	<b>19,122</b>	<b>5,771,864</b>

\* Share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (30 June 2016: EUR 300,000.00).

\*\* Reserves for unrealised exchange gains/losses and other include reserves relating to available for sale assets.

A dividend of EUR 750,000 thousand was paid in 2017 out of the result of the year 2016.

## Interim Consolidated Cash Flow

EUR thousand	2017	2016	Note
For the six months ended 30 June	<b>unaudited</b>	<b>unaudited</b>	
<b>Cash flows from operating activities</b>			
Payments from customers	3,838,438	3,647,568	
Payments to employees and suppliers	-3,354,887	-2,943,665	
Interest received	643	421	
Interest paid	-23,480	-28,669	
Other financial expenses paid	-12,475	-10,662	
Income taxes paid	-93,382	-21,910	
	<b>354,857</b>	<b>643,083</b>	
<b>Cash flows from investing activities</b>			
Investments in tangible assets	-219,977	-137,115	2
Investments in intangible assets	-24,187	-21,733	2
Acquisitions of subsidiaries net of cash	-11,767	0	3
Acquisition of other financial investments	0	-19,632	
Dividends / capital repayments of associated companies	132,791	74,163	
Acquisitions, capital contributions to and financing of associated companies and joint ventures	-6,120	-2,356	
	<b>-129,260</b>	<b>-106,673</b>	
<b>Cash flows from financing activities</b>			
Long-term loans obtained	451	174	
Short-term loans obtained	185,760	0	
Short-term loans repaid	-345,399	-12,343	
Dividends paid	-750,000	-425,000	
Dividends paid to non-controlling interest	-515	0	
	<b>-909,703</b>	<b>-437,169</b>	
<b>Net cash flow of the period</b>	<b>-684,106</b>	<b>99,241</b>	
Cash and cash equivalents as of 1 January	762,421	547,938	
Effect of exchange rate fluctuations on cash held	-779	380	
<b>Cash and cash equivalents as of 30 June</b>	<b>77,536</b>	<b>647,559</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 the Polyolefins segment Borealis focuses on the application areas Energy, Automotive, Consumer Products, Pipe, New Business Development and Circular Economy Solutions.

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

## Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2017 have been prepared in compliance with 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 2016.

The interim consolidated financial statements for the six months ended 30 June 2017 are unaudited and have not been subject to an external audit review.

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

The accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016. Since 1 January 2017 no new accounting standards and interpretations became effective, whereas effective means effective for annual periods beginning on or after that date (as endorsed by the EU).

## 1. Segment reporting

Six months ended 30 June, if not indicated otherwise

EUR thousand	Polyolefins		Base Chemicals		Non-Allocated		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Net sales by business</b>								
Total sales	2,646,833	2,473,557	3,028,847	2,862,872	60,114	57,293	5,735,794	5,393,722
Group internal sales			-1,844,894	-1,732,758			-1,844,894	-1,732,758
	<b>2,646,833</b>	<b>2,473,557</b>	<b>1,183,953</b>	<b>1,130,114</b>	<b>60,114</b>	<b>57,293</b>	<b>3,890,900</b>	<b>3,660,964</b>

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

<b>Result</b>								
Operating profit	346,551	398,264	221,273	221,038	-106,693	-98,495	461,131	520,807
Net result in associated companies and joint ventures					269,952	204,970	269,952	204,970
Net financial items					-33,475	-37,298	-33,475	-37,298
Taxes on income					-123,137	-124,713	-123,137	-124,713
Non-controlling interest					-646	919	-646	919
<b>Net profit for the year attributable to equity holders of the parent</b>							<b>573,825</b>	<b>564,685</b>
<b>Other information</b>								
	30.6.	31.12.	30.6.	31.12.	30.6.	31.12.	30.6.	31.12.
Segment assets	3,191,355	3,180,960	2,376,815	2,361,010	3,620,614	4,389,762	9,188,784	9,931,732
thereof Austria	1,791,453	1,772,938	1,090,095	1,141,653	3,423,234	4,084,891	6,304,782	6,999,482
Segment liabilities					3,155,445	3,417,374	3,155,445	3,417,374

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

## 2. Intangible and tangible assets

Borealis invested EUR 23,815 thousand into intangible assets in the first six months of 2017 (first six months 2016: EUR 21,733 thousand), whereof EUR 3,746 thousand were related to the fair-value measurement of the assets and liabilities of mtm plastics GmbH, Niedergebra, Germany, and mtm compact GmbH, Fürstenwalde, Germany (hereafter together "mtm") within the transition period (see note 3). This fair-value measurement in connection with the fair-value measurement in the tangible assets and the deferred tax impact on these adjustments resulted in a reduction of the goodwill relating to the acquisition of mtm in the amount of EUR 4,118 thousand. Additions arising from internal

development amounted to EUR 13,524 thousand (first six months 2016: EUR 14,980 thousand). Intangible assets received by way of government grants as allowances for emissions (EU Emissions Trading System) amounted to EUR 26,353 thousand for the year 2017 (2016: EUR 22,406 thousand). The emissions of the year 2016 were settled in April 2017.

The impairment of intangible assets in the first six months of 2017 for which the carrying value exceeds the value in use amounted to EUR 3,086 thousand (first six months 2016: EUR 3,779 thousand).

Additions to tangible assets in the first six months of 2017 amounted to EUR 222,157 thousand (first six months 2016: EUR 137,115 thousand), whereof EUR 2,180 thousand were related to the fair-value measurement of the assets and liabilities of mtm within the transition period (see note 3). Moreover, borrowing costs amounting to EUR 1,837 thousand (first six months 2016: EUR 1,613 thousand) have been capitalised using an average interest rate of 2.9% (first six months 2016: 3.0%).

### 3. Business Combinations

The determination of the fair values needed for the purchase price allocation of the acquisition of mtm plastics GmbH, Niedergebra, Germany, and mtm compact GmbH, Fürstenwalde, Germany, (hereafter together "mtm") made in 2016 remained preliminary as at year-end 2016 and has been finalised by 30 June 2017. The changes are reported below.

Borealis made one acquisition in 2017.

#### 3.1. Acquisition of mtm plastics GmbH and mtm compact GmbH

On 30 June 2016, Borealis (via Borealis AG, Vienna, Austria) acquired the shares of mtm from TyBB Beratungs- und Beteiligungs GmbH, Pergo Services GmbH and pla-con Systeme Beratungs- und Beteiligungs GmbH (the Sellers).

As an industry leader, Borealis is committed to discovering and realising the opportunities presented by the circular

Major projects advanced in the first six months of 2017 relate to the upgrade and revamp of four cracker furnaces in Stenungsund, Sweden, the upgrade of the steam cracker in Porvoo, Finland, as well as to turnarounds.

At 30 June 2017, Borealis' contractual commitments amounted to EUR 106,342 thousand (31 December 2016: EUR 110,297 thousand) for the acquisition of tangible assets.

economy. By fully acquiring mtm, Borealis took its engagement in the circular economy to the next level.

mtm plastics processes secondary raw materials into high-quality regrinds and compounds for further plastics processing. The procedure includes the reception, processing and recycling of the used waste plastics as well as the sale and the distribution of the output materials at a later stage. mtm plastics' production facilities are located in Niedergebra, Germany.

mtm compact focuses on producing hard plastic pellets which are generally used as a reduction input material in the production of steel in blast furnaces. mtm compact has its production facilities in Fürstenwalde, Germany.

The acquisition has been accounted for using the acquisition method. The acquisition date fair value of the acquired assets and liabilities is final.



## Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of mtm as at the date of acquisition were:

EUR thousand	2016 adapted	2016 reported
	Fair value recognised on acquisition <sup>1)</sup>	Fair value recognised on acquisition <sup>2)</sup>
<b>Assets</b>		
Tangible and intangible assets	13,497	7,571
Other investments	39	39
Deferred tax assets	834	834
Inventories	2,560	2,560
Trade receivables	1,317	1,317
Other current receivables and other assets	518	518
Cash and cash equivalents	331	331
<b>Total assets acquired</b>	<b>19,096</b>	<b>13,170</b>
<b>Liabilities</b>		
Non-current provisions	403	403
Non-current loans and liabilities	1,750	1,750
Deferred tax liabilities	1,807	0
Trade payables	1,554	1,554
Other current liabilities	2,915	2,915
<b>Total liabilities</b>	<b>8,429</b>	<b>6,622</b>
<b>Total identifiable net assets at fair value</b>	<b>10,667</b>	<b>6,548</b>
Total purchase consideration	27,294	27,294
<b>Goodwill arising on acquisition</b>	<b>16,627</b>	<b>20,746</b>
<b>Percentage acquired</b>	<b>100%</b>	<b>100%</b>

<sup>1)</sup> The determination of the fair values needed for the purchase price allocation was finalised by the end of June 2017 and adapted in the comparatives of 2016.

<sup>2)</sup> Due to the ongoing assessments the fair value recognised in 2016 was preliminary and subject to finalisation.

The total acquisition costs of 100% of the share capital of mtm comprised an initial cash payment in June 2016 of EUR 18,000 thousand, a subsequent increase of EUR 603 thousand in October 2016, contingent considerations of EUR 8,691 thousand and costs of EUR 238 thousand directly attributable to the acquisition. The cash acquired with this acquisition in 2016 amounted to EUR 331 thousand, resulting in net cash outflow on the acquisition of EUR 18,272 thousand in 2016. The transaction costs have been expensed and are included in administrative expenses in the income statement in 2016 and are part of operating cash flows in the statement of cash flows in 2016.

This contingent consideration of EUR 8,691 thousand is divided into two components. The first component is linked to an earning target as at 31 December 2016. The performance of mtm showed that the earnings did not fully reach the target. Therefore, an amount of EUR 3,138 thousand has been recognised as other income in the income statement in 2017. The release of the earn-out provision in 2017 and the release in the prior year of EUR 1,311 thousand resulted in a remaining earn-out liability of EUR 2,783 thousand relating to the earnings target shown in the short-term liabilities.

The second component in the amount of EUR 1,459 thousand has been recognised as part of the purchase consideration, which will have to be paid to the Sellers, if a claim regarding subsidies is successful. This amount will have to be paid, if the claim materialises within 42 months after the acquisition date.

The goodwill of EUR 16,627 thousand comprises the value of the expected synergies and other benefits from combining the assets and activities of mtm with those of Borealis and has been allocated to the cash generating unit Recyclates. None of the recognised goodwill is deductible for income tax purposes.

The finalisation of the determination of the fair values needed for the purchase price allocation resulted in no significant changes to the financial statements.

### 3.2. Acquisition of Feboran OOD

On 19 April 2017, Borealis (via Borealis AG, Vienna, Austria) acquired 21,104,810 shares of Feboran OOD, Sofia, Bulgaria, (hereafter 'Feboran') from First Energy Bank, B.S.C.(c), Bahrain (the Seller). Together with 14,099,085 shares already owned before the latest acquisition by Borealis AG, Borealis became 100% owner of Feboran.

Feboran is a holding company whose only function at the moment of the acquisition was to hold 20.3% of shares in Neochim AD, Dimitrovgrad, Bulgaria (hereafter Neochim). Neochim is a fertiliser producer listed on a stock exchange in Sofia, Bulgaria. Furthermore, Feboran holds 100% of the shares of Feboran Prim EOOD, Sofia, Bulgaria. Feboran Prim EOOD has not been included in the consolidated financial statements due to immateriality.

The acquisition of Feboran has been accounted for as an acquisition of assets, as it was not a business combination. The fair value of the identifiable assets and liabilities as at the date of acquisition is final.

### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Feboran as at the date of acquisition were:

EUR thousand	Fair value recognised on acquisition
<b>Assets</b>	
Investments in associated companies	19,405
Trade receivables	26
Other current receivables and other assets	27
Cash and cash equivalents	2,233
<b>Total assets acquired</b>	<b>21,690</b>
<b>Liabilities</b>	
Trade payables	218
Other current liabilities	5
<b>Total liabilities</b>	<b>223</b>
<b>Total identifiable net assets at fair value</b>	<b>21,467</b>
Non-controlling interest measured at fair value	-7,467
<b>Total purchase consideration</b>	<b>14,000</b>
<b>Percentage acquired</b>	<b>60.00%</b>

A cash payment in April 2017 of EUR 14,000 thousand represents the total acquisition costs of 60% of the share capital of Feboran.

The cash acquired with this acquisition amounted to EUR 2,233 thousand, resulting in net cash outflow on the acquisition of EUR 11,767 thousand. The transaction costs of EUR 9 thousand 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 revaluation of the non-controlling interest with the fair value resulted in a gain of EUR 257 thousand recognised in other income (see note 12).

The consolidated financial statements include the results of Feboran for the three-month period from the acquisition date. The Group's share of profit of the associate was determined based on preliminary allocation of the cost of the associate to associate's identifiable assets, liabilities and contingent liabilities.

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

Associated Companies	Country	Ownership in %	
		30.6.2017	31.12.2016
Abu Dhabi Polymers Company Limited (Borouge)	United Arab Emirates	40.00	40.00
Borouge Pte. Ltd.	Singapore	50.00	50.00
FEBORAN OOD***	Bulgaria	–	40.00
Neochim AD****	Bulgaria	20.30	–
Kilpilahti Power Plant LTD*	Finland	20.00	20.00
Chemiepark Linz Betriebsfeuerwehr GmbH*	Austria	47.50	47.50
AZOLOR S.A.S.*	France	34.00	34.00
Société d'Intérêt Collectif Agricole par Actions Simplifiée de Gouaix (SICA de Gouaix)*	France	25.00	25.00
Société Industrielle Commerciale et Agricole de Maizières La Grande Paroisse S.A.S. (SICAM)*	France	33.99	33.99
Société d'Intérêt Collectif Agricole Laignes Agrifluides (SICA Laignes Agrifluides)*	France	49.90	49.90
Franciade Agrifluides S.A.S. (FASA)*	France	49.98	49.98
Société Centre Ouest Agrifluide S.A.S. (SOCOA)**	France	–	49.98

\* Excluded from consolidation at equity due to immateriality

\*\* Sold per 30 January 2017

\*\*\* Subsidiary since 19 April 2017

\*\*\*\* New associate due to acquisition of Feboran OOD

Joint Ventures	Country	Ownership in %	
		30.6.2017	31.12.2016
PetroPort Holding AB	Sweden	50.00	50.00
GCA Holdings LLC*	US	50.00	50.00
BTF Industriepark Schwechat GmbH*	Austria	50.00	50.00

\* Excluded from consolidation at equity due to immateriality

## Subsidiaries

Next to the acquisition of Feboran (see note 3), Borealis Chemicals ZA (Proprietary) Ltd, Germiston, South Africa,

has been incorporated as of 8 May 2017. This subsidiary is not consolidated due to immateriality.

## 5. Tax contingencies

### Borealis Polymers Oy

On 30 December 2015, Borealis Polymers Oy (BPOY), a Finnish subsidiary of Borealis AG (BAG), received a re-assessment decision by the Finnish Tax Authority (FTA) regarding the year 2009. Based on this re-assessment decision the taxable income of BPOY has been increased by an amount of EUR 364,000 thousand leading to an additional requested payment of EUR 152,500 thousand (EUR 94,640 thousand as additional income tax, EUR 57,860 thousand for penalties and interests).

The re-assessment decision relates to a license arrangement and other agreements entered into between BPOY and BAG in connection with the conclusion of a toll manufacturing agreement, whereby BPOY's contractual status was amended from that of a full-risk manufacturer to one of a toll manufacturer. The purpose of the toll manufacturing agreement was to align the contractual allocation of risks and responsibilities between BPOY and BAG with the commercial reality of a centralised group management structure of the Borealis Group that had gradually evolved over the years.

The FTA claims that the license agreement concluded between BPOY and BAG on 19 December 2008 together with the other connected agreements should be considered a sales agreement constituting a transfer of intangibles (including goodwill).

Borealis appealed the re-assessment decision to the FTA's Board of Adjustment on 29 February 2016. The decision of the Board of Adjustment is expected during the second half of the calendar year 2017. The management of Borealis believes that the FTA's decision is unjustified and is confident that the decision of the FTA will be reversed in one of the next phases of the proceeding.

### Borealis Technology Oy

On 29 December 2014, the management of Borealis Technology Oy (TOY), a Finnish subsidiary of BAG, which owns intellectual property (IP) for both polyolefin and catalyst technologies, has received a re-assessment decision by the FTA regarding polyolefin IP. Based on this re-assessment the taxable income of TOY in the year 2008 has been increased by an amount of EUR 700,000 thousand. This led to a requested additional total payment of EUR 281,747 thousand, comprising taxes, late payment interest and penalties.

On 9 June 2015, TOY received a second re-assessment decision from the FTA requesting TOY to pay an additional amount of EUR 124,600 thousand in taxes, penalties and interest regarding catalyst IP. The claimed amount is based on an additional taxable income in the year 2010 of EUR 340,000 thousand.

Borealis believes both decisions are unfounded and has filed claims at the FTA's Board of Adjustment both for the re-assessment decision concerning the year 2008 (on 27 February 2015) and for the decision concerning the year 2010 (on 13 November 2015).

On 5 January 2017, the management of TOY received two decisions from the FTA's Board of Adjustment. The Board of Adjustment has confirmed the opinion of the FTA that the license arrangements entered into between TOY and BAG in 2008 and 2010 should be considered as a sale of businesses.

The FTA's Board of Adjustment did however change the amount of taxable income of TOY downward from EUR 700,000 thousand to EUR 541,000 thousand for the year 2008 and from EUR 340,000 thousand to EUR 260,000 thousand for the year 2010 without providing any detail of the rationale for these downward adjustments.

Also, the penalties were reduced from 5% of the tax base increase in the re-assessment decision to 3% of the tax base increase in the decisions of the FTA's Board of Adjustment.

This leads to a requested additional total payment of EUR 297,000 thousand compared to an additional payment of EUR 406,347 thousand earlier claimed by the FTA. This amount includes taxes, late payment interest and penalties.

Borealis believes that these decisions fail to properly apply Finnish and International tax law and do not adequately consider the relevant facts of the case.

Borealis therefore filed an appeal against these decisions at the Helsinki Administrative Court on 6 March 2017. A suspension of payment has been obtained until the final decision.

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

## 6. Inventories

EUR thousand	30.6.2017	31.12.2016
Finished products	769,829	819,895
Raw materials and consumables	250,845	229,085
<b>Total</b>	<b>1,020,674</b>	<b>1,048,980</b>

Impairment cost of EUR 27,083 thousand (first six months 2016: impairment cost of EUR 17,780 thousand) was recognised in the first six months of 2017.

## 7. Provisions

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

### Restructuring

Provisions for restructuring amounted to EUR 1,315 thousand (31 December 2016: EUR 1,164 thousand) and cover estimated costs for the ongoing restructuring programmes mainly in Norway and Germany.

### Decommissioning

The provision for decommissioning amounted to EUR 31,208 thousand (31 December 2016: EUR 31,208 thousand) and covers the expected clean-up and dismantling costs for plants situated on rented land in Germany and Belgium. It is expected that EUR 11,048 thousand will be used until 2024, EUR 4,349 thousand until 2027 and EUR 15,811 thousand until 2049.

### Legal

Legal provisions amounted to EUR 6,553 thousand (31 December 2016: EUR 3,869 thousand) and represent litigation provisions in different areas.

### Environmental

The provision for environmental exposures amounted to EUR 6,677 thousand (31 December 2016: EUR 6,692 thousand) and covers several environmental exposures in the Group.

### Other

Other provisions amounted to EUR 15,709 thousand (31 December 2016: EUR 23,327 thousand) and cover numerous types of long-term obligations, including long-term incentive plans.

## 8. Government grants

Government grants received from the EU Emissions Trading System as of 30 June 2017 amounted to EUR 26,353 thousand in respect of the year 2017 (31 December 2016: EUR 22,406 thousand for the year 2016). These grants are included at fair value

at the beginning of the year and are released within that year. The carrying value of government grants related to emission rights amounted to EUR 13,192 thousand as of 30 June 2017 (31 December 2016: EUR 0 thousand).

## 9. Loans and borrowings

The composition of interest-bearing loans and borrowings (short and long-term debt) at 30 June 2017 in EUR thousand was as follows:

Maturities		30.6.2017					
		Total	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed facilities
After	5 years	<b>155,629</b>	155,589			40	
Within	5 years	<b>124,642</b>	124,563			79	930,000
	4 years	<b>69,518</b>	69,437			81	70,000
	3 years	<b>484,938</b>	484,845			93	
	2 years	<b>164,496</b>	163,774			722	
<b>Total long-term debt</b>		<b>999,223</b>	<b>998,208</b>	<b>0</b>	<b>0</b>	<b>1,015</b>	<b>1,000,000</b>
Total short-term debt		<b>236,429</b>	50,628	54,950	130,811	40	35,189 <sup>1)</sup>
<b>Total debt</b>		<b>1,235,652</b>	<b>1,048,836</b>	<b>54,950</b>	<b>130,811</b>	<b>1,055</b>	<b>1,035,189</b>

<sup>1)</sup> Borealis maintains EUR 166,000 thousand in export credit facilities (these facilities were drawn with EUR 130,811 thousand at 30 June 2017). These facilities are economically evergreen in nature, but include a one-year notice for cancellation.

The composition of interest-bearing loans and borrowings (short and long-term debt) at 31 December 2016 in EUR thousand was as follows:

Maturities		31.12.2016					Unutilised committed facilities
		Total	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	
Due							
After	5 years	<b>181,129</b>	181,129				
Within	5 years	<b>156,413</b>	156,413				930,000
	4 years	<b>101,866</b>	101,851			15	70,000
	3 years	<b>429,995</b>	429,941			54	
	2 years	<b>175,786</b>	175,453			333	
<b>Total long-term debt</b>		<b>1,045,189</b>	<b>1,044,787</b>	<b>0</b>	<b>0</b>	<b>402</b>	<b>1,000,000</b>
Total short-term debt		<b>367,811</b>	367,324	0	0	487	166,000 <sup>2)</sup>
<b>Total debt</b>		<b>1,413,000</b>	<b>1,412,111</b>	<b>0</b>	<b>0</b>	<b>889</b>	<b>1,166,000</b>

<sup>2)</sup> Borealis maintains EUR 166,000 thousand in export credit facilities (these facilities were fully undrawn at 31 December 2016). These facilities are economically evergreen in nature, but include a one-year notice for cancellation.

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

Borealis continues to maintain a strong liquidity position through its EUR 1 billion fully committed revolving credit facility. The EUR 1 billion Syndicated Revolving Credit Facility, based on a five-year tenor with two one-year extension options at lenders' discretion, was originally refinanced in 2014. EUR 930,000 thousand have a final maturity date of September 2021 and EUR 70,000 thousand a final maturity date of September 2020.

At 30 June 2017, the Group's overall committed long-term credit facilities have been EUR 1,166,000 thousand

(31 December 2016: EUR 1,166,000 thousand), of which EUR 130,811 thousand (31 December 2016: EUR 0 thousand) have been utilised. Some loan agreements have financial covenants, which are based on maintaining certain gearing and solvency ratios.

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

Borealis concluded no long-term financing contracts in the first half of 2017 in light of the favourable liquidity situation.

## 10. Fair values

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

EUR thousand	30.6.2017			31.12.2016		
	Carrying value	Fair value	Fair value hierarchy level	Carrying value	Fair value	Fair value hierarchy level
<b>Assets</b>						
<b>Other investments</b>						
Other investments	24,400	24,400	n/a*	24,400	24,400	n/a*
<b>Loans and receivables</b>	<b>24,400</b>			<b>24,400</b>		
<b>Trade receivables</b>						
Trade receivables	591,225	591,225	n/a*	541,066	541,066	n/a*
<b>Loans and receivables</b>	<b>591,225</b>			<b>541,066</b>		
<b>Receivables from associated companies</b>						
Receivables from associated companies	69,396	69,396	n/a*	80,205	80,205	n/a*
<b>Loans and receivables</b>	<b>69,396</b>			<b>80,205</b>		
<b>Other receivables and other assets (current and non-current)</b>						
Long term deposits for tax requirements	12,389	12,389	1	12,389	12,389	1
<b>Available for sale financial assets</b>	<b>12,389</b>			<b>12,389</b>		
Derivative financial instruments for which hedge accounting is applied	42,986	42,986	2	59,361	59,361	2
<b>Hedging instruments</b>	<b>42,986</b>			<b>59,361</b>		
Derivative financial instruments for which hedge accounting is not applied	2,623	2,623	2	11,290	11,290	2
<b>Financial assets at fair value through profit or loss</b>	<b>2,623</b>			<b>11,290</b>		
Deposits and other receivables	10,931	10,931	n/a*	7,803	7,803	n/a*
<b>Loans and receivables</b>	<b>10,931</b>			<b>7,803</b>		
Other non financial assets	366,215	n/a	n/a	319,199	n/a	n/a
<b>Total other receivables and other assets (current and non-current)</b>	<b>435,144</b>			<b>410,042</b>		

\* According to IFRS 7.29 the fair value of these items is estimated to equal the carrying value. Therefore, no fair value level was stated.



EUR thousand	30.6.2017			31.12.2016		
	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	309,330	309,330	2	261,048	261,048	2
Fixed rate loans and borrowings	926,322	983,427	2	1,151,952	1,292,393	2
<b>Financial liabilities</b>	<b>1,235,652</b>			<b>1,413,000</b>		
<b>Trade payables</b>						
Trade payables	676,111	676,111	n/a*	722,262	722,262	n/a*
<b>Financial liabilities</b>	<b>676,111</b>			<b>722,262</b>		
<b>Other liabilities (current and non-current)</b>						
Derivative financial instruments for which hedge accounting is applied	34,489	34,489	2	49,338	49,338	2
<b>Hedging instruments</b>	<b>34,489</b>			<b>49,338</b>		
Derivative financial instruments for which hedge accounting is not applied	3,011	3,011	2	14,680	14,680	2
<b>Financial liabilities at fair value through profit or loss</b>	<b>3,011</b>			<b>14,680</b>		
Contingent consideration	8,122	8,122	3	11,260	11,260	3
Interest accruals	15,202	15,202	n/a*	17,810	17,810	n/a*
<b>Financial liabilities</b>	<b>23,324</b>			<b>29,070</b>		
Other non-financial liabilities	273,571	n/a	n/a	326,549	n/a	n/a
<b>Total other liabilities (current and non-current)</b>	<b>334,395</b>			<b>419,637</b>		

\* According to IFRS 7.29 the fair value of these items is estimated to equal the carrying value. Therefore, no fair value level was stated.

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 2017, no transfers between the different levels took place.

#### Other investments

The carrying value of other investments is not materially different from their fair value.

#### Trade and other receivables and assets

The fair value of trade and other receivables and assets and receivables from associated companies is estimated to equal the nominal values less impairments (= carrying value). Therefore, no fair value hierarchy level was stated.

Deposits and other non-current receivables have no due date and are therefore not discounted.

### **Derivatives**

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

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

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

### **Other non-financial assets and liabilities**

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

### **Non-derivative financial liabilities**

It is estimated that the carrying value of the long and short-term loans and borrowings that are based on variable interest rates equals fair value as it corresponds to the current market rate of interest.

Fair value for fixed rate loans and borrowings is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest at the reporting date. All fair values are excluding the outstanding interest accruals as at 30 June 2017. The own non-performance risk as at 30 June 2017 was assessed to be insignificant.

The fair value of trade and other payables is estimated to equal the carrying value. Therefore, no fair value hierarchy level was stated.

### **Contingent Consideration**

The fair value of the contingent consideration for the acquisition of Borealis Plastomers amounted to EUR 3,880 thousand as of 30 June 2017 (31 December 2016: EUR 3,880 thousand) and has been estimated by applying a discounted cash flow technique. The assumed production target of Borealis Plastomers is, apart from the discount rate, the most significant valuation input for the determination of the contingent consideration liability. The financing rate for this acquisition has been determined as the applicable discount rate. A significant increase (decrease) in the production target of Borealis Plastomers would result in a higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the liability. In the first six months of 2017 no gains or losses were recognised in the income statement.

The fair value of the contingent consideration for the acquisition of mtm amounted to EUR 4,242 thousand as of 30 June 2017 (31 December 2016: EUR 7,380 thousand) and has been estimated based on mtm's earnings for 2016. The earnings of mtm for 2016 are the most significant valuation input for the determination of the contingent consideration liability. The fair value was re-measured during the first six months of 2017 in the amount of EUR 3,138 thousand and is included in the other income in the income statement.

## **11. Contingent liabilities**

Besides the pending tax contingency as included in note 5, no further significant risks and uncertainties have been identified compared to the Group Annual Report 2016.

## **12. Other income**

During the first six months of 2017, other income consisted mainly of the release of contingent consideration in relation to business combinations amounting to EUR 3,138 thousand (see note 10). Additionally, other income comprised earn-out proceeds related to sale of technology from previous periods

amounting to EUR 1,950 thousand, income from a short-term sublease amounting to EUR 1,900 thousand and a EUR 257 thousand fair-value gain from the step-up acquisition of Feboran OOD (see note 3). Other income during the first six months of 2016 amounted to EUR 0 thousand.

### 13. Transactions with related parties

For the six months ended 30 June

EUR thousand	2017							
	Goods and Services				Financing			
	Purchases from	Sales to	Receivables from	Payables to	Loans receivable	Loans payable	Interest received	Interest paid
Associates	144,154	169,794	69,396	73,098	0	0	0	0
Parent company	71	160	0	0	0	0	0	0
Companies with significant influence	522,949	19,756	3,865	71,365	0	0	0	0
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	18,766	1,255	930	1,057	0	0	0	0
	<b>685,940</b>	<b>190,965</b>	<b>74,191</b>	<b>145,520</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

EUR thousand	2016							
	Goods and Services				Financing			
	30.6.		31.12.		31.12.		30.6.	
	Purchases from	Sales to	Receivables from	Payables to	Loans receivable	Loans payable	Interest received	Interest paid
Associates	147,736	177,978	80,205	84,141	0	0	0	0
Parent company	0	0	80	0	0	0	0	0
Companies with significant influence	485,133	15,716	5,006	97,155	0	0	0	0
Key management personnel	0	0	0	0	0	0	0	0
Other related parties	20,503	3,107	365	0	0	0	0	0
	<b>653,372</b>	<b>196,801</b>	<b>85,656</b>	<b>181,296</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The sales to associates mainly include 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.

Purchases from associates mainly include purchases of finished goods produced in Borouge and sold in Europe. Payables to related parties are included in trade payables.

### 14. Subsequent events

Borealis AG deposited EUR 150,000 thousand on 18 July 2017 with the Helsinki Enforcement Authority, Finland, as collateral. This was carried out in connection with the prohibition of enforcement decision of 7 February 2017, issued following Borealis Technology Oy's appeal against the re-assessment decisions of

the Finnish Board of Adjustment concerning the tax years 2008 and 2010 as referred to in note 5.

This deposit is not a payment to the Finnish Tax Authority and it does not imply any agreement of Borealis AG or any other Group company with the re-assessment decisions.

## 15. Executive Board and Supervisory Board

### Executive Board

Mark Garrett, Mark Tonkens, Markku Korvenranta, Martijn Arjen van Koten, Alfred Stern

### Supervisory Board

Suhail Mohamed Faraj Al Mazrouei (Chairman), Rainer Seele (Deputy Chairman), Murtadha Al Hashmi (until 14 April 2017), Rashed Saud al Shamsi (until 14 April 2017), Musabbeh Al Kaabi (since 14 April 2017), Khalifa Al Suwaidi (since 14 April 2017), Manfred Leitner

Vienna, 21 August 2017

#### Executive Board:



**Mark Garrett**  
Chief Executive



**Mark Tonkens**  
Chief Financial Officer



**Markku Korvenranta**



**Martijn Arjen van Koten**



**Alfred Stern**

# Statement of the Executive Board according to § 87 (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, 21 August 2017

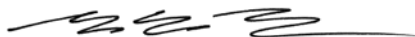
## Executive Board:



**Mark Garrett**  
Chief Executive



**Mark Tonkens**  
Chief Financial Officer



**Markku Korvenranta**



**Martijn Arjen van Koten**



**Alfred Stern**

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# Notes

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